



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 2018**

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

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given 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.

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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 turnover of approximately HK\$14,345,000 for the three months ended 30 September 2018, representing an increase of 5.8% as compared with that of the corresponding period in 2017, and approximately HK\$38,856,000 for the nine months ended 30 September 2018, representing a decrease of 86.0% as compared with that of the corresponding period in 2017.
- The unaudited profit attributable to the owners of the Company for the three months ended 30 September 2018 was approximately HK\$299,000, and the unaudited loss attributable to the owners of the Company was approximately HK\$14,525,000 for the nine months ended 30 September 2018.
- The Board does not recommend any payment of an interim dividend for the nine months ended 30 September 2018.

UNAUDITED THIRD QUARTERLY RESULTS

The board of Directors (the “Board”) announces the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the three months and the nine months ended 30 September 2018 together with the comparative figures for the corresponding periods in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>Notes</i>	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$
Revenue	2	14,344,951	13,554,440	38,855,647	277,274,994
Cost of sales		<u>(11,605,929)</u>	<u>(13,148,828)</u>	<u>(32,232,263)</u>	<u>(267,240,011)</u>
Gross profit		2,739,022	405,612	6,623,384	10,034,983
Other income	3	252,765	47,379	434,754	148,483
Other gains/(losses), net	4	3,882,898	80,307	3,146,192	(194,382)
Selling and distribution costs		(776,310)	(1,084,860)	(2,642,869)	(3,198,299)
Administrative expenses		(5,678,219)	(5,538,128)	(21,398,118)	(17,728,241)
Finance costs	5	(288,742)	(105,990)	(836,268)	(579,738)
Profit/(Loss) before income tax		131,414	(6,195,680)	(14,672,925)	(11,517,194)
Income tax credit/(expense)	6	116,702	336,000	6,749	(12,639)
Profit/(Loss) for the period		<u>248,116</u>	<u>(5,859,680)</u>	<u>(14,666,176)</u>	<u>(11,529,833)</u>

	<i>Notes</i>	Unaudited		Unaudited	
		Three months ended		Nine months ended	
		30 September		30 September	
		2018	2017	2018	2017
		HK\$	HK\$	HK\$	HK\$
Other comprehensive (loss)/income:					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange (loss)/gain on translation of financial statements of foreign operations		<u>(3,618,333)</u>	<u>437,586</u>	<u>(3,987,198)</u>	<u>3,350,979</u>
Other comprehensive (loss)/income for the period		<u>(3,618,333)</u>	<u>437,586</u>	<u>(3,987,198)</u>	<u>3,350,979</u>
Total comprehensive loss for the period		<u>(3,370,217)</u>	<u>(5,422,094)</u>	<u>(18,653,374)</u>	<u>(8,178,854)</u>
Profit/(Loss) attributable to:					
Owners of the Company		<u>299,145</u>	<u>(5,707,360)</u>	<u>(14,524,802)</u>	<u>(11,414,044)</u>
Non-controlling interests		<u>(51,029)</u>	<u>(152,320)</u>	<u>(141,374)</u>	<u>(115,789)</u>
		<u>248,116</u>	<u>(5,859,680)</u>	<u>(14,666,176)</u>	<u>(11,529,833)</u>
Total comprehensive (loss)/profit attributable to:					
Owners of the Company		<u>(2,352,599)</u>	<u>(5,415,454)</u>	<u>(17,186,763)</u>	<u>(8,790,705)</u>
Non-controlling interests		<u>(1,017,618)</u>	<u>(6,640)</u>	<u>(1,466,611)</u>	<u>611,851</u>
		<u>(3,370,217)</u>	<u>(5,422,094)</u>	<u>(18,653,374)</u>	<u>(8,178,854)</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings/(Loss) per share					
	8				
– Basic		<u>0.057</u>	<u>(1.265)</u>	<u>(2.936)</u>	<u>(2.793)</u>
– Diluted		<u>0.056</u>	<u>(1.265)</u>	<u>(2.901)</u>	<u>(2.793)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited									
	Share capital	Share premium*	Contributed surplus*	Share option reserve*	Other reserves*	Translation reserve*	Accumulated Losses*	Total	Non-controlling interests	Total equity
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 January 2017	75,258,500	363,367,716	13,985,669	1,360,008	7	2,150,237	(389,559,509)	66,562,628	24,046,373	90,609,001
Issue of share upon share subscription	15,000,000	-	-	-	-	-	-	15,000,000	-	15,000,000
Share issue expenses	-	(25,000)	-	-	-	-	-	(25,000)	-	(25,000)
Transactions with owners	<u>15,000,000</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,975,000</u>	<u>-</u>	<u>14,975,000</u>
Loss for the period	-	-	-	-	-	-	(11,414,044)	(11,414,044)	(115,789)	(11,529,833)
Other comprehensive income										
– Translation of foreign operations	-	-	-	-	-	2,623,339	-	2,623,339	727,640	3,350,979
Total comprehensive income/(loss) for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,623,339</u>	<u>(11,414,044)</u>	<u>(8,790,705)</u>	<u>611,851</u>	<u>(8,178,854)</u>
At 30 September 2017	<u>90,258,500</u>	<u>363,342,716</u>	<u>13,985,669</u>	<u>1,360,008</u>	<u>7</u>	<u>4,773,576</u>	<u>(400,973,553)</u>	<u>72,746,923</u>	<u>24,658,224</u>	<u>97,405,147</u>
At 1 January 2018	90,258,500	363,342,716	13,985,669	1,360,008	7	8,125,040	(409,329,715)	67,742,225	25,670,151	93,412,376
Issue of share upon share subscription	15,000,000	-	-	-	-	-	-	15,000,000	-	15,000,000
Share issue expenses	-	(25,000)	-	-	-	-	-	(25,000)	-	(25,000)
Transactions with owners	<u>15,000,000</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,975,000</u>	<u>-</u>	<u>14,975,000</u>
Loss for the period	-	-	-	-	-	-	(14,524,802)	(14,524,802)	(141,374)	(14,666,176)
Other comprehensive loss										
– Translation of foreign operations	-	-	-	-	-	(2,661,961)	-	(2,661,961)	(1,325,237)	(3,987,198)
Total comprehensive loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,661,961)</u>	<u>(14,524,802)</u>	<u>(17,186,763)</u>	<u>(1,466,611)</u>	<u>(18,653,374)</u>
Share-based payments	-	-	-	3,339,000	-	-	-	3,339,000	-	3,339,000
At 30 September 2018	<u>105,258,500</u>	<u>363,317,716</u>	<u>13,985,669</u>	<u>4,699,008</u>	<u>7</u>	<u>5,463,079</u>	<u>(423,854,517)</u>	<u>68,869,462</u>	<u>24,203,540</u>	<u>93,073,002</u>

* The total of these accounts as at the reporting date represents “Reserves” of HK\$36,389,038 (2017: HK\$17,511,577) in deficit in the consolidated statement of financial position.

NOTES:

1. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the nine months ended 30 September 2018 has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collectively includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited condensed consolidated financial information also 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 2017.

Except as for the adoption of new and revised HKFRSs issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2018, the accounting policies applied are consistent with those of the audited annual financial statements of the Group for the year ended 31 December 2017, as described in those audited annual financial statements. The Directors anticipate that the application of these new and revised HKFRSs will not have material impact on the unaudited condensed consolidated financial information of the Group.

Taxes on income in the periods are accrued using the tax rate that would be applicable to expected total annual earnings, that is, the estimated average annual effective income tax rate applied to the pre-tax income of the period.

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

The preparation of unaudited condensed consolidated financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these unaudited condensed consolidated financial information, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual consolidated financial statements of the Group for the year ended 31 December 2017.

2. REVENUE

Revenue from the Group’s principal activities recognized during the reporting period is as follows:

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$
Sales of smart cards	12,203,461	12,100,132	36,698,137	36,817,589
Sales of smart card application systems	12,200	20,200	28,220	48,350
Sales of petro-chemical products	2,129,290	1,434,108	2,129,290	240,409,055
	<u>14,344,951</u>	<u>13,554,440</u>	<u>38,855,647</u>	<u>277,274,994</u>

3. OTHER INCOME

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$
Bank interest income	957	417	2,433	1,638
Sundry income	251,808	46,962	432,321	146,845
	<u>252,765</u>	<u>47,379</u>	<u>434,754</u>	<u>148,483</u>

4. OTHER GAINS/(LOSSES), NET

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$
Bad debts recovered	3,390,207	–	3,390,207	–
Gain on disposal of property, plant and equipment	110,000	–	110,000	224,750
Exchange gain/(loss), net	382,691	80,307	(354,015)	(419,132)
	<u>3,882,898</u>	<u>80,307</u>	<u>3,146,192</u>	<u>(194,382)</u>

5. FINANCE COSTS

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2018 HK\$	2017 HK\$	2018 HK\$	2017 HK\$
Interest charges on bank loans	16,375	60,251	119,963	131,855
Interest charges on other borrowings	272,367	45,739	716,305	447,883
	<u>288,742</u>	<u>105,990</u>	<u>836,268</u>	<u>579,738</u>

6. INCOME TAX (CREDIT)/EXPENSE

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	2018	2017	2018	2017
	HK\$	HK\$	HK\$	HK\$
Current tax				
– Hong Kong Profits Tax				
Current year	(116,702)	(336,000)	–	4,000
– PRC Enterprise Income Tax				
Current year	–	–	–	8,639
Over-provision in prior year	–	–	(6,749)	–
Total income tax (credit)/expenses	<u>(116,702)</u>	<u>(336,000)</u>	<u>(6,749)</u>	<u>12,639</u>

Notes:

(a) Hong Kong Profits Tax

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

(b) PRC Enterprise Income Tax

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

7. DIVIDEND

The Board does not recommend any payment of an interim dividend for the nine months ended 30 September 2018 (nine months ended 30 September 2017: nil).

8. EARNINGS/(LOSS) PER SHARE

(a) Earnings/(Loss) per share

Basic earnings/(loss) per share is calculated by dividing the unaudited profit attributable to owners of the Company for the three months ended 30 September 2018 of HK\$299,145 (three months ended 30 September 2017: loss of HK\$5,707,360) and unaudited loss attributable to owners of the Company for the nine months ended 30 September 2018 of HK\$14,524,802 (nine months ended 30 September 2017: loss of HK\$11,414,044) by the weighted average number of ordinary shares in issue of 526,292,500 and 494,699,093 during the periods (three months and nine months ended 30 September 2017: 451,292,500 and 408,710,082 ordinary shares respectively).

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

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is calculated by dividing the unaudited profit attributable to owners of the Company for the three months ended 30 September 2018 of HK\$299,145 and unaudited loss attributable to owners of the Company for the nine months ended 30 September 2018 of HK\$14,524,802 by the weighted average number of ordinary shares of 538,506,121 and 500,746,069 respectively, calculated as follows:

	Three months ended 30 September 2018	Nine months ended 30 September 2018
Weighted average number of ordinary shares in issue used in the calculation of basic earnings/(loss) per share	526,292,500	494,699,093
Effect of deemed issue of shares under the Company's share option scheme	12,213,621	6,046,976
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(loss) per share	<u>538,506,121</u>	<u>500,746,069</u>

No adjustment has been made to basic loss per share as the outstanding share options had anti-dilutive effect on the basic loss per share for the three months and nine months ended 30 September 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation and Financial Review

Revenue

During the Reporting Period, the Group's financial result was principally derived from the contract manufacturing and sales of smart cards, though management is also actively discussing and exploring new areas of business development for further growth.

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\$36.7 million, a slight decline of approximately HK\$0.1 million or 0.3% compared to the corresponding period in 2017 of approximately HK\$36.8 million. The drop is mainly due to the depreciation of Renminbi against Hong Kong Dollars as well as decrease in the average selling prices offer to customers. The management expects that revenue for this business segment should improve in the coming quarter through new customer orders, which would also improve the production capacity utilization which reduces the per unit average costs of production.

Sales of petro-chemical products

Having taken into account the volatility of cruel oil price, the risks in the past and the current global economies, sales of petro-chemical products was conducted by Shanghai Phoenitron on a limited scale only, which led to a substantial drop in revenue on a year-on-year basis. During the Reporting period, the Group recorded revenue derived from this segment of approximately HK\$2.1 million (nine months ended 30 September 2017: HK\$240.4 million).

Cost of Sales ("COS") and Gross Profit

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

Contract manufacturing and sales of smart cards

During the Reporting Period, cost of sales incurred for the SIM card manufacturing business amounted to approximately HK\$30.1 million, an increase of approximately HK\$2.9 million or 10.6% compared to the corresponding period in 2017 of approximately HK\$27.2 million.

Sales of petro-chemical products

During the Reporting Period, COS in relation to the sales of petro-chemical products amounted to approximately HK\$2.1 million (nine months ended 30 September 2017: HK\$240.0 million).

Due to the above-mentioned reasons, the gross profit of the Group dropped by approximately HK\$3.4 million or 34.0%, from the corresponding period in 2017 of approximately HK\$10.0 million, to approximately HK\$6.6 million.

Other Income

Other income of approximately HK\$0.43 million (nine months ended 30 September 2017: approximately HK\$0.15 million) was mainly comprised of sundry income.

Other Gains/(losses), net

During the Reporting Period, other gains amounted to approximately HK\$3.15 million which comprised of a recovery of bad debts from the PRC SIM card segment of approximately HK\$3.39 million and a gain on disposal of a motor car of approximately HK\$0.11 million but such gains was partially offset by the exchange losses arising from foreign currency-based transactions of approximately HK\$0.35 million (nine months ended 30 September 2017: losses of approximately HK\$0.19 million which comprised of the exchange losses arising from foreign currency-based transactions of approximately HK\$0.42 million but partially offset by a gain on disposal of certain fixed assets in relation to the Shenzhen SIM card plant of approximately HK\$0.23 million).

Selling and Distribution Costs

During the Reporting Period, selling and distribution costs amounted to approximately HK\$2.64 million, representing a drop of approximately HK\$0.56 million, or 17.5%, as compared to the corresponding period in 2017 of approximately HK\$3.20 million. The decrease was mainly due to the fact that certain expenses (for examples, salary payment and freight charges) for the PRC SIM card plant no longer occur upon its closure.

Administrative Expenses

Administrative expenses recorded an increase of approximately HK\$3.67 million, or 20.7% during the Reporting Period, from approximately HK\$17.73 million for the corresponding period in 2017, to approximately HK\$21.40 million. The increase was primarily attributable to the share-based payments expense with a fair value of approximately HK\$3.34 million was recognised to accounts for the share options granted to the Directors and certain employees of the Group during the Reporting Period.

Finance Costs

During the Reporting Period, the Group's finance costs amounted to approximately HK\$0.84 million (nine months ended 30 September 2017: approximately HK\$0.58 million). The increase was due to the interest rates charged on such borrowings were higher.

Income Tax Expense

Income tax credit of the Group of approximately HK\$6,700 was provided for during the Reporting Period (nine months ended 30 September 2017: income tax expenses of approximately HK\$12,600).

As a result of the foregoing, loss attributable to owners of the Company during the Reporting Period amounted to approximately HK\$14.5 million (nine months ended 30 September 2017: approximately HK\$11.4 million).

In order to achieve better utilization of the Group's resources, the Board is currently considering to reduce the Group's investment in the sales of petro-chemical products segment, through reallocating part of the funds partly to other existing business segments for working capital purpose and/or to boost up sales, and partly for developing new area of business that requires initial capital investment and, depending on the scale of investment, may require the Company to conduct fund-raising activity in the near future (further announcements will be made as and when appropriate). Meanwhile, the management also continues to look for the best strategy forward to the sales of petro-chemical products segment (our initial focus in this business segment is to develop clean energy business (i.e. LNG/CNG)).

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group financed its business operations and investments with cash revenue generated from operating activities, proceeds from subscription of new shares, bank loans and other borrowings. As at 30 September 2018, the Group had cash and bank balances of approximately HK\$1.8 million (31 December 2017: approximately HK\$4.5 million) and other borrowings of approximately HK\$6.2 million (31 December 2017: secured bank loans and other borrowings of approximately HK\$13.9 million).

As at 30 September 2018, the Group had current assets of approximately HK\$132.9 million (31 December 2017: approximately HK\$237.1 million) and current liabilities of approximately HK\$47.4 million (31 December 2017: approximately HK\$153.9 million). The current ratio, expressed as current assets over current liabilities, was maintained at a level of 2.8 (31 December 2017: 1.5).

GEARING RATIO

The gearing ratio of the Group, expressed as a percentage of total borrowings to total assets of the Group, was 4.4% as at 30 September 2018 (31 December 2017: 5.6%).

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

As at 30 September 2018, the interests or short position of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of director	Nature of interest	Long/short position	Number of shares of the Company	Number of underlying shares of the Company	Approximate percentage of interest in the Company's issued share capital
Executive Director					
Lily Wu (<i>Note 1</i>)	Beneficial owner	Long	100,000	5,000,000	0.97
Chang Wei Wen (<i>Note 2</i>)	Beneficial owner	Long	525,000	4,500,000	0.95
Yang Meng Hsiu (<i>Note 2</i>)	Beneficial owner	Long	4,300,000	4,500,000	1.67
Independent Non-executive Director					
Chan Siu Wing, Raymond (<i>Note 3</i>)	Beneficial owner	Long	–	450,000	0.09
Leung Ka Kui, Johnny (<i>Note 3</i>)	Beneficial owner	Long	–	450,000	0.09
Wong Ka Wai, Jeanne (<i>Note 3</i>)	Beneficial owner	Long	–	450,000	0.09

Note:

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

Save as disclosed above, as at 30 September 2018, none of the Directors and chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2018, the following persons/companies had interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying voting rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Name of shareholders	Type of interests	Long/short position	Number of shares of the Company	Approximate percentage of interests
Golden Dice Co., Ltd. <i>(Note 1)</i>	Beneficial	Long	51,927,512	9.87
Best Heaven Limited <i>(Note 1)</i>	Beneficial	Long	31,586,500	6.00
Mr. Tsai Chi Yuan <i>(Note 1)</i>	Interests in controlled company	Long	83,514,012	15.87

Note:

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

Save as disclosed above, as at 30 September 2018, the Directors are not aware of any other persons or corporation (other than the Directors and chief executive of the Company) having an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

SHARE OPTION

Pursuant to the resolution passed by the shareholders of the Company at the extraordinary general meeting of the Company dated 8 January 2008, a new share option scheme (the “New Share Option Scheme”) was approved and adopted. The share options are fully vested at the date of grant. Movements of the share options granted to the Directors under the New Share Option Scheme during the period were as follows:

Name of participant	Notes	At 1 January 2018	Granted during the period	At 30 September 2018	Date of grant	Exercisable period	Exercise price HK\$
Executive Director							
Lily Wu	1	500,000	–	500,000	17 November 2008	17 November 2008 to 16 November 2018	1.86
	2	–	4,500,000	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Chang Wei Wen	2	–	4,500,000	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Yang Meng Hsiu	2	–	4,500,000	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Independent Non-executive Director							
Chan Siu Wing, Raymond	2	–	450,000	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Leung Ka Kui, Johnny	2	–	450,000	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Wong Ka Wai, Jeanne	2	–	450,000	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20

Note:

1. As at 30 September 2018, the remaining life was about 0.2 year.
2. As at 30 September 2018, the remaining life was about 9.5 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 nine months ended 30 September 2018 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 2018, the Group complied with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules, except for the code provision A2.1 stipulated in the following paragraphs.

The Code provision A2.1 stipulates that the roles of Chairman and Chief Executive Officer ("CEO") should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and CEO should be clearly established and set out in writing.

Ms. Lily Wu ("Ms. Wu") serves as the Chairman of the Board since 1 April 2006. Mr. Anton Ho, the former CEO, resigned from the post with effect from 1 January 2009 and the position was left vacant since his resignation. After due and careful consideration by the Board, Ms. Wu was further appointed as the CEO on 23 March 2009. The reasons for not splitting the roles of chairman and CEO are as follows:

- The size of the Group is still relatively small and thus not justified in separating the roles of chairman and CEO; and
- The Group has in place an internal control system to perform the check and balance function. Ms. Wu is primarily responsible for leadership of the Group and the Board, setting strategic direction, ensuring the effectiveness of management in execution of the strategy approved by the Board. Execution responsibilities lie with another executive Director and senior management of the Company.

Thus, the Board considers that the current structure of vesting the roles of chairman and CEO in the same person will not impair the balance of power and authority between the Board and the management of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules.

Having made specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in such code of conduct throughout the nine months ended 30 September 2018.

COMPETING INTERESTS

As at 30 September 2018, none of the directors or the management shareholders or any of their respective associates (as defined under the GEM Listing Rules) of the Company had any interest in a business that competed or might compete with the business of the Group directly or indirectly.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the nine months ended 30 September 2018.

For and on behalf of the Board
Lily Wu
Chairman

Hong Kong, 8 November 2018

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.