PHOENITRON HOLDINGS LIMITED
品 創 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8066)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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.

This announcement, for which the directors (the "Directors") of Phoenitron Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

HIGHLIGHTS

- Unaudited revenue from continuing operations for the year ended 31 December 2019 amounted to approximately HK$67,613,000, representing an increase of 34.7% as compared to the corresponding period in 2018 (restated) of approximately HK$50,204,000 (audited).

- The Group recorded an unaudited loss attributable to the owners of the Company for the continuing operations of approximately HK$25,869,000 for the year ended 31 December 2019.

- The Board does not recommend any payment of a final dividend for the year ended 31 December 2019 (2018: nil).

UNAUDITED CONSOLIDATED RESULTS

For the reasons explained below under "Review of Unaudited Annual Results", the auditing process for the annual results of the Company and its subsidiaries (together the "Group") has not been completed. In the meantime, the board of Directors (the "Board") announces the unaudited consolidated results of the Group for the year ended 31 December 2019 together with the comparative figures for the corresponding period in 2018 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**Unaudited 2019 *HK$***	Audited 2018 *HK$* (Restated)
Continuing operations			
Revenue	*4*	**67,612,736**	50,204,122
Cost of sales		**(48,223,752)**	(38,453,199)
Gross profit		**19,388,984**	11,750,923
Other income	*5*	**1,113,033**	4,199,033
Other gains, net	*6*	**7,512,545**	16,835
Reversal of impairment loss on amount due from a joint venture	*14*	**–**	23,215,878
Selling and distribution costs		**(3,673,530)**	(3,523,335)
Administrative expenses		**(24,995,102)**	(32,457,396)
Impairment loss on other receivables and prepayments		**(24,625,687)**	(225,546)
Finance costs	*7*	**(589,573)**	(1,092,964)
(Loss)/Profit before income tax	*8*	**(25,869,330)**	1,883,428
Income tax expense	*9*	**–**	(240,309)
(Loss)/Profit for the year from continuing operations		**(25,869,330)**	1,643,119
Discontinued operations			
Loss for the period/year from discontinued operations	*10*	**(16,361,773)**	(224,986)
(Loss)/Profit for the year		**(42,231,103)**	1,418,133

	Notes	Unaudited 2019 *HK$*	Audited 2018 *HK$* (Restated)
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		**(59,289)**	(5,094,006)
Release of translation reserve on disposal of subsidiaries		**5,367,547**	–
Other comprehensive income/(loss) for the year		**5,308,258**	(5,094,006)
Total comprehensive loss for the year		**(36,922,845)**	(3,675,873)
(Loss)/Profit for the year attributable to:			
Owners of the Company			
– Continuing operations		**(25,869,152)**	1,644,297
– Discontinued operations		**(16,263,964)**	(29,537)
Non-controlling interests			
– Continuing operations		**(178)**	(1,178)
– Discontinued operations		**(97,809)**	(195,449)
		(42,231,103)	1,418,133
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company			
– Continuing operations		**(28,595,899)**	2,817,847
– Discontinued operations		**(8,112,306)**	(4,730,204)
Non-controlling interests			
– Continuing operations		**(178)**	(1,178)
– Discontinued operations		**(214,462)**	(1,762,338)
		(36,922,845)	(3,675,873)

	Notes	Unaudited 2019 *HK cents*	Audited 2018 *HK cents* (Restated)
(Loss)/Earnings per share	*12*		
Basic			
– Continuing operations		**(4.920)**	0.327
– Discontinued operations		**(3.093)**	(0.006)
		(8.013)	0.321
Diluted			
– Continuing operations		**(4.920)**	0.323
– Discontinued operations		**(3.093)**	(0.006)
		(8.013)	0.317

Note: The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying HKFRS 16 is recognised in accumulated losses at the date of initial application. See note 2.

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	Unaudited 2019 HK$	Audited 2018 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**5,978,098**	6,980,393
Intangible asset		**420,000**	420,000
Prepayments for acquisition of property, plant and equipment		**–**	1,178,045
Right-of-use assets		**8,580,851**	–
Interest in an associate		**–**	–
Long-term financial assets investments		**–**	–
Long-term other receivable		**–**	–
		14,978,949	8,578,438
Current assets			
Inventories		**2,243,733**	1,331,159
Trade and other receivables	*13*	**30,924,775**	106,774,710
Amount due from a joint venture	*14*	**–**	23,215,878
Investment in TV programmes	*15*	**26,850,000**	–
Contract assets		**624,000**	–
Tax recoverable		**393,790**	674,221
Cash and cash equivalents		**10,270,969**	837,849
		71,307,267	132,833,817
Current liabilities			
Trade and other payables	*16*	**28,240,339**	45,844,280
Lease liabilities		**2,911,480**	–
Contract liabilities		**783,900**	–
Borrowings		**1,715,385**	6,457,045
		33,651,104	52,301,325
Net current assets		**37,656,163**	80,532,492
Total assets less current liabilities		**52,635,112**	89,110,930

	Notes	Unaudited 2019 HK$	Audited 2018 HK$
Non-current liabilities			
Lease liabilities		**6,919,313**	–
Deferred tax liabilities		**4,707**	4,707
		6,924,020	4,707
Net assets		**45,711,092**	89,106,223
EQUITY			
Share capital		**105,069,500**	105,258,500
Reserves		**(59,589,431)**	(21,779,947)
Equity attributable to owners of the Company		**45,480,069**	83,478,553
Non-controlling interests		**231,023**	5,627,670
Total equity		**45,711,092**	89,106,223

Note: The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying HKFRS 16 is recognised in accumulated losses at the date of initial application. See note 2.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company									
	Share capital *HK$* (Audited)	Share premium* *HK$* (Audited)	Contributed surplus* *HK$* (Audited)	Share option reserve* *HK$* (Audited)	Other reserves* *HK$* (Audited)	Translation reserve* *HK$* (Audited)	Accumulated losses* *HK$* (Audited)	Total *HK$* (Audited)	Non-controlling interests *HK$* (Audited)	Total equity *HK$* (Audited)
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
Issue of shares upon shares subscription	15,000,000	(25,000)	–	–	–	–	–	14,975,000	–	14,975,000
Capital reduction of non-controlling interests	–	–	–	–	–	–	–	–	(18,278,965)	(18,278,965)
Share-based payments	–	–	–	3,339,000	–	–	–	3,339,000	–	3,339,000
Lapse of employee share options	–	–	–	(1,360,008)	–	–	1,360,008	–	–	–
Transactions with owners	15,000,000	(25,000)	–	1,978,992	–	–	1,360,008	18,314,000	(18,278,965)	35,035
Profit/(Loss) for the year	–	–	–	–	–	–	1,614,760	1,614,760	(196,627)	1,418,133
Other comprehensive loss										
– Exchange loss on translation of financial statements of foreign operations	–	–	–	–	–	(3,527,117)	–	(3,527,117)	(1,566,889)	(5,094,006)
Total comprehensive (loss)/income for the year	–	–	–	–	–	(3,527,117)	1,614,760	(1,912,357)	(1,763,516)	(3,675,873)
Balance at 31 December 2018	**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**

	Attributable to owners of the Company									
	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$*
	(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	(407,020,262)	83,478,553	5,627,670	89,106,223
Adjustment from adoption of HKFRS 16 *(note 2(a))*	–	–	–	–	–	–	(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
Repurchase of shares	(189,000)	23,076	–	–	–	–	–	(165,924)	–	(165,924)
Effect on disposal of subsidiaries	–	–	–	–	–	–	–	–	(5,182,007)	(5,182,007)
Transactions with owners	(189,000)	23,076	–	–	–	–	–	(165,924)	(5,182,007)	(5,347,931)
Loss for the year	–	–	–	–	–	–	(42,133,116)	(42,133,116)	(97,987)	(42,231,103)
Other comprehensive income/(loss)										
– Exchange loss on translation of financial statements of foreign operations	–	–	–	–	–	57,364	–	57,364	(116,653)	(59,289)
– Release of translation reserve on disposal of subsidiaries	–	–	–	–	–	5,367,547	–	5,367,547	–	5,367,547
Total comprehensive income/(loss) for the year	–	–	–	–	–	5,424,911	(42,133,116)	(36,708,205)	(214,640)	(36,922,845)
Balance at 31 December 2019	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

Note: The Group has initially applied HKFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying HKFRS 16 is recognised in accumulated losses at the date of initial application. See note 2.

* The total of these accounts as at the reporting date represents "Reserves" of HK$59,589,431 (2018: HK$21,779,947 (audited)) in deficit in the unaudited consolidated statement of financial position.

1. BASIS OF PREPARATION

The unaudited consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collectively includes all applicable individual Hong Kong Financial Reporting Standards, 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 consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

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

The unaudited consolidated financial statements have been prepared on the historical cost basis except for investment in TV programmes and certain financial assets investments which are measured at fair values.

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

2. ADOPTION OF NEW AND AMENDED HKFRSs

(a) New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2019

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA which are relevant to the Group's operations and effective for the Group's unaudited consolidated financial statements for the annual period beginning on 1 January 2019:

HKFRS 16	Leases
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments

Other than as noted below, the adoption of the new and amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKFRS 16 "Leases"

HKFRS 16 "Leases" replaces HKAS 17 "Leases" along with three Interpretations (HK(IFRIC) - Int 4 "Determining whether an Arrangement contains a Lease", HK(SIC) – Int 15 "Operating Leases-Incentives" and HK(SIC) – Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). HKFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting HKFRS 16 being recognised in equity as an adjustment to the opening balance of accumulated losses for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from HKAS 17 and HK(IFRIC) – Int 4 and has not applied HKFRS 16 to arrangements that were previously not identified as lease under HKAS 17 and HK(IFRIC) – Int 4.

As a Lessee

The discounting effects of refundable rental deposits paid included in "trade and other receivables" at transition were considered as additional lease payments and adjusted to the cost of corresponding right-of-use assets. Besides, liabilities accrued for leases of properties in which the lessors provided rent-free period were adjusted to the cost of corresponding right-of-use assets at transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of HKFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to HKFRS 16, the incremental borrowing rate applied to lease liabilities recognised under HKFRS 16 was 4.9%.

The Group has benefited from the use of hindsight for determining lease term when considering options to extend and terminate leases.

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	Unaudited ***HK$***
Total operating lease commitments disclosed at 31 December 2018	3,024,021
Recognition exemptions:	
– Leases with remaining lease term of less than 12 months	(434,700)
Less: Agreement signed before 1 January 2019 but effective in 2019	(2,014,848)
Add: Termination option reasonably certain not to be exercised	10,309,173
Operating leases liabilities before discounting	10,883,646
Discounting using incremental borrowing rate as at 1 January 2019	(1,477,366)
Total lease liabilities recognised under HKFRS 16 at 1 January 2019	9,406,280

	Unaudited ***HK$***
Classified as:	
Current lease liabilities	1,291,254
Non-current lease liabilities	8,115,026
	9,406,280

Total impact arising from transition to HKFRS 16

The following table summarises the impact of transition to HKFRS 16 on the Group's unaudited consolidated statement of financial position at 1 January 2019:

	Unaudited ***HK$***
Increase in right-of-use assets	8,281,925
Increase in lease liabilities	(9,406,280)
Increase in accumulated losses	1,124,355

(b) Issued but not effective HKFRSs

At the date of authorisation of these unaudited consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective date not yet determined
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's unaudited consolidated financial statements.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments clarify the definition of material and state that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". Materiality depends on nature or magnitude of information or both.

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;

- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold "could influence" with "could reasonably be expected to influence" in the definition of material; and

- clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

Amendments to HKAS 1 and HKAS 8 are effective for annual reporting period beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The directors expect that the amendments have no material impact on the Group's unaudited consolidated financial statements.

3. SEGMENT INFORMATION

The operating segments are reported in a manner consistent with the way in which information is reported internally to the executive directors for the purposes of resources allocation and assessment of segment performance. The business components in the internal reporting to the executive directors, the chief operating decision-makers, are determined following the Group's major product and service lines. The Group is currently organised into the following five operating segments:

- Sales of smart cards;
- Sales of smart card application systems;
- Financial and management consultancy services;
- Sale and trading of scrap metals; and
- 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 (note 15). In addition, operation in sales of petro-chemical products was discontinued. The segment information reported on the next pages does not include any amounts for this discontinued operation, which is described in more detail in note 10.

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 unaudited financial statements under HKFRSs except that finance costs, impairment loss on other receivables and prepayments, reversal of impairment loss on amount due from a joint venture, 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 asset, 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, (loss)/profit before income tax from continuing operations, total assets, total liabilities and other segment information are as follows:

2019

	Unaudited						
	Sales of smart cards *HK$*	Sales of smart card application systems *HK$*	Financial and management consultancy services *HK$*	Sale and trading of scrap metals *HK$*	Media and entertainment *HK$*	Unallocated *HK$*	Consolidated *HK$*
Reportable segment revenue	58,162,384	50,480	–	9,399,872	–	–	67,612,736
Reportable segment profit/(loss)	3,372,269	(10,821)	(1,043,467)	(1,621,857)	(655)	–	695,469
Finance costs							(589,573)
Impairment loss on other receivables and prepayments							(24,625,687)
Gain on disposal of subsidiaries							5,006,003
Exchange gains, net							1,039,144
Corporate expenses, net							(7,394,686)
Loss before income tax from continuing operations							(25,869,330)
Reportable segment assets	36,078,635	11,395	–	3,373,050	26,850,000	8,888,377	75,201,457
Intangible asset							420,000
Tax recoverable							393,790
Cash and cash equivalents							10,270,969
Total consolidated assets							86,286,216
Reportable segment liabilities	35,459,762	16,500	–	324,815	–	3,053,955	38,855,032
Borrowings							1,715,385
Deferred tax liabilities							4,707
Total consolidated liabilities							40,575,124
Other information							
Depreciation of owned assets	2,206,332	–	–	63,609	–	10,928	2,280,869
Depreciation of right-of-use assets	1,752,355	–	–	–	–	898,689	2,651,044
Interest income	3,129	7	–	551	–	205	3,892
Additions to non-current segment assets during the year	4,113,518	–	–	–	–	1,960,784	6,074,302

2018

	Audited						
	Sales of smart cards *HK$* (Restated)	Sales of smart card application systems *HK$* (Restated)	Financial and management consultancy services *HK$* (Restated)	Sale and trading of scrap metals *HK$* (Restated)	Media and entertainment *HK$* (Restated)	Unallocated *HK$* (Restated)	Consolidated *HK$* (Restated)
Reportable segment revenue	50,175,902	28,220	–	–	–	–	50,204,122
Reportable segment loss	(4,322,001)	(10,239)	(375,109)	(3,524,707)	–	–	(8,232,056)
Finance costs							(1,092,964)
Reversal of impairment loss on amount due from a joint venture							23,215,878
Impairment loss on other receivables and prepayments							(225,546)
Exchange losses, net							(93,165)
Corporate expenses, net							(11,688,719)
Profit before income tax from continuing operations							1,883,428
Reportable segment assets	35,374,085	3,840	–	2,326,502	–	24,233,396	61,937,823
Intangible asset							420,000
Tax recoverable							393,790
Cash and cash equivalents							826,549
Total consolidated assets							63,578,162
Reportable segment liabilities	38,881,018	16,500	–	151,384	–	4,666,774	43,715,676
Borrowings							5,991,136
Deferred tax liabilities							4,707
Total consolidated liabilities							49,711,519
Other information							
Depreciation of owned assets	2,848,566	–	–	188,254	–	8,449	3,045,269
Interest income	2,518	3	–	31	–	122	2,674
Additions to non-current segment assets during the year	2,045,232	–	–	–	–	21,241	2,066,473

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

Geographical information

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

	Revenue from external customers		Specified Non-current assets	
	Unaudited	Audited	**Unaudited**	Audited
	2019	2018	**2019**	2018
	HK$	*HK$*	***HK$***	*HK$*
		(Restated)		
Continuing operations				
The People's Republic of China (the "PRC")	**3,198,704**	4,930,540	**12,605,527**	6,790,563
Europe	**25,337,690**	16,884,503	**–**	–
Africa	**26,383,058**	24,456,118	**–**	–
Asia, excluding the PRC, Hong Kong and Taiwan	**3,118,973**	3,675,024	**–**	–
Hong Kong	**174,439**	257,937	**2,371,897**	1,722,741
Taiwan	**9,399,872**	–	**1,525**	65,134
	67,612,736	50,204,122	**14,978,949**	8,578,438

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

Specified non-current assets include property, plant and equipment, right-of-use assets, intangible asset, prepayments for acquisition of property, plant and equipment and interest in an associate.

Information about major customers

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

	Unaudited	Audited
	2019	2018
	HK$	*HK$*
Continuing operations		
Customer A – Sale of smart cards	**26,035,470**	24,456,118
Customer B – Sale of smart cards	**24,959,319**	16,290,244
Customer C – Sale and trading of scrap metals	**9,399,872**	N/A[1]

1 The customer did not contribute any revenue to the Group in 2018.

4. REVENUE

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

	Unaudited 2019 *HK$*	Audited 2018 *HK$* (Restated)
Continuing operations – by product lines		
Sales of smart cards	**58,162,384**	50,175,902
Sales of smart card application systems	**50,480**	28,220
Sales and trading of scrap metals	**9,399,872**	–
	67,612,736	50,204,122

Continuing operations

	Unaudited 2019		
	Sales of smart cards *HK$*	**Sales of smart card application systems** *HK$*	**Sale and trading of scrap metals** *HK$*
Geographical markets			
The PRC	**3,198,704**	**–**	**–**
Europe	**25,337,690**	**–**	**–**
Africa	**26,383,058**	**–**	**–**
Asia, excluding the PRC, Hong Kong and Taiwan	**3,118,973**	**–**	**–**
Hong Kong	**123,959**	**50,480**	**–**
Taiwan	**–**	**–**	**9,399,872**
Total	**58,162,384**	**50,480**	**9,399,872**

	Audited 2018 (Restated)		
	Sales of smart cards *HK$*	Sales of smart card application systems *HK$*	Sale and trading of scrap metals *HK$*
Geographical markets			
The PRC	4,930,540	–	–
Europe	16,884,503	–	–
Africa	24,456,118	–	–
Asia, excluding the PRC and Hong Kong	3,675,024	–	–
Hong Kong	229,717	28,220	–
Total	50,175,902	28,220	–

5. OTHER INCOME

	Unaudited 2019 ***HK$***	Audited 2018 *HK$* (Restated)
Continuing operations		
Bank interest income	**3,892**	2,674
Government grants	**18,558**	28,529
Bad debts recovered	**–**	3,390,207
Reversal of impairment loss on trade receivables	**–**	99,514
Reversal of over-provision for bonus	**612,402**	–
Sundry income	**478,181**	678,109
	1,113,033	4,199,033

6. OTHER GAINS, NET

	Unaudited 2019 ***HK$***	Audited 2018 *HK$* (Restated)
Continuing operations		
Gain on disposal of assets classified as held for sale	**1,467,398**	–
Gain on disposal of property, plant and equipment	**–**	110,000
Gain on disposal of subsidiaries	**5,006,003**	–
Exchange gains/(losses), net	**1,039,144**	(93,165)
	7,512,545	16,835

7. FINANCE COSTS

	Unaudited 2019 ***HK$***	Audited 2018 *HK$*
Continuing operations		
Interest charges on bank loans	**–**	119,963
Interest charges on other borrowings	**106,046**	973,001
Finance charges on lease liabilities	**483,527**	–
	589,573	1,092,964

8. (LOSS)/PROFIT BEFORE INCOME TAX

	Unaudited 2019 *HK$*	Audited 2018 *HK$* (Restated)
Continuing operations		
(Loss)/Profit before income tax from continuing operations is arrived at after charging/(crediting):		
Auditor's remuneration		
– Audit services	**760,406**	730,401
– Non-audit services	**121,802**	121,800
Lease charges		
– Land and buildings under operating leases	**–**	4,547,065
– Short term leases and leases with lease term shorter than 12 months at initial application of HKFRS 16	**1,524,703**	–
Costs of inventories recognised as an expense (note)	**48,223,752**	38,453,199
Written-off of property, plant and equipment	**–**	253,409
Impairment losses/(Reversal of impairment loss) on trade receivables	**1,908**	(99,514)
Impairment losses on other receivables and prepayments	**24,625,687**	225,546
Depreciation		
– Owned assets	**2,280,869**	3,045,269
– Right-of-use assets	**2,651,044**	–
Bad debts written off	**–**	112,558
Employee benefit expenses	**21,995,381**	24,904,425

Note:

Cost of inventories includes HK$14,424,672 (unaudited) (2018: HK$13,899,034 (audited)) relating to depreciation of owned assets, depreciation of right-of-use assets, staff costs and lease charges (2018: operating lease charges).

9. INCOME TAX EXPENSE

	Unaudited 2019 *HK$*	Audited 2018 *HK$* (Restated)
Continuing operations		
Current tax		
Hong Kong Profits Tax:		
Current year	**–**	181,097
Under-provision in prior year	**–**	59,212
Total income tax expense	**–**	240,309

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 year ended 31 December 2019, Hong Kong profits tax has been provided at the rate of 16.5% (2018: Hong Kong profits tax of Intercard Limited, a subsidiary of the Company, is calculated in accordance with the two-tiered profits tax rates regime) of the estimated assessable profit for the year.

(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 year and prior year based on the existing legislation, interpretations and practices in respect thereof. The applicable income tax rate is 25% (2018: 25%) for the year ended 31 December 2019.

10. 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 petro-chemical 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 loss for the period/year from discontinued operations

The results of the discontinued operations included in the unaudited consolidated statement of profit or loss and other comprehensive income are set out below. The comparative loss from discontinued operations has been represented to include those operations classified as discontinued in the current year.

(a) Loss for the period/year from discontinued operations

	Unaudited For the period from 1 January to 12 December 2019 ***HK$***	Audited For the year ended 31 December 2018 *HK$* (Restated)
Revenue	**–**	2,129,290
Cost of sales	**–**	(2,126,304)
Gross profit	**–**	2,986
Other income	**10**	177,928
Other (losses)/gains, net	**(615,682)**	560,833
Administrative expenses	**(403,258)**	(973,556)
Reversal of impairment loss on other receivables and prepayments	**–**	74
Loss from discontinued operations before income tax	**(1,018,930)**	(231,735)
Income tax credit	**–**	6,749
Loss for the period/year	**(1,018,930)**	(224,986)
Loss on disposal of subsidiaries	**(15,342,843)**	–
Loss for the period/year from discontinued operations	**(16,361,773)**	(224,986)
Loss for the period/year from discontinued operations attributable to:		
Owners of the Company	**(16,263,964)**	(29,537)
Non-controlling interests	**(97,809)**	(195,449)
	(16,361,773)	(224,986)

None of depreciation and amortisation and auditors' remuneration included in loss for the period/year from discontinued operations.

11. DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2019 (2018: nil).

12. (LOSS)/EARNINGS PER SHARE

From continuing operations

(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 year, calculated as follows:

	Unaudited 2019	Audited 2018 (Restated)
(Loss)/Profit attributable to owners of the Company (HK$)	**(25,869,152)**	1,644,297
Weighted average number of ordinary shares in issue *(note)*	**525,776,719**	502,662,363
Basic (loss)/earnings per share (expressed in HK cents per share)	**(4.920)**	0.327

Note:

The weighted average number of ordinary shares for the year ended 31 December 2019 has included the effect of share repurchase of shares.

(b) Diluted (loss)/earnings per share

Diluted (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 (diluted) in issue during the year, calculated as follows:

Weighted average number of ordinary shares (diluted)

	Unaudited 2019	Audited 2018
Weighted average number of ordinary shares (basic) as at 31 December	**525,776,719**	502,662,363
Effect of deemed issue of shares under the Company's share option scheme	**–**	6,133,302
Weighted average number of ordinary shares (diluted) as at 31 December	**525,776,719**	508,795,665

Diluted (loss)/earnings per share

	Unaudited 2019	Audited 2018 (Restated)
(Loss)/Profit attributable to owners of the Company (HK$)	**(25,869,152)**	1,644,297
Weighted average number of ordinary shares (diluted) as at 31 December	**525,776,719**	508,795,665
Diluted (loss)/earnings per share (expressed in HK cents per share)	**(4.920)**	0.323

No adjustment has been made to the basic loss per share in 2019 as the outstanding share options had no dilutive effect on the basic loss per share for the year ended 31 December 2019.

From discontinued operations

Basic loss per share for the discontinued operations is 3.093 HK cents per share (2018 (restated): 0.006 HK cents per share (audited)) and diluted loss per share for the discontinued operations is 3.093 HK cents per share (2018 (restated): 0.006 HK cents per share (audited)), based on the unaudited loss for the year from the discontinued operations of HK$16,263,964 (2018 (restated): HK$29,537 (audited)) and the denominators detailed above for both basic and diluted earnings per share.

13. TRADE AND OTHER RECEIVABLES

	Unaudited 2019 ***HK$***	Audited 2018 *HK$*
Trade receivables	**13,816,756**	14,793,651
Less: Expected credit loss ("ECL") allowance	**(3,947)**	(2,039)
Trade receivables, net *(note (a))*	**13,812,809**	14,791,612
Other receivables, deposits and prepayments	**42,899,940**	94,508,358
Less: ECL allowance *(note (b))*	**(25,787,974)**	(2,525,260)
Other receivables, net	**17,111,966**	91,983,098
	30,924,775	106,774,710
Less: non-current portion		
Long-term other receivable	**–**	–
	30,924,775	106,774,710

Notes:

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

	Unaudited 2019 ***HK$***	Audited 2018 *HK$*
0 – 30 days	**5,494,533**	3,867,673
31 – 90 days	**7,071,724**	7,908,436
Over 90 days	**1,250,499**	3,017,542
Less: ECL allowance	**(3,947)**	(2,039)
	13,812,809	14,791,612

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

	Unaudited 2019 *HK$*	Audited 2018 *HK$*
Balance at 1 January	**2,039**	101,553
ECL allowance recognised/(reversed) during the year	**1,908**	(99,514)
Balance at 31 December	**3,947**	2,039

During the year ended 31 December 2019, management has determined none (2018: HK$112,558 (audited)) of trade receivables as individually impaired and has been written off as bad debts.

(b) The movement in the ECL allowance of other receivables and prepayments is as follows:

	Unaudited 2019 *HK$*	Audited 2018 *HK$* (Restated)
Balance at 1 January	**2,525,260**	2,299,788
Discontinued operations *(note 10(a))*	**–**	(74)
Disposal of subsidiaries	**(33,419)**	–
Transfer to assets classified as held for sale	**(1,329,554)**	–
ECL allowance recognised during the year	**24,625,687**	225,546
Balance at 31 December	**25,787,974**	2,525,260

14. AMOUNT DUE FROM A JOINT VENTURE

As at 31 December 2018, amounts due comprise of loans to and interest receivables from Hota (USA) Holding Corp ("Hota (USA)") and Hota Auto Recycling Corporation (張家港永鋒泰環保科技有限公司, "HARC") (collectively the "Loans") which are unsecured, repayable on demand and interest-bearing at 10% per annum and 19% per annum, respectively.

HARC was under liquidation in 2018. In January 2019, a proposed distribution for partial repayment for the amounts due to the Group of approximately RMB21.0 million (approximately HK$23,933,895) (the "Proposed Distribution") was approved by the People's Court of Zhangjiagang City, Jiangsu Province (江蘇省張家港市人民法院). On 4 March 2019, the Group has assigned the Proposed Distribution to a third party at a consideration of approximately RMB20.4 million (approximately HK$23,215,878) (the "Consideration"). Accordingly, the Group has made a reversal of impairment of HK$23,215,878 during the year ended 31 December 2018. The above transaction was completed in 2019 and the Consideration was fully settled by cash and set off arrangement against other borrowings from shareholders of the Company.

15. INVESTMENT IN TV PROGRAMMES

	Unaudited
	HK$
As at 1 January 2018, 31 December 2018 and 1 January 2019	–
Additions	26,850,000
As at 31 December 2019	26,850,000

16. TRADE AND OTHER PAYABLES

	Unaudited	Audited
	2019	2018
	HK$	*HK$*
Trade payables	**19,056,397**	29,739,997
Other payables and accrual	**9,183,942**	16,104,283
	28,240,339	45,844,280

Included in other payables and accrual of the Group is HK$413,625 (unaudited) (2018: HK$4,166,849 (audited)) of legal and professional fee payables and HK$1,918,312 (unaudited) (2018: HK$3,166,412 (audited)) of salaries and wages payables.

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

	Unaudited	Audited
	2019	2018
	HK$	*HK$*
0 – 30 days	**3,086,503**	1,470,892
31 – 60 days	**2,215,162**	957,825
61 – 90 days	**1,167,186**	3,011,715
Over 90 days	**12,587,546**	24,299,565
	19,056,397	29,739,997

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the financial year ended 31 December 2019 (the "Reporting Period"), the Group's financial result was principally derived from the contract manufacturing and sales of smart cards and sales and trading of scrap metals.

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$58.2 million, an increase of approximately HK$8.0 million or 15.9% as compared to the corresponding period in 2018 of approximately HK$50.2 million.

Sales and trading of scrap metals

During the Reporting Period, the Group also resumed its sales and trading of scrap metals business in Taiwan in the third quarter and recorded revenue of approximately HK$9.4 million (2018: nil).

Cost of Sales ("COS") and Gross Profit

During the Reporting Period, the Group's COS comprised of the COS from each of the contract manufacturing and sales of smart cards business segment and sales and trading of scrap metals segment.

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$39.1 million, increase approximately HK$0.7 million or 1.8% as compared to the corresponding period in 2018 of approximately HK$38.4 million. The reason for the notable decrease in COS (despite year-on-year revenue increased by 15.9%) is a better sales-mix of an increased provision of higher-value-added service. As a result, gross profit generated from the SIM card manufacturing business segment amounted to approximately HK$19.1 million, representing an increase of approximately HK$7.4 million, or 63.2%, as compared to the corresponding period in 2018 of approximately HK$11.7 million.

Sales and trading of scrap metals

The COS for the sales and trading of scrap metals business in Taiwan amounted to approximately HK$9.1 million during the Reporting Period. (2018: nil)

Due to the above-mentioned, gross profit of the Group increased by approximately HK$7.6 million or 64.4%, from the corresponding period in 2018 (restated) of approximately HK$11.8 million, to approximately HK$19.4 million.

Other Income

Other income of approximately HK$1.11 million was mainly comprised of overprovision of bonus for prior years of approximately HK$0.61 million, sundry income and government grants of approximately HK$0.34 million and discount received from a dissolved supplier of approximately HK$0.16 million (2018 (restated): approximately HK$4.2 million which comprised of a recovery of bad debts from the PRC SIM card segment of approximately HK$3.4 million, sundry income and government grants of approximately HK$0.7 million and the recognition of a decrease in expected credit loss of approximately HK$0.1 million due to the adoption of HKFRS 9).

Other Gains, Net

During the Reporting Period, other gains amounted to approximately HK$7.51 million (2018 (restated): approximately HK$0.02 million) which comprised of (i) gain on disposal of subsidiaries in Beijing of approximately HK$5.0 million; (ii) gain on disposal of assets classified as held for sale of approximately HK$1.47 million and (iii) exchange gains arising from foreign currency based transactions of approximately HK$1.04 million.

Reversal of Impairment Loss on Amount due from a Joint Venture

A reversal of impairment loss on amount due from HARC of approximately HK$23.2 million was recognised in 2018 but no such reversal was made in 2019.

Selling and Distribution Costs

During the Reporting Period, selling and distribution costs amounted to approximately HK$3.67 million, representing an increase of approximately HK$0.15 million, or 4.3%, as compared to the corresponding period in 2018 of approximately HK$3.52 million. The increase was mainly attributable to the increase in freight charges caused by increased in revenue of SIM card segment year-on-year by 15.9%.

Administrative Expenses

Administrative expenses also recorded a drop of approximately HK$7.46 million, or 23.0% during the Reporting Period, from approximately HK$32.46 million for the corresponding period in 2018 (restated), to approximately HK$25.0 million. The decrease was primarily attributable to (i) the incurrence of share-based payments expense of approximately HK$3.34 million and research and development costs of approximately HK$1.44 million in 2018; (ii) the disposal of Beijing SIM card plant in mid-2019 led to the decrease in overall administrative expenses of this segment by approximately HK$1.30 million; and (iii) the drop in legal and professional fee (excluding the Beijing SIM card segment) of approximately HK$1.40 million year-on-year.

Impairment Loss on Other Receivables and Prepayments

During the Reporting Period, an impairment loss on other receivables and prepayments amounted to approximately HK$24.63 million (2018 (restated): approximately HK$0.23 million) and comprised of the impairment loss provision on amount due from the Petroleum Company of approximately HK$25.46 million but partly offset by the reversal of impairment losses on certain other receivables and prepayment of approximately HK$0.83 million.

Finance Costs

During the Reporting Period, the Group's finance costs amounted to approximately HK$0.59 million (2018: approximately HK$1.10 million). The decrease was primarily due to the drop in interest charged on bank and other borrowings of approximately HK$0.99 million (substantial drop in average borrowings year-on-year) but was partly offset by incurrence of finance charge on lease liabilities of approximately HK$0.48 million (adoption of HKFRS 16).

Income Tax Expense

During the Reporting Period, no income tax expense was recognised (2018 (restated): HK$0.24 million).

Loss for the period/year from discontinued operations

During the Reporting Period, the Group has disposed the subsidiaries in respect of its petro-chemical products segment. The loss of approximately HK$16.4 million comprised of the operating loss from this discontinued operations of approximately HK$1.0 million (2018 (restated): HK$0.2 million) and the loss on disposal of approximately HK$15.4 million (2018 (restated): nil).

Non-controlling Interest

During the period under review, losses attributable to the non-controlling interests from each of the continuing operations and from the discontinued operations amounted to approximately HK$178 and HK$0.1 million respectively (2018 (restated): approximately HK$1,178 and HK$0.20 million respectively).

As a result of the foregoing, loss attributable to owners of the Company for the Reporting Period for each of the continuing operations and the discontinued operations amounted to approximately HK$25.9 million and HK$16.3 million respectively (2018 (restated): profit of approximately HK$1.6 million and loss of HK$0.03 million respectively).

BUSINESS AND OPERATION REVIEW

During the Reporting Period, the Group is principally engaged in the contract manufacturing and sales of smart cards, and the trading of scrap metals.

Contract manufacturing and sales of smart cards

During the Reporting Period, the Group's performance on contract manufacturing and sales of SIM cards business has shown notable improvement. Despite industry-wide price pressure, the Group grew turnover in the year by approximately 15.9% to HK$58.2 million (2018: HK$50.2 million). We believe Phoenitron has regained its market share through greater volume, thanks to our highly automated smart card production facilities, distribution networks, and strong sales and marketing teams in Hong Kong and Shenzhen which enable us to offer best-quality, new smartcard product innovations and convenient and speedy delivery services to our customers.

During the Reporting Period, we continued to focus on solidifying our relationship with the existing customers and at the same time expanding the client base and overall market share. At the same time, the management also made greater efforts in implementing cost-cutting/streamlining measures and increasing average productivity by enhancing the operational efficiency.

Financially, profit of approximately HK$3.4 million (2018: loss of approximately HK$4.3 million) was recorded for the SIM card market segment during the Reporting Period.

Apart from the existing SIM card services, we will also be providing certain higher-value-added card services (e.g. machine-to-machine (M2M) smartcard related business) in the coming year.

Sales and trading of scrap metals

During the Reporting Period, the Group had resumed its sales and trading of scrap metals business in Taiwan in the third quarter and recorded revenue of approximately HK$9.4 million (2018: nil). We expect that more significant revenue and gross profit contributions will be made by this business segment in 2020.

Investment in TV Play

During the Reporting Period, Kartop Hong Kong Limited ("**Kartop HK**"), an indirectly wholly-owned subsidiary of the Company, entered into the Joint Production Agreement with Zhe Jiang You Sheng Ying Shi Wen Hua Company Limited, pursuant to which Kartop HK has agreed to invest RMB24.0 million (equivalent to approximately HK$26.9 million) in the production of a TV Play "Snow Leopard II" (the "**Target TV Play**"), which is directed by Mr. Wang De Qing, produced by Mr. Zhang Jian and starred by Mr. Zhang Ming En and Ms. Feng Yue and is tentatively expected to be released in China in 2020.

The Group plans to develop new business in the advertising, media and entertainment industry. The investment in the Target TV Play is in line with the Group's plan of development in the advertising, media and entertainment industry. The Directors consider that the investment in the Target TV Play would be beneficial to the Group as it represents a first step forward in the implementation of the Group's development plan. The Directors also believe that the investment in the Target TV Play will provide additional income to the Group so to strengthen our revenue base.

Trading of petro-chemical products

On 12 December 2019, Waystech Group Limited, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Mr. Wang Jung Tang ("Mr. Wang"), pursuant to which the entire equity interest of Waywise Step International Limited would be transferred to Mr. Wang at a consideration of HK$7.0 million.

Given the long lapse of time since the original due repayment date of the Shanghai Phoenitron Outstanding Receivables, the Company has incurred and continued to incur considerable amount of costs for appointing lawyers and other relevant personnel to assist in collection of the Shanghai Phoenitron Outstanding Receivables.

Therefore, after due consideration and taking into account the difficulty in recovering the Shanghai Phoenitron Outstanding Receivables and the current debt market of the PRC, the Board decided to assign the Shanghai Phoenitron Outstanding Receivables to an Independent Third Party by way of disposing Waywise Step International Limited, the intermediate holding company of Shanghai Phoenitron, to an Independent Third Party.

The Directors are of the view that the Disposal represents an opportunity for the Group to recuperate the Shanghai Phoenitron Outstanding Receivables in a relatively cost-effective manner and could avoid incurring further professional fees for the purpose of collecting the Shanghai Phoenitron Outstanding Receivables. Besides, the Disposal Group did not make material revenue and gross profit contributions and has recorded losses in the past two years. The Board intends to realize the investment in the Disposal Group rather than devoting further resources into the Disposal Group which is loss making. The Directors believe that the Disposal will enable the Group to free up capital for its operation.

OUTLOOK

In 2020, the COVID-19 outbreak has brought about additional uncertainties in the Group's operating environment in China. As far as the Group's businesses are concerned, the outbreak has caused short delays to our Shenzhen SIM card plant's operations. The Group has put in place contingency measures to lower the impact from the outbreak. As of today, our Shenzhen SIM card plant has been operating at about 75% level and is expected to run at full scale starting from early April.

Looking forward, we expect 2020 will be challenging yet also a year of positive transition. We will continue to consolidate the existing SIM card businesses, manufacture with greater efficiency, seek cost and expense savings wherever possible, and to reinforce competitive strengths to solidify Phoenitron's leading position in existing markets by providing quality services and to convert challenges into opportunities. At the same time, we expected that both the TV Play business and the sales and trading of scrap metals business will further contribute to the Group's revenue and profits for the coming year. We believe, by applying the Company's funds in an appropriate manner and by utilizing the unique investment opportunities of the Company, we will bring stable revenues and profits for our shareholders. The Board believes the diversification and synthesis of our businesses will facilitate the long term development of the Group and enhance our shareholder value.

LIQUIDITY AND FINANCIAL RESOURCES/CAPITAL STRUCTURE

During the year under review, the Group financed its business operations and investments with cash revenue generated from operating activities and other borrowings. As at 31 December 2019, the Group had cash and bank balances of approximately HK$10.3 million (2018: approximately HK$0.8 million), other borrowings of approximately HK$1.7 million (2018: approximately HK$6.5 million).

As at 31 December 2019, the Group had current assets of approximately HK$71.3 million (2018: approximately HK$132.8 million) and current liabilities of approximately HK$33.7 million (2018: approximately HK$52.3 million). The current ratio, expressed as current assets over current liabilities, was 2.1 (2018: 2.5).

EMPLOYEE INFORMATION

As at 31 December 2019, the Group's continuing operations employed a total of 153 employees (2018 (restated): 136 employees), of which 13 were located in Hong Kong and the rest were located in the PRC and Taiwan. Employee cost, including directors' remuneration, was approximately HK$22.0 million for continuing operations (2018 (restated): approximately HK$24.9 million) for the year under review. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. In addition to basic salaries and participation in mandatory provident fund scheme, staff benefits include medical scheme and share options.

SIGNIFICANT INVESTMENTS

Save as disclosed in note 15 to unaudited consolidated financial statements, there was no other significant investments for the year ended 31 December 2019.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in notes 6 and 10 to unaudited consolidated financial statements, the Group made no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the "Business and Operation Review" sections, there were no future plans for material investments or capital assets.

CHARGE ON GROUP ASSETS

At 31 December 2019, there is no charge on assets of the Group (2018: nil).

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 13.4% as at 31 December 2019 (2018: 4.6%).

FINAL DIVIDEND

The Directors does not recommend any payment of a final dividend for the year ended 31 December 2019 (2018: nil).

COMPETING INTERESTS

As at 31 December 2019, none of the directors or the management shareholders or any of its respective associates (as defined under the GEM Listing Rules) of the Company had any interest in a business that competed or might compete with the business of the Group directly or indirectly.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control 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 and four audit committee meetings were held during the financial year 2019.

The Group's unaudited results for the year ended 31 December 2019 have been reviewed and agreed by the audit committee.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the Company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders. Throughout the year of 2019, the Group compiled with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules, except for the code provision A.2.1 stipulated in the following paragraphs.

The Code provision A.2.1 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.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing process for the annual results for the year ended 31 December 2019 has not been completed due to restrictions in force in parts of China to combat the COVID-19 coronavirus outbreak. The unaudited annual results contained herein have not been agreed with the Company's auditors. The Board expects that the auditing process and the publication of audited financial statements can be completed on or before 30 April 2020. An announcement relating to the audited results will be made as and when required when the auditing processing has been completed in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

POTENTIAL ISSUANCE OF MODIFIED AUDIT OPINION

In relation to announcements dated 10 September 2019 and 12 December 2019, there may be a potential to issue a modified opinion regarding (i) prior year's audit scope limitation affecting comparative figures and (ii) other receivables from a petroleum company and disposal of a subsidiary in 2019 by the Company's auditors.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the year ended 31 December 2019, the Company repurchased a total of 945,000 of its own shares on the Stock Exchange at an aggregate consideration (before expenses) of HK$164,050. All the repurchased shares were cancelled during the year.

Particulars of the repurchases are as follows:

Date of repurchase	No. of Shares	Price per share		Aggregate Price
		Highest	Lowest	
		HK$	*HK$*	*HK$*
May	330,000	0.190	0.170	59,090
June	615,000	0.186	0.150	104,960
Total	945,000			164,050

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

By order of the Board
Lily Wu
Chairman

Hong Kong, 31 March 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 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.