



PHOENITRON

**PHOENITRON HOLDINGS LIMITED**

**品創控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 8066)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2021**

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

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

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## **HIGHLIGHTS**

- Revenue for the year ended 31 December 2021 amounted to approximately HK\$72,755,000, representing a decrease of 4.4% as compared to the corresponding period in 2020 of approximately HK\$76,099,000.
- The Group recorded a loss attributable to the owners of the Company of approximately HK\$5,763,000 for the year ended 31 December 2021.
- The Board does not recommend any payment of a final dividend for the year ended 31 December 2021 (2020: nil).

## **CHAIRMAN’S STATEMENT**

### **TO OUR SHAREHOLDERS**

On behalf of the Board of Directors, I am pleased to present the results of Phoenitron Holdings Limited (the “Company”) and its subsidiaries (together, the “Group” or the “Phoenitron”) for the financial year ended 31 December 2021 (the “Reporting Period”).

### **RESULTS**

For the year ended 31 December 2021, the Company recorded a consolidated revenue of approximately HK\$72,755,000 (2020: approximately HK\$76,099,000) and loss attributable to owners of the Company of approximately HK\$5,763,000 (2020: profit of approximately HK\$3,956,000).

### **DIVIDEND**

The Board of Directors (the “Board”) of the Company does not recommend any payment of a final dividend for the Reporting Period.

### **BUSINESS AND OPERATION REVIEW**

The year 2021 was challenging.

During the Reporting Period, the COVID-19 pandemic situation dragged on with several new variants of the virus, each of which created operating and sales difficulties, and stood in the way of a global economic recovery. The issues included disrupted supply chain, rising energy prices, workforce disruptions, travel restrictions and intensifying inflationary pressures which negatively impacted the Phoenitron’s smart card contract manufacturing business and investment in TV Play during the period under review.

#### **Contract manufacturing and sales of smart cards**

Due to the global semiconductor shortage, one of the many problems caused by the COVID-19 pandemic, all companies at some levels of business are experiencing effects of this scarcity, and the smartcard segments, including telecom (SIM cards), are taking a big hit within the supply chain ecosystem.

The Group’s SIM cards business was negatively affected by the unstable supply of chips from customers, and the situation was particularly acute during the second half of 2021. In many cases, customers’ orders were placed but production could not proceed due to lack of supply of chips from customers. It has not only caused delivery delays, the Group’s product mix suffered with a smaller proportion of higher-value-added orders which rely on SIM chips, being compensated by the acceptance of more lower-value-added card body orders taken just to better utilize the production capacity in Shenzhen.

During the Reporting Period, high-value-added ancillary card services orders (e.g. packaging) were also substantially reduced, due primarily to the increase of transportation costs which made the business uneconomical.

During the Reporting Period, we focused on strengthening our relationship with existing customers and at the same time expanding the client base and overall market share. Management also made greater efforts in implementing cost-cutting/streamlining measures and increasing productivity and operational efficiency. Apart from the existing SIM card services, we will also be searching for opportunities to provide certain higher-value-added card services (for example, machine-to-machine (M2M) smartcard related business) in the coming year.

Financially, profit of approximately HK\$1.4 million (2020: approximately HK\$7.9 million) was recorded for the sales of smart cards business during the Reporting Period.

### **Investment in TV Play**

On 30 September 2019, Kartop Hong Kong Limited (“Kartop HK”), an indirectly wholly-owned subsidiary of the Company, entered into the Joint Production Agreement with 浙江優盛影視文化有限公司 (Zhe Jiang You Sheng Ying Shi Wen Hua Company Limited\*) (“Zhe Jiang You Sheng”), 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 starring Mr. Zhang Ming En and Ms. Feng Yue and was tentatively targeting a release in China in 2020.

As disclosed in the Company’s 2020 annual report, the Covid-19 outbreak caused a major film production delay of “Snow Leopard II”, which pushed the release schedule to 2021.

Unfortunately, due to the unexpected, persistent COVID-19 circumstances throughout 2021, the Target TV Play could not be produced as planned in the Reporting Period, as the shooting base was forced to close and was not allowed to operate (despite the shooting team being ready and available for production).

According to the producer Mr. Zhang Jian, the Target TV Play is 70% completed. Based on the revised timetable, it is expected that the production will be completed in 2022, and post-production and obtaining relevant licenses shall take another two to three months, hence the Target TV Play is now targeting a second quarter 2023 release and Kartop HK should be able to receive revenue by end of the third quarter 2023.

The Group plans to develop new businesses 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 which strengthen our financial base. Apart from “Snow Leopard II”, the management will also be looking for other similar investments in the future.

\* *The English translation of the Chinese name is for information purpose only, and should not be regarded as the official English translation of such name.*

## **OUTLOOK**

In 2022, the on-going COVID-19 crisis in China may continue to bring uncertainties in the Group's operating environment. As far as the Group's businesses are concerned, the recent tightening measures implemented by the customs office in Shenzhen on import/export of goods from Hong Kong has caused a substantial increase in raw material costs, transportation and related costs for the SIM cards business.

Going forward, the COVID-19 pandemic continues to pose challenges and the management of the Company believed that the progress of vaccination rates and the easing of lockdown measures worldwide are the determining factors in the recovery of the global economy in the 2nd half of year 2022 and is confident that the global economy will continue to improve and will bring in more revenue. At the same time, we will continue to explore more business opportunities, and 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 the Phoenitron's leading position in existing markets by providing quality services and to convert challenges into opportunities. We believe, by applying the Company's funds in an appropriate manner and by utilising the unique investment opportunities of the Company, we will bring stable revenue and profit for our shareholders. The Board believes the diversification of our businesses will facilitate the long-term development of the Group and enhance our shareholder value.

## **ACKNOWLEDGEMENT**

On behalf of the Board, I would like to take this opportunity to extend our gratitude to all members of the Board and staff for their dedication and contribution to the Group throughout the year 2021. I would also like to express my heartfelt appreciation to our shareholders, business partners, investors and customers for their continuous support.

**Lily WU**  
*Chairman*

Hong Kong, 22 March 2022

The board of Directors (the “Board”) announces the audited consolidated results of the Company and its subsidiaries (together, the “Group”) for the year ended 31 December 2021 together with the comparative figures for the corresponding period in 2020 as follows:

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2021*

	<i>Notes</i>	<b>2021</b> <b>HK\$</b>	2020 <b>HK\$</b>
<b>Revenue</b>	<i>4</i>	<b>72,755,127</b>	76,098,619
Cost of sales		<u><b>(53,927,051)</b></u>	<u>(51,934,626)</u>
<b>Gross profit</b>		<b>18,828,076</b>	24,163,993
Other income	<i>5</i>	<b>769,923</b>	1,031,819
Other losses, net	<i>6</i>	<b>(683,182)</b>	(7,220)
Selling and distribution costs		<b>(2,646,997)</b>	(3,023,341)
Administrative expenses		<b>(21,674,705)</b>	(20,816,015)
Impairment loss on other receivables		<b>(6,807)</b>	(266,953)
Change in fair value of investment in TV programmes	<i>12</i>	<b>612,745</b>	3,247,844
Finance costs	<i>7</i>	<u><b>(387,224)</b></u>	<u>(394,596)</u>
<b>(Loss)/profit before income tax</b>	<i>8</i>	<b>(5,188,171)</b>	3,935,531
Income tax (expense)/credit	<i>9</i>	<u><b>(574,887)</b></u>	<u>20,000</u>
<b>(Loss)/profit for the year</b>		<u><b>(5,763,058)</b></u>	<u>3,955,531</u>

	<i>Note</i>	<b>2021</b> <b>HK\$</b>	2020 <b>HK\$</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		<u>846,730</u>	<u>728,356</u>
Other comprehensive income for the year, net of income tax		<u>846,730</u>	<u>728,356</u>
<b>Total comprehensive (loss)/income for the year</b>		<b><u>(4,916,328)</u></b>	<b><u>4,683,887</u></b>
<b>(Loss)/profit for the year attributable to:</b>			
Owners of the Company		(5,762,933)	3,955,709
Non-controlling interests		<u>(125)</u>	<u>(178)</u>
		<b><u>(5,763,058)</u></b>	<b><u>3,955,531</u></b>
<b>Total comprehensive (loss)/income for the year attributable to:</b>			
Owners of the Company		(4,916,203)	4,684,065
Non-controlling interests		<u>(125)</u>	<u>(178)</u>
		<b><u>(4,916,328)</u></b>	<b><u>4,683,887</u></b>
		<i>HK cents</i>	<i>HK cents</i>
<b>(Loss)/earnings per share attributable to owners of the Company</b>			
Basic and diluted	<i>11</i>	<u>(1.097)</u>	<u>0.753</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	<b>2021</b> <b>HK\$</b>	2020 <b>HK\$</b>
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>6,629,736</b>	7,054,871
Intangible asset		<b>420,000</b>	420,000
Right-of-use assets		<b>7,285,834</b>	9,120,384
Deposits	<i>13</i>	<b>977,614</b>	–
Prepayments for acquisition of property, plant and equipment		–	1,017,221
Investment in TV programmes	<i>12</i>	<b>33,578,431</b>	31,947,743
		<b>48,891,615</b>	49,560,219
<b>Current assets</b>			
Inventories		<b>2,323,344</b>	1,961,774
Trade and other receivables, prepayments and deposits	<i>13</i>	<b>30,321,237</b>	33,045,573
Tax recoverable		–	574,887
Cash and cash equivalents		<b>3,682,844</b>	8,819,535
		<b>36,327,425</b>	44,401,769
<b>Current liabilities</b>			
Trade and other payables	<i>14</i>	<b>31,145,839</b>	32,799,023
Lease liabilities		<b>3,440,083</b>	2,968,248
Other borrowings		–	276,243
		<b>34,585,922</b>	36,043,514
<b>Net current assets</b>		<b>1,741,503</b>	8,358,255
<b>Total assets less current liabilities</b>		<b>50,633,118</b>	57,918,474

	<b>2021</b> <i>HK\$</i>	2020 <i>HK\$</i>
<b>Non-current liabilities</b>		
Lease liabilities	<b>5,149,760</b>	7,518,788
Deferred tax liabilities	<b>4,707</b>	4,707
	<u><b>5,154,467</b></u>	<u>7,523,495</u>
<b>Net assets</b>	<u><b>45,478,651</b></u>	<u>50,394,979</u>
<b>EQUITY</b>		
Share capital	<b>105,069,500</b>	105,069,500
Reserves	<b>(59,821,569)</b>	(54,905,366)
Equity attributable to owners of the Company	<b>45,247,931</b>	50,164,134
Non-controlling interests	<b>230,720</b>	230,845
<b>Total equity</b>	<u><b>45,478,651</b></u>	<u>50,394,979</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium*	Contributed surplus*	Share option reserve*	Other reserves*	Translation reserve*	Accumulated losses*			
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Balance at 1 January 2020</b>	105,069,500	363,340,792	13,985,669	3,339,000	7	10,022,834	(450,277,733)	45,480,069	231,023	45,711,092
Profit/(loss) for the year	-	-	-	-	-	-	3,955,709	3,955,709	(178)	3,955,531
Other comprehensive income										
- Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	728,356	-	728,356	-	728,356
<b>Total comprehensive income/(loss) for the year</b>	-	-	-	-	-	728,356	3,955,709	4,684,065	(178)	4,683,887
<b>Balance at 31 December 2020 and 1 January 2021</b>	<b>105,069,500</b>	<b>363,340,792</b>	<b>13,985,669</b>	<b>3,339,000</b>	<b>7</b>	<b>10,751,190</b>	<b>(446,322,024)</b>	<b>50,164,134</b>	<b>230,845</b>	<b>50,394,979</b>
Loss for the year	-	-	-	-	-	-	(5,762,933)	(5,762,933)	(125)	(5,763,058)
Other comprehensive income										
- Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	846,730	-	846,730	-	846,730
<b>Total comprehensive income/(loss) for the year</b>	-	-	-	-	-	846,730	(5,762,933)	(4,916,203)	(125)	(4,916,328)
<b>Balance at 31 December 2021</b>	<b>105,069,500</b>	<b>363,340,792</b>	<b>13,985,669</b>	<b>3,339,000</b>	<b>7</b>	<b>11,597,920</b>	<b>(452,084,957)</b>	<b>45,247,931</b>	<b>230,720</b>	<b>45,478,651</b>

\* The total of these accounts as at the reporting date represents reserves of HK\$59,821,569 (2020: HK\$54,905,366) in deficit in the consolidated statement of financial position.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021*

## 1. BASIS OF PREPARATION

The 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 consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the GEM Listing Rules.

The significant accounting policies that have been used in the preparation of these 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 consolidated financial statements, if any, are disclosed in note 2.

The consolidated financial statements have been prepared on the historical cost basis except for investment in TV programmes, which is measured at fair value.

It should be noted that accounting estimates and assumptions are used in preparation of the 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) Amended HKFRSs

In the preparation of the consolidated financial statements for the year ended 31 December 2021, the Group has applied the following amendments to HKFRSs, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2
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The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

**(b) New and revised HKFRSs not yet adopted**

The Group has not applied the following new and amended HKFRSs, which have been issued but are not yet effective, in these consolidated financial statements.

Amendments to HKFRS 3 (Revised)	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>1</sup>
HKFRS 17	Insurance Contracts and the related amendments <sup>3</sup>
Amendments to HKAS 1 (Revised)	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1 (Revised) and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 April 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> Effective date not yet determined

The Directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

### 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.

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/(loss) before income tax is the same as those used in preparing these consolidated financial statements under HKFRSs except that finance costs, impairment loss on other receivables, exchange losses, net and corporate 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 other 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, total assets, total liabilities and other segment information are as follows:

### 2021

	Sales of smart cards <i>HK\$</i>	Sales of smart card application systems <i>HK\$</i>	Financial and management consultancy services <i>HK\$</i>	Sale and trading of scrap metals <i>HK\$</i>	Media and entertainment <i>HK\$</i>	Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
<b>Reportable segment revenue</b>	<u>72,740,567</u>	<u>14,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,755,127</u>
<b>Reportable segment profit/(loss)</b>	<u>3,886,156</u>	<u>(10,838)</u>	<u>(80,650)</u>	<u>(3,249,522)</u>	<u>612,195</u>	<u>-</u>	<u>1,157,341</u>
Finance costs							(387,224)
Impairment loss on other receivables							(6,807)
Exchange losses, net							(586,399)
Corporate expenses, net							<u>(5,365,082)</u>
Loss before income tax							<u>(5,188,171)</u>
<b>Reportable segment assets</b>	<u>38,817,143</u>	<u>3,000</u>	<u>-</u>	<u>104,122</u>	<u>39,648,431</u>	<u>2,543,500</u>	<u>81,116,196</u>
Intangible asset							420,000
Cash and cash equivalents							<u>3,682,844</u>
Total consolidated assets							<u>85,219,040</u>
<b>Reportable segment liabilities</b>	<u>35,773,384</u>	<u>12,000</u>	<u>-</u>	<u>315,514</u>	<u>-</u>	<u>3,634,784</u>	<u>39,735,682</u>
Deferred tax liabilities							<u>4,707</u>
Total consolidated liabilities							<u>39,740,389</u>
<b>Other information</b>							
Depreciation of property, plant and equipment	2,839,742	-	-	327	-	10,928	2,850,997
Depreciation of right-of-use assets	2,277,870	-	-	-	-	907,950	3,185,820
Interest income	6,728	-	-	614	-	-	7,342
Additions to non-current segment assets during the year	<u>3,509,648</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,509,648</u>

## 2020

	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\$
<b>Reportable segment revenue</b>	<u>76,098,019</u>	<u>600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,098,619</u>
<b>Reportable segment profit/(loss)</b>	<u>10,260,192</u>	<u>(9,288)</u>	<u>(128,231)</u>	<u>(3,305,991)</u>	<u>3,246,889</u>	<u>-</u>	<u>10,063,571</u>
Finance costs							(394,596)
Impairment loss on other receivables							(266,953)
Exchange losses, net							(357)
Corporate expenses, net							(5,466,134)
Profit before income tax							<u>3,935,531</u>
<b>Reportable segment assets</b>	<u>39,286,967</u>	<u>3,000</u>	<u>-</u>	<u>3,205,113</u>	<u>38,017,743</u>	<u>3,634,743</u>	<u>84,147,566</u>
Intangible asset							420,000
Tax recoverable							574,887
Cash and cash equivalents							<u>8,819,535</u>
Total consolidated assets							<u>93,961,988</u>
<b>Reportable segment liabilities</b>	<u>38,701,894</u>	<u>12,000</u>	<u>-</u>	<u>230,573</u>	<u>-</u>	<u>4,341,592</u>	<u>43,286,059</u>
Other borrowings							276,243
Deferred tax liabilities							<u>4,707</u>
Total consolidated liabilities							<u>43,567,009</u>
<b>Other information</b>							
Depreciation of property, plant and equipment	2,521,431	-	-	1,240	-	10,928	2,533,599
Depreciation of right-of-use assets	2,029,380	-	-	-	-	980,388	3,009,768
Interest income	7,723	-	-	439	-	1	8,163
Additions to non-current segment assets during the year	<u>4,605,779</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,704,085</u>	<u>7,309,864</u>

There has been no inter-segment sales between different business segments during the years.

## 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	
	2021 HK\$	2020 HK\$	2021 HK\$	2020 HK\$
The People's Republic of China (the "PRC")	9,044,713	5,920,112	10,941,020	13,720,232
Europe	32,711,223	39,827,024	–	–
Africa	30,906,869	28,041,214	–	–
Asia, excluding the PRC, Hong Kong and Taiwan	17,529	2,241,824	–	–
Hong Kong	74,793	68,445	3,394,550	3,891,917
Taiwan	–	–	–	327
	<u>72,755,127</u>	<u>76,098,619</u>	<u>14,335,570</u>	<u>17,612,476</u>

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, intangible assets, right-of-use assets and prepayments for acquisition of property, plant and equipment only.

The geographical location of customers is based on the principal place of business of the customers. The geographical location of the specified non-current assets is based on the location of assets.

## Information about major customers

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

	2021 HK\$	2020 HK\$
Customer A – Sale of smart cards	32,293,918	39,016,344
Customer B – Sale of smart cards	<u>30,803,948</u>	<u>27,799,413</u>

#### 4. REVENUE

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

	<b>2021</b>	2020
	<b>HK\$</b>	HK\$
<b>By product lines</b>		
Sales of smart cards	72,740,567	76,098,019
Sales of smart card application systems	<u>14,560</u>	<u>600</u>
	<b><u>72,755,127</u></b>	<b><u>76,098,619</u></b>
	2021	
	Sales of smart cards	Sales of smart card application systems
	HK\$	HK\$
<b>Geographical markets</b>		
The PRC	9,044,713	–
Europe	32,711,223	–
Africa	30,906,869	–
Asia, excluding the PRC, Hong Kong and Taiwan	17,529	–
Hong Kong	<u>60,233</u>	<u>14,560</u>
Total	<b><u>72,740,567</u></b>	<b><u>14,560</u></b>
	2020	
	Sales of smart cards	Sales of smart card application systems
	HK\$	HK\$
<b>Geographical markets</b>		
The PRC	5,920,112	–
Europe	39,827,024	–
Africa	28,041,214	–
Asia, excluding the PRC, Hong Kong and Taiwan	2,241,824	–
Hong Kong	<u>67,845</u>	<u>600</u>
Total	<b><u>76,098,019</u></b>	<b><u>600</u></b>

## 5. OTHER INCOME

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Bank interest income	7,342	8,163
Government subsidies ( <i>note (i)</i> )	277,098	747,000
Rent concession in relation to COVID-19 ( <i>note (ii)</i> )	–	26,998
Sundry income	485,483	249,658
	<u>769,923</u>	<u>1,031,819</u>

### Notes:

- (i) The government subsidies recognised for the year ended 31 December 2021 were the approved subsidies from the PRC government (2020: 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 PRC). There are no unfulfilled conditions or other contingencies attached to these subsidies.
- (ii) The Group was granted a rent concession in relation to COVID-19 for a factory during the year ended 31 December 2020. The Group applied the practical expedient in paragraph 46A of HKFRS 16 for its rent concession in relation to COVID-19, such that the Group elects not to assess whether the rent concession that meets the conditions in paragraph 46B of HKFRS 16 is a lease modification. The Group was not granted any rent concession in relation to COVID-19 during the year ended 31 December 2021.

## 6. OTHER LOSSES, NET

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Loss on disposal of property, plant and equipment	(96,783)	(6,863)
Exchange losses, net	(586,399)	(357)
	<u>(683,182)</u>	<u>(7,220)</u>

## 7. FINANCE COSTS

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Finance charges on lease liabilities	387,224	394,596

## 8. (LOSS)/PROFIT BEFORE INCOME TAX

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
(Loss)/profit before income tax is arrived at after charging/(crediting) :		
Auditor's remuneration	680,000	650,000
Short-term leases	293,729	944,204
Variable lease payments not included in the measurement of lease liabilities	2,007,922	1,524,737
Costs of inventories recognised as an expense ( <i>note</i> )	53,927,051	51,934,626
(Reversal of)/provision for impairment losses on trade receivables	(9,163)	25,243
Impairment losses on other receivables	6,807	266,953
Depreciation		
– Property, plant and equipment	2,850,997	2,533,599
– Right-of-use assets	3,185,820	3,009,768
Employee benefit expenses	23,952,627	22,578,430

### *Note:*

Cost of inventories includes HK\$18,787,936 (2020: HK\$16,415,057) relating to depreciation of property, plant and equipment, depreciation of right-of-use assets, employee benefits expenses and lease charges. There was no written down of inventories under cost of inventories (2020: HK\$9,400) during the year.

## 9. INCOME TAX EXPENSE/(CREDIT)

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
<b>Current tax</b>		
Hong Kong Profits Tax:		
Under/(over)-provision in prior year	<u>574,887</u>	<u>(20,000)</u>
Total income tax expense/(credit)	<u><u>574,887</u></u>	<u><u>(20,000)</u></u>

*Notes:*

### (a) Hong Kong

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2,000,000 of profits of qualifying group entity will be taxed at 8.25%, and the profits above HK\$2,000,000 will be taxed at 16.5%. The profits of entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. No Hong Kong Profits Tax has been provided for the year as the Group has sufficient tax losses brought forward to set off against assessable profits in Hong Kong (2020: did not generate any estimated assessable profits in Hong Kong).

### (b) PRC

The PRC Enterprise Income Tax has been calculated at 25% (2020: 25%) on the estimated assessable profits for the year based on the existing legislation, interpretations and practices in respect thereof. No PRC Enterprise Income Tax has been provided for the year as the Group did not generate any estimated assessable profits in PRC during the year (2020: has sufficient tax losses brought forward to set off against assessable profits in the PRC).

### (c) Other jurisdictions

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

## 10. DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2021 (2020: nil).

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

The calculations of basic (loss)/earnings per share are based on the (loss)/profit for the year attributable to owners of the Company and the weighted average number of respective ordinary shares in issue of 525,347,500 (2020: 525,347,500) during the year.

The calculations of diluted (loss)/earnings per share are based on the respective adjusted (loss)/profit for the years attributable to owners of the Company and the adjusted weighted average number of ordinary shares outstanding both of which are adjusted to assume exercise or conversion of all dilutive potential ordinary shares.

As at 31 December 2021 and 2020, the Company has outstanding share options. For the outstanding share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted (loss)/earnings per share.

As the Company's outstanding share options had an anti-dilutive effect to the basic (loss)/earnings per share calculation for the year ended 31 December 2021 and 2020, the exercise of the above potential ordinary shares is not assumed in the computation of diluted (loss)/earnings per share. Therefore, the diluted (loss)/earnings per share attributable to owners of the Company for years ended 31 December 2021 and 2020 is the same as the basic (loss)/earnings per share.

## 12. INVESTMENT IN TV PROGRAMMES

	<i>HK\$</i>
As at 1 January 2020	26,850,000
Total gains included in profit or loss:	
Fair value charge	3,247,844
Exchange difference arising from translation, included in other losses, net	<u>1,849,899</u>
As at 31 December 2020 and 1 January 2021	<b>31,947,743</b>
Total gains included in profit or loss:	
Fair value charge	<b>612,745</b>
Exchange difference arising from translation, included in other losses, net	<u><b>1,017,943</b></u>
<b>As at 31 December 2021</b>	<b><u><u>33,578,431</u></u></b>

During the year ended 31 December 2019, the Group entered into a joint production agreement and supplemental agreement (collectively, the "Joint Production Agreement") with Zhe Jiang You Sheng, an independent TV programmes producer, pursuant to which the Group agreed to invest RMB24,000,000 (equivalent to HK\$26,850,000) in the production of TV programmes "Snow Leopard II", representing 30% of the budgeted production costs. In accordance with the Joint Production Agreement, the Group has no control, significant influence or joint control over the investment.

Pursuant to the Joint Production Agreement, if the actual production costs exceed the budgeted production costs, Zhe Jiang You Sheng would bear all addition costs. The Group is not liable and does not bear any additional costs and the interests in the investment in TV programmes would still be maintained at 30%.

The Group is entitled to 30% of net profit generated by the TV programmes for five years, after obtained broadcasting approval from the PRC government authority. Up to the date of this announcement, the TV programmes are still under production.

As at 31 December 2020, with reference to the revised production progress provided by Zhe Jiang You Sheng, the Directors were tentatively expected the TV programmes to be released in the PRC during the year ended 31 December 2021 and would receive the net profit distribution before June 2022. Therefore, the investment in TV programmes was classified as non-current assets as at 31 December 2020.

During the year ended 31 December 2021, due to the unstable environment under the COVID-19 pandemic in the PRC, the TV programmes could not be produced as planned in prior year. As at 31 December 2021, with reference to the production progress provided by Zhe Jiang You Sheng, the Directors further revisited the production timetable with Zhe Jiang You Sheng and tentatively expected the TV programmes to be released in the PRC and the net profit distribution to be received during the year ending 31 December 2023. Therefore, the investment in TV programmes was classified as non-current assets as at 31 December 2021.

### 13. TRADE AND OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
Trade receivables	18,623,536	17,303,045
Less: Expected credit loss (“ECL”) allowance	<u>(20,027)</u>	<u>(29,190)</u>
Trade receivables, net ( <i>note</i> )	<u>18,603,509</u>	<u>17,273,855</u>
Other receivables, prepayments and deposits	13,292,927	41,826,645
Less: ECL allowance	<u>(597,585)</u>	<u>(26,054,927)</u>
Other receivables, prepayments and deposits, net	<u>12,695,342</u>	<u>15,771,718</u>
Total trade and other receivables, prepayments and deposits	31,298,851	33,045,573
Less: Non-current rental deposits	<u>(977,614)</u>	<u>–</u>
Current trade and other receivables, prepayments and deposits	<u><u>30,321,237</u></u>	<u><u>33,045,573</u></u>

*Note:*

The credit term granted by the Group to its trade customers normally ranges from 30 days to 90 days (2020: 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:

	2021 <i>HK\$</i>	2020 <i>HK\$</i>
0 – 30 days	6,818,619	8,066,579
31 – 90 days	10,090,661	8,929,348
Over 90 days	1,714,256	307,118
Less: ECL allowance	<u>(20,027)</u>	<u>(29,190)</u>
	<u><u>18,603,509</u></u>	<u><u>17,273,855</u></u>

#### 14. TRADE AND OTHER PAYABLES

	<b>2021</b> <b>HK\$</b>	2020 <i>HK\$</i>
Trade payables ( <i>note</i> )	<b>23,064,740</b>	24,191,397
Other payables and accrual	<b>8,081,099</b>	8,607,626
	<b>31,145,839</b>	32,799,023

*Note:*

Credit periods granted by suppliers normally range from 30 days to 90 days (2020: 30 days to 90 days). Based on the invoice date, the ageing analysis of the trade payables is as follows:

	<b>2021</b> <b>HK\$</b>	2020 <i>HK\$</i>
0 – 30 days	<b>3,125,239</b>	4,197,731
31 – 60 days	<b>2,912,832</b>	3,041,264
61 – 90 days	<b>2,263,557</b>	2,970,129
Over 90 days	<b>14,763,112</b>	13,982,273
	<b>23,064,740</b>	24,191,397

## **EXTRACT OF INDEPENDENT AUDITOR’S REPORT ON THE COMPANY’S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021**

Moore Stephens CPA Limited were engaged to audit the consolidated financial statements of the Group. The section below sets out an extract of the independent auditor’s report regarding the consolidated financial statements of the Group for the year:

### **QUALIFIED OPINION**

We have audited the consolidated financial statements of Phoenitron Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”), which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effect of the matter described in the *Basis for Qualified Opinion* section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

### **BASIS FOR QUALIFIED OPINION**

#### **Limitation of scope in respect of corresponding figures of financial performance, cash flows and relevant disclosures**

As detailed in our auditor’s report dated 25 March 2021 on the consolidated financial statements of the Group for the financial year ended 31 December 2020, the predecessor auditors who were engaged to perform the audit of the consolidated financial statements of the Group for the year ended 31 December 2019 had expressed a qualified opinion as a result of limitation of scope in respect of impairment loss on other receivable from a petroleum company (the “Petroleum Company”). Since the opening balances in consolidated statement of financial position affect the determination of the results of operations and hence cash flows, we were unable to determine whether adjustments to the results of operations and cash flows might be necessary for the financial year ended 31 December 2020. Therefore, our opinion on the consolidated financial statements of the Group for the financial year ended 31 December 2020 was qualified because of the possible effects of these matters.

In respect of the consolidated financial statements of the Group for the financial year ended 31 December 2021, the matters which were the subject matter of the scope limitations referred to above do not have effects on the account balances presented in the consolidated statement of financial position of the Group as at 31 December 2021 and 2020 or the results and cash flows of the Group for the current year ended 31 December 2021, and the related disclosures in the

consolidated financial statements. However, any adjustments found to be necessary in respect of these matters may have significant effects on the financial performance and cash flows of the Group for the year ended 31 December 2020, and the related disclosures in the consolidated financial statements, presented as corresponding figures in the consolidated financial statements. Therefore, our opinion on the current year's consolidated financial statements is also qualified because of the possible effects of the matters on the comparability of the current year's figures and the corresponding figures of the Group's financial performance, cash flows and relevant notes.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **FINANCIAL REVIEW**

#### **Revenue**

For the financial year ended 31 December 2021 (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\$72.74 million, a decline of approximately HK\$3.36 million or 4.4% as compared to the corresponding period in 2020 of approximately HK\$76.10 million.

#### **Cost of Sales (“COS”) and Gross Profit**

During the Reporting Period, cost of sales incurred for the SIM card manufacturing business amounted to approximately HK\$53.91 million, an increase of approximately HK\$1.98 million or 3.8% as compared to the corresponding period in 2020 of approximately HK\$51.93 million. The reason for the increase in COS was due to a higher portion of revenue being derived from cardbody-related orders (meaning fewer higher-value-added-service orders) which caused the increases in material and labour costs year-on-year.

Due to a less favourable sales mix year-on-year, gross profit of the Group during the Reporting Period recorded a decline of approximately HK\$5.33 million or 22.1%, from the corresponding period in 2020 of approximately HK\$24.16 million, to approximately HK\$18.83 million.

#### **Other Income**

Other income of approximately HK\$0.77 million comprised of a one-off subsidy from the PRC local authority of approximately HK\$0.28 million, bank interest income of HK\$7,342 and sundry and other income of approximately HK\$0.49 million (2020: approximately HK\$1.03 million and was mainly comprised of the government subsidy of approximately HK\$0.75 million and sundry and other income of approximately HK\$0.28 million).

#### **Other Losses, Net**

During the Reporting Period, other losses amounted to approximately HK\$0.68 million, which comprised of loss of disposal of property, plant and equipment of approximately HK\$0.10 million, net exchange losses arising from foreign currency based transactions of approximately HK\$0.58 million (2020: HK\$7,220, comprised of loss on disposal of property, plant and equipment of HK\$6,863 and net exchange losses arising from foreign currency based transactions of HK\$357).

## **Selling and Distribution Costs**

During the Reporting Period, selling and distribution costs amounted to approximately HK\$2.65 million, representing a slight decrease of approximately HK\$0.37 million, or 12.3%, as compared to the corresponding period in 2020 of approximately HK\$3.02 million. The decrease was mainly due to the decreases in freight charges and commission paid as a result of the decrease in revenue of SIM card segment year-on-year.

## **Administrative Expenses**

Administrative expenses recorded an increase of approximately HK\$0.85 million, or 4.1% during the Reporting Period, from approximately HK\$20.82 million for the corresponding period in 2020, to approximately HK\$21.67 million. The increase was primarily attributable to the increase in various administrative expenses such as entertainment, staff costs and sundry expenses.

## **Impairment Loss on Other Receivables**

During the Reporting Period, an impairment loss on other receivables amounted to HK\$6,807 (2020: approximately HK\$0.27 million).

## **Change in Fair Value of Investment in TV Programmes**

During the Reporting Period, a fair value gain on investment in TV programmes of approximately HK\$0.61 million was recognised (2020: approximately HK\$3.25 million).

## **Finance Costs**

During the Reporting Period, the Group's finance costs, representing the finance charges on lease liabilities, amounted to approximately HK\$0.39 million (2020: approximately HK\$0.39 million).

## **Income Tax Expense/Credit**

During the Reporting Period, an income tax expense of approximately HK\$0.57 million was provided for in respect of an underprovision of tax for prior years (2020: income tax credit of HK\$0.02 million).

## **Non-controlling Interests**

During the Reporting Period, a loss of HK\$125 attributable to the non-controlling interests was recognised (2020: HK\$178).

As a result of the foregoing, loss attributable to owners of the Company for the Reporting Period amounted to approximately HK\$5.76 million (2020: profit attributable to owners of the Company of approximately HK\$3.96 million).

## **THE GROUP'S RESPONSE TO THE QUALIFIED OPINION**

Referring to the auditor's qualified opinion on page 24, the Company expressed that they fully understood and accepted the qualified opinion being made, and understood that such qualification arose because of the possible effect on the comparability of the current year's figures and the corresponding figures for the year ended 31 December 2020. The Board would like to emphasize that they do not have any modified opinion on the figures in relation to the year ended 31 December 2021 and the qualified opinion does not have carryforward effect to the Group's financial statements for the year ending 31 December 2022 and similar qualified opinion will not be issued in the Group's financial statements for the year ending 31 December 2022.

The Board considered that there is no material effect on the operation or financial position of the Company and its subsidiaries.

## **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 2021, the Group had cash and bank balances of approximately HK\$3.7 million (2020: approximately HK\$8.8 million) and repaid all outstanding other borrowings (2020: approximately HK\$0.3 million).

As at 31 December 2021, the Group had current assets of approximately HK\$36.3 million (2020: approximately HK\$44.4 million) and current liabilities of approximately HK\$34.6 million (2020: approximately HK\$36.0 million). The current ratio, expressed as current assets over current liabilities, was 1.0 (2020: 1.2).

## **EMPLOYEE INFORMATION**

As at 31 December 2021, the Group employed a total of 139 employees (2020: 144 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\$24.0 million (2020: approximately HK\$22.6 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 12 to consolidated financial statements, there was no other significant investments for the year ended 31 December 2021.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

The Group made no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2021.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS**

Save as disclosed in the “Chairman’s Statement” and “Management Discussion and Analysis” sections, there were no future plans for material investments or capital assets.

## **CHARGE ON GROUP ASSETS**

At 31 December 2021, there is no charge on assets of the Group (2020: nil).

## **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 10.1% as at 31 December 2021 (2020: 11.5%).

## **FINAL DIVIDEND**

The Directors does not recommend any payment of a final dividend for the year ended 31 December 2021 (2020: nil).

## **COMPETING INTERESTS**

As at 31 December 2021, 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 role and function of the audit committee are to review the Company’s financial controls, internal control and risk management systems; to review and monitor the external auditors’ independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; to review the Company’s financial statements and to provide advice and comment thereon to the Board. The audit committee currently comprises three independent non-executive Directors and is chaired by Ms. Wong Ka Wai, Jeanne. The rest of members are Mr. Leung Ka Kui, Johnny and Mr. Chan Siu Wing, Raymond. The audit committee held four meetings during the year ended 31 December 2021.

The Group’s audited results for the year ended 31 December 2021 have been reviewed and agreed by the audit committee.

## **SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED**

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2021 and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement of the Group have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Moore Stephens CPA Limited on the preliminary announcement.

## **COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES**

The Board believes that good corporate governance practices are essential for effective management and enhancement of shareholder value and investor confidence. The Company has taken a proactive approach in strengthening corporate governance practices, increasing transparency and sustaining accountability to shareholders through effective internal controls, under the leadership of its experienced and committed Board. The Company has applied the principles set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 December 2021 with the exception of the code provision C.2.1 which stipulated in the following paragraphs.

Code provision C.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer 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 and was further appointed as the Chief Executive Officer on 23 March 2009. The reasons for not splitting the roles of chairman and chief executive officer are as follows:

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

The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

## **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 year.

## **ANNUAL GENERAL MEETING**

The annual general meeting (the "AGM") of the shareholders of the Company will be held at 10:00 a.m., on Wednesday, 11 May 2022, at Function Room 1, 11th Floor, L'hotel Nina et Convention Centre, 8 Yeung Uk Road, Tsuen Wan, New Territories, Hong Kong and the notice of AGM will be published and dispatched to the shareholders in the manner as required by the GEM Listing Rules in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

In order to ascertain the entitlements to attend the AGM, the register of members of the Company will be closed from Thursday, 5 May 2022 to Wednesday, 11 May 2022 (both dates inclusive) during which period no transfer of shares of the Company will be registered. In order to qualify for attending the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 4 May 2022.

By order of the Board  
**Lily Wu**  
*Chairman*

Hong Kong, 22 March 2022

*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](http://www.hkgem.com) on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and the Company's website at [www.phoenitron.com](http://www.phoenitron.com).*