



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 2020**

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

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

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

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

SUMMARY

- The Group recorded an unaudited revenue from continuing operations of approximately HK\$56,264,000 for the nine months ended 30 September 2020, representing an increase of 17.5% as compared with that of the corresponding period in 2019.
- The unaudited profit attributable to the owners of the Company from continuing operations for the nine months ended 30 September 2020 was approximately HK\$733,000.
- The Board does not recommend any payment of an interim dividend for the nine months ended 30 September 2020.

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

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2020 HK\$	2019 HK\$ (Restated)	2020 HK\$	2019 HK\$ (Restated)
Continuing operations					
Revenue	2	18,672,540	21,570,299	56,263,862	47,886,197
Cost of sales		(13,391,886)	(15,405,201)	(37,933,102)	(34,280,388)
Gross profit		5,280,654	6,165,098	18,330,760	13,605,809
Other income	3	392,531	126,910	986,534	145,475
Other (losses)/gains, net	4	(816,780)	1,303,369	(954,402)	6,996,647
Selling and distribution costs		(779,146)	(947,659)	(2,325,515)	(2,534,607)
Administrative expenses		(5,301,107)	(5,671,369)	(15,023,906)	(17,114,434)
Finance costs	5	(94,167)	(122,375)	(300,732)	(466,797)
(Loss)/Profit before income tax		(1,318,015)	853,974	712,739	632,093
Income tax credit/(expense)	6	–	353,858	20,000	(50,507)
(Loss)/Profit for the period from continuing operations		(1,318,015)	1,207,832	732,739	581,586
Discontinued operations					
Loss for the period from discontinued operations	7	–	(972,463)	–	(1,285,612)
(Loss)/Profit for the period		(1,318,015)	235,369	732,739	(704,026)

	Unaudited Three months ended 30 September 2020 HK\$ (Restated)		Unaudited Nine months ended 30 September 2020 HK\$ (Restated)	
	2019 HK\$		2019 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	(14,966)	(385,285)	99,199	(230,702)
Release of translation reserve on disposal of subsidiaries	–	–	–	(3,134,077)
Other comprehensive (loss)/ income for the period	<u>(14,966)</u>	<u>(385,285)</u>	<u>99,199</u>	<u>(3,364,779)</u>
Total comprehensive (loss)/ income for the period	<u>(1,332,981)</u>	<u>(149,916)</u>	<u>831,938</u>	<u>(4,068,805)</u>
(Loss)/Profit for the period attributable to:				
Owners of the Company				
– Continuing operations	(1,317,962)	1,207,885	732,917	581,764
– Discontinued operations	–	(957,923)	–	(1,193,102)
Non-controlling interests				
– Continuing operations	(53)	(53)	(178)	(178)
– Discontinued operations	–	(14,540)	–	(92,510)
	<u>(1,318,015)</u>	<u>235,369</u>	<u>732,739</u>	<u>(704,026)</u>

	<i>Notes</i>	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
		2020	2019	2020	2019
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
			<i>(Restated)</i>		<i>(Restated)</i>
Total comprehensive (loss)/ income for the period attributable to:					
Owners of the Company					
– Continuing operations		(1,332,928)	1,522,588	832,116	(2,088,494)
– Discontinued operations		–	(1,482,914)	–	(1,713,993)
Non-controlling interests					
– Continuing operations		(53)	(53)	(178)	(178)
– Discontinued operations		–	(189,537)	–	(266,140)
		(1,332,981)	(149,916)	831,938	(4,068,805)
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
(Loss)/Earnings per share	9				
Basic					
– Continuing operations		(0.251)	0.230	0.140	0.111
– Discontinued operations		–	(0.182)	–	(0.227)
		(0.251)	0.048	0.140	(0.116)
Diluted					
– Continuing operations		(0.251)	0.228	0.140	0.110
– Discontinued operations		–	(0.181)	–	(0.226)
		(0.251)	0.047	0.140	(0.116)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company								Non-controlling interests	Total Equity
	Share capital	Share premium	Contributed surplus	Share option reserve	Other reserves	Translation reserve	Accumulated Losses	Total		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at 1 January 2019	105,258,500	363,317,716	13,985,669	3,339,000	7	4,597,923	(408,144,617)	82,354,198	5,627,670	87,981,868
Repurchase of share	(66,000)	6,209	-	-	-	-	-	(59,791)	-	(59,791)
Transactions with owners	(66,000)	6,209	-	-	-	-	-	(59,791)	-	(59,791)
Loss for the period	-	-	-	-	-	-	(611,338)	(611,338)	(92,688)	(704,026)
Other comprehensive loss										
- Exchange loss on translation of financial statement of foreign operations	-	-	-	-	-	(57,072)	-	(57,072)	(173,630)	(230,702)
- Release of translation reserve on disposal of subsidiaries	-	-	-	-	-	(3,134,077)	-	(3,134,077)	-	(3,134,077)
Total comprehensive loss for the period	-	-	-	-	-	(3,191,149)	(611,338)	(3,802,487)	(266,318)	(4,068,805)
Balance at 30 September 2019	<u>105,192,500</u>	<u>363,323,925</u>	<u>13,985,669</u>	<u>3,339,000</u>	<u>7</u>	<u>1,406,774</u>	<u>(408,755,955)</u>	<u>78,491,920</u>	<u>5,361,352</u>	<u>83,853,272</u>
Balance at 1 January 2020	<u>105,069,500</u>	<u>363,340,792</u>	<u>13,985,669</u>	<u>3,339,000</u>	<u>7</u>	<u>10,022,834</u>	<u>(450,277,733)</u>	<u>45,480,069</u>	<u>231,023</u>	<u>45,711,092</u>
Profit/(loss) for the period	-	-	-	-	-	-	732,917	732,917	(178)	732,739
Other comprehensive income										
- Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	99,199	-	99,199	-	99,199
Total comprehensive income/(loss) for the period	-	-	-	-	-	99,199	732,917	832,116	(178)	831,938
Balance at 30 September 2020	<u>105,069,500</u>	<u>363,340,792</u>	<u>13,985,669</u>	<u>3,339,000</u>	<u>7</u>	<u>10,122,033</u>	<u>(449,544,816)</u>	<u>46,312,185</u>	<u>230,845</u>	<u>46,543,030</u>

NOTES:

1. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the nine months ended 30 September 2020 has been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collectively includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the accounting principles generally accepted in Hong Kong. The unaudited condensed consolidated financial information also include the applicable disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial information should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2019.

Except as for the adoption of new and revised HKFRSs issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2020, the accounting policies applied are consistent with those of the audited annual financial statements of the Group for the year ended 31 December 2019, as described in those audited annual financial statements. The Directors anticipate that the application of these new and revised HKFRSs will not have material impact on the unaudited condensed consolidated financial information of the Group.

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

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

In preparing these unaudited condensed consolidated financial information, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual consolidated financial statements of the Group for the year ended 31 December 2019.

2. REVENUE

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

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2020 HK\$	2019 HK\$	2020 HK\$	2019 HK\$
Continuing operations – by product lines				
Sales of smart cards	18,672,540	16,308,348	56,263,262	42,578,666
Sales of smart card application systems	–	4,900	600	50,480
Trading of scrap metals	–	5,257,051	–	5,257,051
	<u>18,672,540</u>	<u>21,570,299</u>	<u>56,263,862</u>	<u>47,886,197</u>

3. OTHER INCOME

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2020 HK\$	2019 HK\$ (Restated)	2020 HK\$	2019 HK\$ (Restated)
Continuing operations				
Bank interest income	1,357	1,165	4,815	2,255
Government subsidies (<i>Note</i>)	373,500	–	747,000	–
Sundry income	17,674	125,745	234,719	143,220
	<u>392,531</u>	<u>126,910</u>	<u>986,534</u>	<u>145,475</u>

Note:

Approved subsidies from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the Government of the Hong Kong Special Administrative Region of the People's Republic of China.

4. OTHER (LOSSES)/GAINS, NET

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2020 HK\$	2019 HK\$ (Restated)	2020 HK\$	2019 HK\$ (Restated)
Continuing operations				
Gain on disposal of subsidiaries	–	–	–	5,006,004
Reversal of impairment loss on other receivables and prepayment	–	838,462	–	838,462
Exchange (loss)/gain, net	(816,780)	464,907	(954,402)	1,152,181
	<u>(816,780)</u>	<u>1,303,369</u>	<u>(954,402)</u>	<u>6,996,647</u>

5. FINANCE COSTS

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2020 HK\$	2019 HK\$	2020 HK\$	2019 HK\$
Continuing operations				
Finance charges on lease liabilities	94,167	122,375	300,732	370,515
Interest charges on other borrowings	–	–	–	96,282
	<u>94,167</u>	<u>122,375</u>	<u>300,732</u>	<u>466,797</u>

6. INCOME TAX (CREDIT)/EXPENSE

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2020 HK\$	2019 HK\$	2020 HK\$	2019 HK\$
Continuing operations				
Current tax				
– Hong Kong Profits Tax				
Current year	–	(353,858)	–	50,507
Over-provision in prior year	–	–	(20,000)	–
Total income tax (credit)/expense	<u>–</u>	<u>(353,858)</u>	<u>(20,000)</u>	<u>50,507</u>

Notes:

(a) Hong Kong Profits Tax

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

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

(b) PRC Enterprise Income Tax

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the period and prior period based on the existing legislation, interpretations and practices in respect thereof. The applicable income tax rate is 25% (2019: 25%) for the nine months ended 30 September 2020.

7. DISCONTINUED OPERATIONS

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

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

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

Loss for the period from discontinued operations

	Unaudited	
	Three months ended 30 September 2019 HK\$ (Restated)	Nine months ended 30 September 2019 HK\$ (Restated)
Revenue	–	–
Other income	2	10
Other losses, net	(913,376)	(913,376)
Administrative expenses	(59,089)	(372,246)
	<hr/>	<hr/>
Loss before income tax from discontinued operations	(972,463)	(1,285,612)
Income tax expense	–	–
	<hr/>	<hr/>
Loss for the period from discontinued operations	(972,463)	(1,285,612)
	<hr/> <hr/>	<hr/> <hr/>
Loss for the period from discontinued operations attributable to:		
– Owners of the Company	(957,923)	(1,193,102)
– Non-controlling interests	(14,540)	(92,510)
	<hr/>	<hr/>
	(972,463)	(1,285,612)
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None of depreciation and amortization and auditors’ remuneration included in loss for the period from discontinued operations.

8. DIVIDEND

The Board does not recommend any payment of an interim dividend for the nine months ended 30 September 2020 (nine months ended 30 September 2019: nil).

9. (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 period, calculated as follows:

	Unaudited Three months ended 30 September		Unaudited Nine months ended 30 September	
	2020 HK\$	2019 HK\$ (Restated)	2020 HK\$	2019 HK\$ (Restated)
(Loss)/Profit attributable to owners of the Company (HK\$)	(1,317,962)	1,207,885	732,917	581,764
Weighted average number of ordinary shares in issue	<u>525,347,500</u>	<u>525,347,500</u>	<u>525,347,500</u>	<u>525,921,364</u>
Basic (loss)/earnings per share (expressed in HK cents per share)	<u>(0.251)</u>	<u>0.230</u>	<u>0.140</u>	<u>0.111</u>

(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 period, calculated as follows:

Weighted average number of ordinary shares (diluted)

	Three months ended 30 September		Nine months ended 30 September	
	2020 HK\$	2019 HK\$	2020 HK\$	2019 HK\$
Weighted average number of ordinary shares (basic)	525,347,500	525,347,500	525,347,500	525,921,364
Effect of deemed issue of shares under the Company's share option scheme	<u>–</u>	<u>4,621,136</u>	<u>–</u>	<u>2,296,621</u>
Weighted average number of ordinary shares (diluted)	<u>525,347,500</u>	<u>529,968,636</u>	<u>525,347,500</u>	<u>528,217,985</u>

Diluted (loss)/earnings per share

	Unaudited		Unaudited	
	Three months ended		Nine months ended	
	30 September		30 September	
	2020	2019	2020	2019
	HK\$	HK\$	HK\$	HK\$
		(Restated)		(Restated)
(Loss)/Profit attributable to owners of the Company (HK\$)	(1,317,962)	1,207,885	732,917	581,764
Weighted average number of ordinary shares (diluted)	<u>525,347,500</u>	<u>529,968,636</u>	<u>525,347,500</u>	<u>528,217,985</u>
Diluted (loss)/earnings per share (expressed in HK cents per share)	<u>(0.251)</u>	<u>0.228</u>	<u>0.140</u>	<u>0.110</u>

No adjustment has been made to basic (loss)/earnings per share as the outstanding share options had anti-dilutive effect on the basic (loss)/earnings per share for the three months and the nine months ended 30 September 2020.

From discontinued operations

Basic loss per share for discontinued operations for the three months and the nine months ended 30 September 2019 are 0.182 HK cents per share (restated) and 0.227 HK cents per share (restated) respectively, and the diluted loss per share for discontinued operations for the three months and the nine months ended 30 September 2019 are 0.181 HK cents per share (restated) and 0.226 HK cents per share (restated) respectively, based on the unaudited loss for the respective periods from discontinued operations of HK\$957,923 (restated) and HK\$1,193,102 (restated) and the denominators detailed above for both basic and diluted loss per share.

MANAGEMENT DISCUSSION AND ANALYSIS

Operation and Financial Review

Revenue

During the Reporting Period, the Group's financial result was principally derived from the contract manufacturing and sales of smart cards.

During the Reporting Period, the Group's revenue generated from the SIM card manufacturing business amounted to approximately HK\$56.2 million, an increase of approximately HK\$13.6 million or 31.9% as compared to the corresponding period in 2019 of approximately HK\$42.6 million. The increase was mainly due to the widespread outbreak of COVID-19 in other countries in the second quarter which drove our customers to place extra orders to our Shenzhen plant. The orders received in the third quarters has been gradually reverted to normal level.

There was no revenue generated from the Group's trading of scrap metals business in Taiwan (nine month ended 30 September 2019: HK\$5.3 million).

Cost of Sales ("COS") and Gross Profit

During the Reporting Period, due to the increase in revenue by 31.9% year-on-year, cost of sales incurred for the SIM card manufacturing business also up by approximately HK\$8.8 million or 30.2% from approximately HK\$29.1 million for corresponding period in 2019 to approximately HK\$37.9 million.

There was no cost of sales generated from the Group's trading of scrap metals business in Taiwan (nine month ended 30 September 2019: HK\$5.1 million).

Due to the increase in revenue and a better sales-mix of an increased provision of higher-value-added service, gross profit of the Group rose by approximately HK\$4.7 million or 34.6%, from the corresponding period in 2019 of approximately HK\$13.6 million, to approximately HK\$18.3 million.

Other Income

Other income of approximately HK\$0.99 million (nine months ended 30 September 2019 (restated): approximately HK\$0.15 million) was mainly comprised of the government subsidy of approximately HK\$0.75 million, a discount received from suppliers of approximately HK\$0.17 million and sundry income of approximately HK\$0.07 million.

Other (losses)/gains, net

During the Reporting Period, other losses amounted to approximately HK\$0.95 million which was attributable to the exchange losses arising from foreign currency based transactions (nine months ended 30 September 2019 (restated): gains of approximately HK\$6.99 million and was represented by a gain on disposal of subsidiaries of approximately HK\$5.0 million, the exchange gains arising from foreign currency based transactions of approximately HK\$1.15 million and a reversal of impairment loss on other receivables of approximately HK\$0.84 million).

Selling and Distribution Costs

During the Reporting Period, selling and distribution costs amounted to approximately HK\$2.33 million, representing a slight decline of approximately HK\$0.2 million, or 7.9%, as compared to the corresponding period in 2019 of approximately HK\$2.53 million. The decrease was mainly due to the decreases in various sales-related expenses such as freight charges and overseas travelling expenses.

Administrative Expenses

Administrative expenses recorded a drop of approximately HK\$2.1 million, or 12.3% during the Reporting Period, from approximately HK\$17.1 million (restated) for the corresponding period in 2019, to approximately HK\$15.0 million. The decrease was primarily attributable to the drop in legal and professional fees and rent and rates but partially offset by the increase in depreciation (right-of-use) expenses.

Finance Costs

During the Reporting Period, the Group's finance costs amounted to approximately HK\$0.30 million (nine months ended 30 September 2019: approximately HK\$0.47 million). The decrease was mainly attributable to the fact that no interests on borrowings was incurred during the Reporting Period.

Income Tax Expense

During the Reporting Period, an income tax credit of approximately HK\$0.02 million, which is primarily attributable to the over-provision of Hong Kong Profits Tax in prior year arising from the SIM card business (nine months ended 30 September 2019: income tax expense of approximately HK\$0.05 million).

Loss for the Period from Discontinued Operations

During the Reporting Period, there was no disposal of discontinued operations. (nine months ended 30 September 2019 (restated): operating loss of approximately HK\$1.29 million).

Non-controlling Interest

During the Reporting Period, a loss of HK\$178 attributable to the non-controlling interests was recognized (nine months ended 30 September 2019: approximately HK\$0.09 million).

As a result of the foregoing, profit attributable to owners of the Company for the Reporting Period for each of the continuing operations and the discontinued operations amounted to approximately HK\$0.73 million and nil respectively (nine months ended 30 September 2019 (restated): profit of approximately HK\$0.58 million and loss of approximately HK\$1.19 million respectively).

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group financed its business operations and investments with cash revenue generated from operating activities and other borrowings. As at 30 September 2020, the Group had cash and bank balances of approximately HK\$7.9 million (31 December 2019: approximately HK\$10.3 million) and other borrowings of nil (31 December 2019: approximately HK\$1.7 million).

As at 30 September 2020, the Group had current assets of approximately HK\$68.6 million (31 December 2019: approximately HK\$71.3 million) and current liabilities of approximately HK\$31.5 million (31 December 2019: approximately HK\$33.7 million). The current ratio, expressed as current assets over current liabilities, was maintained at a level of 2.2 (31 December 2019: 2.1).

GEARING RATIO

The gearing ratio of the Group, expressed as a percentage of total borrowings including lease liabilities to total assets of the Group, was 9.4% as at 30 September 2020 (31 December 2019: 13.4%).

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

As at 30 September 2020, the interests or short position of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Name of director	Nature of interest	Long/short position	Number of shares of the Company	Number of underlying shares of the Company	Approximate percentage of interest in the Company's issued share capital
Executive Director					
Lily Wu (<i>Note 1</i>)	Beneficial owner	Long	100,000	4,500,000	0.88
Chang Wei Wen (<i>Note 1</i>)	Beneficial owner	Long	525,000	4,500,000	0.96
Yang Meng Hsiu (<i>Note 1</i>)	Beneficial owner	Long	4,300,000	4,500,000	1.68
Independent Non-executive Director					
Chan Siu Wing, Raymond (<i>Note 2</i>)	Beneficial owner	Long	–	450,000	0.09
Leung Ka Kui, Johnny (<i>Note 2</i>)	Beneficial owner	Long	–	450,000	0.09
Wong Ka Wai, Jeanne (<i>Note 2</i>)	Beneficial owner	Long	–	450,000	0.09

Notes:

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

Save as disclosed above, as at 30 September 2020, none of the Directors and chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 September 2020, the following persons/companies had interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying voting rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

Name of shareholders	Type of interests	Long/ short position	Number of shares of the Company	Approximate percentage of interests
Golden Dice Co., Ltd. <i>(Note 1)</i>	Beneficial	Long	62,332,512	11.87
Best Heaven Limited <i>(Note 1)</i>	Beneficial	Long	31,586,500	6.01
Mr. Tsai Chi Yuan <i>(Note 1)</i>	Interests in controlled company	Long	93,919,012	17.88

Note:

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

Save as disclosed above, as at 30 September 2020, the Directors are not aware of any other persons or corporation (other than the Directors and chief executive of the Company) having an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying voting rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

SHARE OPTION

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

Name of participant	At 1 January 2020	Granted during the period	At 30 September 2020	Date of grant	Exercisable period	Exercise price HK\$
Director						
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
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
	14,850,000		14,850,000			
Other employees						
In aggregate (<i>Note 1</i>)	22,779,250	–	22,779,250	3 January 2018	3 January 2018 to 2 January 2028	0.20
	37,629,250		37,629,250			

Note:

- As at 30 September 2020, the remaining life was about 7.26 year.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary 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 2020 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 2020, the Group complied with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules, except for the code provision A2.1 stipulated in the following paragraphs.

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in such code of conduct throughout the nine months ended 30 September 2020.

COMPETING INTERESTS

As at 30 September 2020, none of the Directors or the management shareholders or any of their respective associates (as defined under the GEM Listing Rules) of the Company had any interest in a business that competed or might compete with the business of the Group directly or indirectly.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the nine months ended 30 September 2020.

For and on behalf of the Board
Lily Wu
Chairman

Hong Kong, 10 November 2020

As at the date of this announcement, the Board comprises three executive Directors, Ms. Lily Wu (Chairman and Chief Executive Officer), Mr. Chang Wei Wen, Mr. Yang Meng Hsiu, and three independent non-executive Directors, Ms. Wong Ka Wai, Jeanne, Mr. Leung Ka Kui, Johnny and Mr. Chan Siu Wing, Raymond.

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and the Company's website at www.phoenitron.com.