



PHOENITRON

PHOENITRON HOLDINGS LIMITED

品創控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8066)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2021**

**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 that 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.

Hong Kong Exchange and Clearing Limited and The Stock Exchange take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors (the “Director(s)”) of Phoenitron Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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 of approximately HK\$54,691,000 for the nine months ended 30 September 2021, representing a decrease of 2.8% as compared with that of the corresponding period in 2020.
- The unaudited loss attributable to the owners of the Company for the nine months ended 30 September 2021 was approximately HK\$1,473,000.
- The Board does not recommend any payment of an interim dividend for the nine months ended 30 September 2021.

UNAUDITED THIRD QUARTERLY RESULTS

The board of Directors (the “Board”) announces the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the three months and nine months ended 30 September 2021 together with the comparative figures for the corresponding periods in 2020 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 30 September 2021

	Notes	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2021 HK\$	2020 HK\$	2021 HK\$	2020 HK\$
Revenue	2	17,497,896	18,672,540	54,690,900	56,263,862
Cost of sales		(13,566,482)	(13,391,886)	(40,832,809)	(37,933,102)
Gross profit		3,931,414	5,280,654	13,858,091	18,330,760
Other income	3	264,924	392,531	490,994	986,534
Other losses, net	4	(255,087)	(816,780)	(942,367)	(954,402)
Selling and distribution costs		(569,366)	(779,146)	(2,034,657)	(2,325,515)
Administrative expenses		(5,435,983)	(5,301,107)	(16,288,499)	(15,023,906)
Change in fair value of investment in TV programmes		–	–	3,739,445	–
Finance costs	5	(97,473)	(94,167)	(296,469)	(300,732)
(Loss)/Profit before income tax		(2,161,571)	(1,318,015)	(1,473,462)	712,739
Income tax credit	6	–	–	–	20,000
(Loss)/Profit for the period		<u>(2,161,571)</u>	<u>(1,318,015)</u>	<u>(1,473,462)</u>	<u>732,739</u>

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
Notes	HK\$	HK\$	HK\$	HK\$
Other comprehensive income/(loss):				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of financial statements of foreign operations	<u>105,010</u>	<u>(14,966)</u>	<u>814,135</u>	<u>99,199</u>
Other comprehensive income/(loss) for the period	<u>105,010</u>	<u>(14,966)</u>	<u>814,135</u>	<u>99,199</u>
Total comprehensive (loss)/income for the period	<u>(2,056,561)</u>	<u>(1,332,981)</u>	<u>(659,327)</u>	<u>831,938</u>
(Loss)/Profit for the period attributable to:				
Owners of the Company	<u>(2,161,571)</u>	<u>(1,317,962)</u>	<u>(1,473,337)</u>	<u>732,917</u>
Non-controlling interests	<u>-</u>	<u>(53)</u>	<u>(125)</u>	<u>(178)</u>
	<u>(2,161,571)</u>	<u>(1,318,015)</u>	<u>(1,473,462)</u>	<u>732,739</u>
Total comprehensive (loss)/income for the period attributable to:				
Owners of the Company	<u>(2,056,561)</u>	<u>(1,332,928)</u>	<u>(659,202)</u>	<u>832,116</u>
Non-controlling interests	<u>-</u>	<u>(53)</u>	<u>(125)</u>	<u>(178)</u>
	<u>(2,056,561)</u>	<u>(1,332,981)</u>	<u>(659,327)</u>	<u>831,938</u>
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
(Loss) /Earnings per share attributable to owners of the Company				
Basic and diluted	<u>(0.411)</u>	<u>(0.251)</u>	<u>(0.280)</u>	<u>0.140</u>

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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2021

	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\$
Balance at										
1 January 2020 (audited)	105,069,500	363,340,792	13,985,669	3,339,000	7	10,022,834	(450,277,733)	45,480,069	231,023	45,711,092
Profit/(Loss) for the period	-	-	-	-	-	-	732,917	732,917	(178)	732,739
Other comprehensive income										
- Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	99,199	-	99,199	-	99,199
Total comprehensive income/(loss) for the period	-	-	-	-	-	99,199	732,917	832,116	(178)	831,938
Balance at										
30 September 2020 (Unaudited)	<u>105,069,500</u>	<u>363,340,792</u>	<u>13,985,669</u>	<u>3,339,000</u>	<u>7</u>	<u>10,122,033</u>	<u>(449,544,816)</u>	<u>46,312,185</u>	<u>230,845</u>	<u>46,543,030</u>
Balance at										
1 January 2021 (Audited)	<u>105,069,500</u>	<u>363,340,792</u>	<u>13,985,669</u>	<u>3,339,000</u>	<u>7</u>	<u>10,751,190</u>	<u>(446,322,024)</u>	<u>50,164,134</u>	<u>230,845</u>	<u>50,394,979</u>
Loss for the period	-	-	-	-	-	-	(1,473,337)	(1,473,337)	(125)	(1,473,462)
Other comprehensive income										
- Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	814,135	-	814,135	-	814,135
Total comprehensive income/(loss) for the period	-	-	-	-	-	814,135	(1,473,337)	(659,202)	(125)	(659,327)
Balance at										
30 September 2021 (Unaudited)	<u>105,069,500</u>	<u>363,340,792</u>	<u>13,985,669</u>	<u>3,339,000</u>	<u>7</u>	<u>11,565,325</u>	<u>(447,795,361)</u>	<u>49,504,932</u>	<u>230,720</u>	<u>49,735,652</u>

NOTES:

1. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the nine months ended 30 September 2021 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 includes the applicable disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial information should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2020.

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 2021, the accounting policies applied are consistent with those of the audited annual financial statements of the Group for the year ended 31 December 2020, 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 this 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 2020.

2. REVENUE

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

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2021	2020	2021	2020
	HK\$	HK\$	HK\$	HK\$
Sales of smart cards	17,497,896	18,672,540	54,676,340	56,263,262
Sales of smart card application systems	–	–	14,560	600
	<u>17,497,896</u>	<u>18,672,540</u>	<u>54,690,900</u>	<u>56,263,862</u>

3. OTHER INCOME

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2021	2020	2021	2020
	HK\$	HK\$	HK\$	HK\$
Bank interest income	2,117	1,357	5,781	4,815
Government subsidies	252,708	373,500	252,708	747,000
Sundry income	10,099	17,674	232,505	234,719
	<u>264,924</u>	<u>392,531</u>	<u>490,994</u>	<u>986,534</u>

4. OTHER LOSSES, NET

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2021	2020	2021	2020
	HK\$	HK\$	HK\$	HK\$
Loss on disposal of property, plant and equipment	(103,583)	–	(103,583)	–
Exchange loss, net	(151,504)	(816,780)	(838,784)	(954,402)
	<u>(255,087)</u>	<u>(816,780)</u>	<u>(942,367)</u>	<u>(954,402)</u>

5. FINANCE COSTS

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	HK\$	HK\$	HK\$	HK\$
Finance charges on lease liabilities	97,473	94,167	296,469	300,732
	<u>97,473</u>	<u>94,167</u>	<u>296,469</u>	<u>300,732</u>

6. INCOME TAX CREDIT

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2021	2020	2021	2020
	HK\$	HK\$	HK\$	HK\$
Current tax				
– Hong Kong Profits Tax				
Over-provision in prior year	–	–	–	20,000
Total income tax credit	<u>–</u>	<u>–</u>	<u>–</u>	<u>20,000</u>

Notes:

(a) Hong Kong

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2,000,000 of profits of qualifying group entity 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 a flat rate of 16.5%. No Hong Kong Profits Tax has been provided for the nine months ended 30 September 2021 as the Group did not generate any estimated assessable profits in Hong Kong during the period (2020: nil).

(b) PRC

The PRC Enterprise Income Tax has been calculated at 25% (2020: 25%) on the estimated assessable profits for the nine months ended 30 September 2021 based on the existing legislation, interpretations and practices in respect thereof. No PRC Enterprise Income Tax has been provided for the nine months ended 30 September 2021 as the Group has sufficient tax losses brought forward to set off against assessable profits in the PRC during the period (2020: nil).

(c) Other jurisdictions

Pursuant to the rules and regulations of the Cayman Islands, the British Virgin Islands (the “BVI”) and Taiwan, the Group is not subject to any income tax in the Cayman Islands, the BVI and Taiwan (2020: nil).

7. DIVIDEND

The Board does not recommend any payment of an interim dividend for the nine months ended 30 September 2021 (2020: nil).

8. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit 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 September		Unaudited Nine months ended 30 September	
	2021 HK\$	2020 HK\$	2021 HK\$	2020 HK\$
(Loss)/Profit attributable to owners of the Company (HK\$)	(2,161,571)	(1,317,962)	(1,473,337)	732,917
Weighted average number of ordinary shares in issue	<u>525,347,500</u>	<u>525,347,500</u>	<u>525,347,500</u>	<u>525,347,500</u>
Basic (loss)/earnings per share (expressed in HK cents per share)	<u>(0.411)</u>	<u>(0.251)</u>	<u>(0.280)</u>	<u>0.140</u>

(b) Diluted (loss)/earnings per share

The exercise price of the share option is higher than the average market price per share for the three months and nine months ended 30 September 2021 and 2020, the exercise of the potential ordinary shares is not assumed in the computation of diluted (loss)/earnings per share. Therefore, the diluted (loss)/earnings per share attributable to owners of the Company for the three months and nine months ended 30 September 2021 and 2020 are the same as the basic (loss)/earnings per share for the respective periods.

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\$54.7 million, a decline of approximately HK\$1.6 million or 2.8% as compared to the corresponding period in 2020 of approximately HK\$56.3 million.

Cost of Sales ("COS") and Gross Profit

During the Reporting Period, cost of sales incurred for the SIM card manufacturing business amounted to approximately HK\$40.8 million, an increase of approximately HK\$2.9 million or 7.7% as compared to the corresponding period in 2020 of approximately HK\$37.9 million. The reason for the increase in COS was due to a higher portion of revenue being derived from cardbody-related orders (meaning fewer higher-value-added-service orders) which caused the increases in material and labour costs year-on-year.

Due to a less favourable sales mix year-on-year, gross profit of the Group during the Reporting Period recorded a decline of approximately HK\$4.4 million or 24.0%, from the corresponding period in 2020 of approximately HK\$18.3 million, to approximately HK\$13.9 million.

Other Income

Other income of approximately HK\$0.49 million comprised of a one-off subsidy from the PRC local authority of approximately HK\$0.25 million and sundry income of approximately HK\$0.24 million (nine months ended 30 September 2020: approximately HK\$0.99 million and was mainly comprised of the government subsidy of approximately HK\$0.75 million, and sundry income of approximately HK\$0.24 million).

Other Losses, Net

During the Reporting Period, other losses comprised of loss of disposal of property, plant and equipment of approximately HK\$0.10 million and the exchange losses arising from foreign currency based transactions of approximately HK\$0.84 million (nine months ended 30 September 2020: exchange losses arising from foreign currency based transactions of approximately HK\$0.95 million).

Selling and Distribution Costs

During the Reporting Period, selling and distribution costs amounted to approximately HK\$2.03 million, representing a slight decrease of approximately HK\$0.30 million, or 12.9%, as compared to the corresponding period in 2020 of approximately HK\$2.33 million. The decrease was mainly due to the decreases in freight charges and commission paid as a result of the decrease in revenue of SIM card segment year-on-year.

Administrative Expenses

Administrative expenses recorded an increase of approximately HK\$1.3 million, or 8.7% during the Reporting Period, from approximately HK\$15.0 million for the corresponding period in 2020, to approximately HK\$16.3 million. The increase was primarily attributable to the increase in various administrative expenses such as entertainment, staff costs and sundry expenses.

Change in Fair Value of Investment in TV programmes

During the Reporting Period, a fair value gain on investment in TV programmes of approximately HK\$3.74 million was recognised (nine months ended 30 September 2020: nil) as a result of the production progress of the programming.

Finance Costs

During the Reporting Period, the Group's finance costs, representing the finance charges on lease liabilities, amounted to approximately HK\$0.3 million (nine months ended 30 September 2020: approximately HK\$0.3 million).

Income Tax Credit

There was no income tax expense incurred during the Reporting Period (nine months ended 30 September 2020: income tax credit of approximately HK\$0.02 million).

Non-controlling Interest

During the Reporting Period, a loss of HK\$125 attributable to the non-controlling interests was recognized (nine months ended 30 September 2020: HK\$178).

As a result of the foregoing, loss attributable to owners of the Company for the Reporting Period amounted to approximately HK\$1.47 million (nine months ended 30 September 2020: profit of approximately HK\$0.73 million).

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group financed its business operations and investments with cash revenue generated from operating activities and other borrowings. As at 30 September 2021, the Group had cash and bank balances of approximately HK\$6.0 million (31 December 2020: approximately HK\$8.8 million) and other borrowings of nil (31 December 2020: approximately HK\$0.3 million).

As at 30 September 2021, the Group had current assets of approximately HK\$72.8 million (31 December 2020: approximately HK\$44.4 million) and current liabilities of approximately HK\$32.6 million (31 December 2020: approximately HK\$36.0 million). Due to the reclassification of investment in TV programmes from non-current assets to current assets, the current ratio, expressed as current assets over current liabilities, was 2.2 (31 December 2020: 1.2).

GEARING RATIO

The gearing ratio of the Group, expressed as a percentage of total borrowings including lease liabilities to total assets including right-of-use assets of the Group, was 10.2% as at 30 September 2021 (31 December 2020: 11.5%).

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

As at 30 September 2021, the interests or short positions of the Directors and chief executive 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 (Chapter 571 of the Laws of Hong Kong) (the "SFO") which would have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which would be required pursuant to section 352 of the SFO or to be entered in the register as referred to therein, or otherwise required to be notified to the Company and the Stock Exchange pursuant to Model Code, were as follows:

Name of Directors	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 Directors					
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 Directors					
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 September 2021, none of the Directors nor chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which was required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2021, as far as is known to the Directors, the persons (other than Directors or chief executive of the Company) or corporations who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

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	63,142,512	12.02
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	94,729,012	18.03

Note:

1. Mr. Tsai Chi Yuan is deemed to be a substantial shareholder of the Company by virtue of his 100% beneficial interest in Golden Dice Co., Ltd. and Best Heaven Limited.

Save as disclosed above, as at 30 September 2021, the Directors and the chief executive of the Company were not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

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. Summary of the share options outstanding during the nine months ended 30 September 2021 are as follows:

Name of participants	At 1 January 2021	Granted during the period	At 30 September 2021	Date of grant	Exercisable period	Exercise price HK\$
Executive Directors						
Lily Wu (<i>Note 1</i>)	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Chang Wei Wen (<i>Note 1</i>)	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Yang Meng Hsiu (<i>Note 1</i>)	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Independent non-executive Directors						
Chan Siu Wing, Raymond (<i>Note 1</i>)	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Leung Ka Kui, Johnny (<i>Note 1</i>)	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Wong Ka Wai, Jeanne (<i>Note 1</i>)	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
	<u>14,850,000</u>	<u>–</u>	<u>14,850,000</u>			
Other employees						
In aggregate (<i>Note 1</i>)	<u>22,779,250</u>	<u>–</u>	<u>22,779,250</u>	3 January 2018	3 January 2018 to 2 January 2028	0.20
	<u><u>37,629,250</u></u>	<u><u>–</u></u>	<u><u>37,629,250</u></u>			

Note:

- As at 30 September 2021, the remaining life was about 6.26 year.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary role and function of the audit committee are to review the Company's financial controls, internal control and risk management systems; to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; to review the Company's financial statements, and to provide advice and comment thereon to the Board. 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 nine months ended 30 September 2021 have been reviewed by the audit committee.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the Company emphasize a quality Board, sound internal controls, transparency and accountability to all shareholders. Throughout the nine months ended 30 September 2021, 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.

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 of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the nine months ended 30 September 2021.

COMPETING INTERESTS

As at 30 September 2021, 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 nine months ended 30 September 2021.

For order of the Board
Lily Wu
Chairman

Hong Kong, 9 November 2021

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 Listed Company Information" page for at least 7 days from the date of its posting and the Company's website at www.phoenitron.com.