



PHOENITRON

PHOENITRON HOLDINGS LIMITED

品創控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8066)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2019**

**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 “Directors”) 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.

HIGHLIGHTS

- Unaudited revenue for the three months ended 31 March 2019 amounted to HK\$10,312,000, representing a decrease of 7.3% as compared to the corresponding period in 2018 of HK\$11,123,000.
- The Group recorded an unaudited loss attributable to owners of the Company of HK\$1,850,000 for the three months ended 31 March 2019.
- The Board does not recommend any payment of an interim dividend for the three months ended 31 March 2019.

UNAUDITED FIRST 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 ended 31 March 2019 together with the comparative figures for the corresponding period in 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Unaudited	
		Three months ended	
		31 March	
	<i>Notes</i>	2019	2018
		HK\$	HK\$
Revenue	2	10,311,945	11,123,271
Cost of sales		<u>(7,221,976)</u>	<u>(9,364,362)</u>
Gross profit		3,089,969	1,758,909
Other income	3	12,824	39,154
Other gains/(losses), net	4	2,026,069	(89,625)
Selling and distribution costs		(712,897)	(863,684)
Administrative expenses		(5,824,214)	(9,045,735)
Finance costs		<u>(218,337)</u>	<u>(245,784)</u>
Loss before income tax		(1,626,586)	(8,446,765)
Income tax expense	5	<u>(272,000)</u>	–
Loss for the period		<u>(1,898,586)</u>	<u>(8,446,765)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange gain on translation of financial statements of foreign operations		<u>305,365</u>	<u>3,686,889</u>
Other comprehensive income for the period		<u>305,365</u>	<u>3,686,889</u>
Total comprehensive loss for the period		<u>(1,593,221)</u>	<u>(4,759,876)</u>

		Unaudited	
		Three months ended	
		31 March	
		2019	2018
	<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>
Loss for the period attributable to:			
Owners of the Company		(1,850,332)	(8,386,922)
Non-controlling interests		<u>(48,254)</u>	<u>(59,843)</u>
		<u>(1,898,586)</u>	<u>(8,446,765)</u>
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company		(1,702,170)	(5,716,378)
Non-controlling interests		<u>108,949</u>	<u>956,502</u>
		<u>(1,593,221)</u>	<u>(4,759,876)</u>
		<i>HK Cents</i>	<i>HK Cents</i>
Loss per share			
– Basic	7	<u>(0.352)</u>	<u>(1.858)</u>
– Diluted		<u>(0.350)</u>	<u>(1.858)</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2019

	Unaudited									
	Share capital HK\$	Share premium* HK\$	Contributed surplus* HK\$	Share option reserve* HK\$	Other reserves* HK\$	Translation reserve* HK\$	Accumulated losses* HK\$	Total HK\$	Non-controlling interests HK\$	Total Equity HK\$
Balance 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
Adjustment from adoption of HKFRS 9 [#]	-	-	-	-	-	-	(665,315)	(665,315)	-	(665,315)
Adjusted balance at 1 January 2018	90,258,500	363,342,716	13,985,669	1,360,008	7	8,125,040	(409,995,030)	67,076,910	25,670,151	92,747,061
Share-based payments	-	-	-	3,339,000	-	-	-	3,339,000	-	3,339,000
Transactions with owners	-	-	-	3,339,000	-	-	-	3,339,000	-	3,339,000
Loss for the period	-	-	-	-	-	-	(8,386,922)	(8,386,922)	(59,843)	(8,446,765)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
- Translation of financial statements of foreign operations	-	-	-	-	-	2,670,544	-	2,670,544	1,016,345	3,686,889
Total comprehensive income/(loss) for the period	-	-	-	-	-	2,670,544	(8,386,922)	(5,716,378)	956,502	(4,759,876)
Balance at 31 March 2018	90,258,500	363,342,716	13,985,669	4,699,008	7	10,795,584	(418,381,952)	64,699,532	26,626,653	91,326,185
Balance at 1 January 2019	105,258,500	363,317,716	13,985,669	3,339,000	7	4,597,923	(407,020,262)	83,478,553	5,627,670	89,106,223
Adjustment from adoption of HKFRS 16 (Note 1)	-	-	-	-	-	-	(1,124,355)	(1,124,355)	-	(1,124,355)
Adjusted 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
Loss for the period	-	-	-	-	-	-	(1,850,332)	(1,850,332)	(48,254)	(1,898,586)
Other comprehensive income	-	-	-	-	-	-	-	-	-	-
- Translation of financial statements of foreign operations	-	-	-	-	-	148,162	-	148,162	157,203	305,365
Total comprehensive income/(loss) for the period	-	-	-	-	-	148,162	(1,850,332)	(1,702,170)	108,949	(1,593,221)
Balance at 31 March 2019	105,258,500	363,317,716	13,985,669	3,339,000	7	4,746,085	(409,994,949)	80,652,028	5,736,619	86,388,647

[#] Adjustment is made in the audited financial statements of the Group for the year ended 31 December 2018 due to adoption of HKFRS 9.

^{*} The total of these accounts as at the reporting date represents “Reserves” of HK\$24,606,472 (2018: adjusted balance from adoption of HKFRS 9 of HK\$25,558,968) in deficit in the consolidated statement of financial position.

NOTES:

1. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the three months ended 31 March 2019 has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collectively includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited condensed consolidated financial information also include the applicable disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial information should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2018.

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 2019, the accounting policies applied are consistent with those of the audited annual financial statements of the Group for the year ended 31 December 2018, as described in those audited annual financial statements. Other than as explained below and described in those audited annual financial statements regarding the impact of HKFRS 16 “Leases” (“HKFRS 16”), 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.

Upon the initial application of HKFRS 16, the Group has measured the rights-of-use assets as if HKFRS 16 had always been applied by using the incremental borrowing rate at initial application date and the opening balances of lease liabilities and the corresponding right-of-use assets have been adjusted to HK\$9,406,280 and HK\$8,281,925 respectively, after taking account the effects of discounting, as at 1 January 2019.

The Group has elected to use the modified retrospective approach for the adoption of HKFRS 16 on 1 January 2019 and recognized the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated. The following table summarises the impact of adopting HKFRS 16 on the opening balance of accumulated losses.

	Impact of adopting HKFRS 16 on opening balance HK\$
Non-current assets	
Right-of-use assets	8,281,925
Current liabilities	
Lease liabilities	(1,291,254)
Non-current liabilities	
Lease liabilities	<u>(8,115,026)</u>
Equity	
Cumulative effect on accumulated losses	<u><u>1,124,355</u></u>

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 2018.

2. REVENUE

Revenue from transfer of goods at a point in time from external customers in the following product lines:

	Unaudited Three months ended 31 March	
	2019	2018
	<i>HK\$</i>	<i>HK\$</i>
Sales of smart cards	10,270,845	11,115,351
Sales of smart card application systems	41,100	7,920
	10,311,945	11,123,271

3. OTHER INCOME

	Unaudited Three months ended 31 March	
	2019	2018
	<i>HK\$</i>	<i>HK\$</i>
Bank interest income	396	77
Sundry income	12,428	39,077
	12,824	39,154

4. OTHER GAINS/(LOSSES), NET

	Unaudited Three months ended 31 March	
	2019 HK\$	2018 HK\$
Exchange gains/(losses), net	2,026,069	(89,625)
	<u>2,026,069</u>	<u>(89,625)</u>

5. INCOME TAX EXPENSE

	Unaudited Three months ended 31 March	
	2019 HK\$	2018 HK\$
Current tax		
Hong Kong Profits Tax:		
Current period	272,000	–
	<u>272,000</u>	<u>–</u>
PRC Enterprise Income Tax:		
Current period	–	–
	<u>–</u>	<u>–</u>
Total income tax expense	<u>272,000</u>	<u>–</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%.

(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% (2018: 25%) for the three months ended 31 March 2019.

6. DIVIDENDS

The Board does not recommend any payment of an interim dividend for the three months ended 31 March 2019 (three months ended 31 March 2018: nil).

7. LOSS PER SHARE

(a) Basic loss per share

Basic loss per share is calculated by dividing the 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 31 March	
	2019	2018
	HK\$	HK\$
Loss attributable to owners of the Company (HK\$)	(1,850,332)	(8,386,922)
Weighted average number of ordinary shares in issue as at 31 March	<u>526,292,500</u>	<u>451,292,500</u>
Basic loss per share (<i>expressed in HK cents per share</i>)	<u>(0.352)</u>	<u>(1.858)</u>

(b) Diluted loss per share

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

Weighted average number of ordinary shares (diluted)

	2019	2018
Weighted average number of ordinary shares (basic) as at 31 March	526,292,500	451,292,500
Effect of deemed issue of shares under the Company's share option scheme	<u>2,467,204</u>	<u>–</u>
Weighted average number of ordinary shares (diluted) as at 31 March	<u>528,759,704</u>	<u>451,292,500</u>

Diluted loss per share

	Unaudited Three months ended 31 March	
	2019	2018
Loss attributable to owners of the Company (HK\$)	(1,850,332)	(8,386,922)
Weighted average number of ordinary shares (diluted) as at 31 March	<u>528,759,704</u>	<u>451,292,500</u>
Diluted loss per share (<i>expressed in HK cents per share</i>)	<u>(0.350)</u>	<u>(1.858)</u>

No adjustment has been made to the basic loss per share in the prior period as the outstanding share options had anti-dilutive effect on the basic loss per share for the three months ended 31 March 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Operations 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\$10.3 million, a decline of approximately HK\$0.8 million or 7.2% as compared to the corresponding period in 2018 of approximately HK\$11.1 million. The management expects that the orders for the rest of the year will continue to increase.

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\$7.2 million, a decline of approximately HK\$2.2 million or 23.4% as compared to the corresponding period in 2018 of approximately HK\$9.4 million. The reason for the substantial decrease in costs is a better sales-mix of an increased provision of higher-value-added service.

Due to the above-mentioned, gross profit of the Group rose by approximately HK\$1.3 million or 72.2%, from the corresponding period in 2018 of approximately HK\$1.8 million, to approximately HK\$3.1 million.

Other Income

Other income of approximately HK\$0.01 million (three months ended 31 March 2018: approximately HK\$0.04 million) was mainly comprised of sundry income.

Other gains/(losses), net

During the Reporting Period, other gains amounted to approximately HK\$2.03 million (three months ended 31 March 2018: losses of approximately HK\$0.09 million), which was attributable to the exchange gains arising from foreign currency based transactions.

Selling and Distribution Costs

During the Reporting Period, selling and distribution costs amounted to approximately HK\$0.71 million, representing a decline of approximately HK\$0.15 million, or 17.4%, as compared to the corresponding period in 2018 of approximately HK\$0.86 million. The decrease was mainly due to a decrease in local transportation costs caused by the decline in a certain SIM card customer's revenue year-on-year, whose orders required local delivery.

Administrative Expenses

Administrative expenses recorded a drop of approximately HK\$3.23 million, or 35.7% during the Reporting Period, from approximately HK\$9.05 million for the corresponding period in 2018, to approximately HK\$5.82 million. The decrease was primarily attributable to the share-based payments expense with a fair value of approximately HK\$3.34 million which was recognised in 2018 for share options granted to the Directors and certain employees of the Group.

Finance Costs

During the Reporting Period, the Group's finance costs amounted to approximately HK\$0.22 million (three months ended 31 March 2018: approximately HK\$0.25 million). The decrease was due to lower average borrowings year-on-year.

Income Tax Expense

During the Reporting Period, an income tax expense of approximately HK\$0.27 million, which is primarily attributable to the Hong Kong Profits Tax based on the estimated assessable profits arising from the SIM card business, was provided for (three months ended 31 March 2018: nil).

Non-controlling Interest

During the Reporting Period, losses attributable to the non-controlling interests amounted to approximately HK\$0.05 million (three months ended 31 March 2018: HK\$0.06 million).

As a result of the foregoing, loss attributable to owners of the Company during the Reporting Period amounted to approximately HK\$1.85 million (three months ended 31 March 2018: approximately HK\$8.39 million).

LIQUIDITY AND FINANCIAL RESOURCES/CAPITAL STRUCTURE

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 31 March 2019, the Group had cash and bank balances of HK\$14.7 million (31 December 2018: HK\$0.8 million), and other borrowings of HK\$0.6 million (31 December 2018: HK\$6.5 million).

As at 31 March 2019, the Group had current assets of HK\$124.3 million (31 December 2018: HK\$132.8 million) and current liabilities of HK\$47.2 million (31 December 2018: HK\$52.3 million). The current ratio, expressed as current assets over current liabilities, was 2.6 (31 December 2018: 2.5).

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 8.2% as at 31 March 2019 (31 December 2018: 4.6%).

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

As at 31 March 2019, 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	0.87
Chang Wei Wen (<i>Note 1</i>)	Beneficial owner	Long	525,000	4,500,000	0.95
Yang Meng Hsiu (<i>Note 1</i>)	Beneficial owner	Long	4,300,000	4,500,000	1.67
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 31 March 2019, 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 31 March 2019, 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 31 March 2019, 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 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 2019	Granted during the period	At 31 March 2019	Date of grant	Exercisable period	Exercise price HK\$
<u>Executive Director</u>						
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
<u>Independent Non-executive Director</u>						
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

Note:

1. As at 31 March 2019, the remaining life was about 8.76 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 ended 31 March 2019 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 three months ended 31 March 2019, 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 three months ended 31 March 2019.

COMPETING INTERESTS

As at 31 March 2019, 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 three months ended 31 March 2019.

By order of the Board
Lily Wu
Chairman

Hong Kong, 8 May 2019

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 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.