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 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

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

- Revenue for the year ended 31 December 2018 amounted to approximately HK$52,333,000, representing a decrease of 86.3% as compared to the corresponding period in 2017 of approximately HK$380,960,000.
- The Group recorded an audited profit attributable to the owners of the Company of approximately HK$1,615,000 for the year ended 31 December 2018.
- The Board does not recommend any payment of a final dividend for the year ended 31 December 2018 (2017: nil).

CHAIRMAN'S STATEMENT

TO OUR SHAREHOLDERS

On behalf of the Board of Directors, I am pleased to present to you the results of Phoenitron Holdings Limited (the "Company") and its subsidiaries (together, the "Group") for the financial year ended 31 December 2018 (the "Reporting Period").

RESULTS

For the year ended 31 December 2018, the Company recorded a consolidated revenue of approximately HK$52,333,000 (2017: approximately HK$380,960,000) and profit attributable to owners of the Company of approximately HK$1,615,000 (2017: loss of approximately HK$19,770,000).

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

During the Reporting Period, the Group is principally engaged in the contract manufacturing and sales of smart cards, and the sales of petro-chemical products.

Contract manufacturing and sales of smart cards

Throughout the Reporting Period, the Group's contract manufacturing and sales of SIM cards business faced a difficult business environment (especially in the first half of the year), which drove us to implement cost cutting and improved operating efficiency measures which put us in a better position as the market showed signs of recovery and improvement in the second half of the year (resulting in a profitable last quarter).

During the Reporting Period, we focused on solidifying our relationship with the existing customers and at the same time expanding the client base and overall market share. By offering the best-quality, value-added services, and convenient and speedy deliveries, we were successfully able to secure new customers in 2018, which will lead to new customer orders in 2019, diversifying the client base and improving the revenue and profit stability.

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.

Financially, due to the losses in the first half of the year, a net loss of approximately HK$4.6 million (2017: approximately HK$7.8 million) was recorded for the SIM card market segment during the Reporting Period.

Setting up natural gas stations in the Yangtze River Delta region and other petro-chemical related businesses

The Group's joint venture in Shanghai, namely, Shanghai Phoenitron Petroleum & Chemical Company Limited ("Shanghai Phoenitron"), whose main business is the operation of natural gas filling stations in the Yangtze River Delta region and other petro-chemical related business, operated for another full financial year. During the Reporting Period, Shanghai Phoenitron, and 上海仁重新能源科技有限公司 ("Shanghai Renzhong"), a wholly-owned subsidiary of Shanghai Phoenitron, were principally engaged in the wholesale of petro-chemical products and retailing of oils products. Shanghai Phoenitron, together with Shanghai Renzhong, generated revenue of approximately HK$2.1 million (2017: approximately HK$334.7 million) during the Reporting Period.

Given the volatility of global oil prices during the Reporting Period, and having considered the risk exposures and rewards, we adopted a conservative approach towards the petro-chemical products business. As the running of a successful business in this field requires more resources including funds and manpower, we are currently reviewing this area of business and shall take action as appropriate.

Provision of customised smart card application systems

Revenue generated from the provision of customised smart card application systems was approximately the same as in the previous year. The management will keep exploring new business opportunities in this segment.

FINANCING OVERVIEW

During the Reporting Period, the Company had entered into separate subscription agreements with four subscribers (the "Subscribers"), namely, Mr. Lam Chi Kwong, Stephen, Ms. Lau Cheuk Lam, Sammi, Mr. Liu Hui and Mr. Tam Yui Man, in relation to the subscription of a total of 75,000,000 new shares of the Company at the subscription price of HK$0.20 per subscription share (the "Subscriptions") and with the aggregate nominal value of HK$15.0 million. The market price on 16 April 2018 (being the date on which the terms of the Subscriptions were fixed) was HK$0.148. Completion of the Subscriptions took place on 26 April 2018. The net subscription price, after deducting relevant expenses of approximately HK$25,000, is HK$0.1997 per subscription share. The net proceeds of approximately HK$15.0 million has been applied (as intended) for (i) general working capital of the Group (including SIM card business) of approximately HK$10.17 million and (ii) repayment of certain loans of a total of approximately HK$4.8 million.

As mentioned in previous announcements of the Company, more working capital is needed to finance the Group's SIM card business and operations and for general working capital of the Group. The Directors consider that the Subscriptions represent opportunities to raise additional funding for the Group's business operations and it will also strengthen the capital base and financial position for the Group (by lowering the gearing ratio and reducing the finance costs). In addition, the Directors consider that the Subscriptions are the preferred method of fund raising as compared with other equity fund raising exercises based on the time and costs involved.

For more details, please refer to the Company's announcements dated 16 April 2018 and 26 April 2018.

PROSPECTS

Looking forward, we expect the Group will gradually move back towards profitability in 2019. The Board will place greater emphasis on exploring or developing new areas of business so as to bring more stable and substantial profit to the Group. Meanwhile, the Company will continue to explore the potential to both increase SIM card revenue by increasing its market share, and to also increase profit through better and more efficient utilisation of the Group's assets and lowering of the operating costs of production. We are hopeful that the results of this segment will turn to profit again in 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.

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 2018. 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, 26 March 2019

The board of Directors (the "Board") announces the consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2018 together with the comparative figures for the corresponding period in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 HK$	2017 HK$
Revenue	4	**52,333,412**	380,960,322
Cost of sales		**(40,579,503)**	(369,634,249)
Gross profit		**11,753,909**	11,326,073
Other income	5	**4,376,961**	235,382
Other gains/(losses), net	6	**577,668**	(485,489)
Reversal of impairment loss on amount due from a joint venture	14	**23,215,878**	–
Selling and distribution costs		**(3,523,335)**	(4,064,191)
Administrative expenses		**(33,430,952)**	(25,537,837)
Impairment loss on other receivables and prepayments		**(225,472)**	(641,026)
Finance costs	7	**(1,092,964)**	(786,638)
Profit/(Loss) before income tax	8	**1,651,693**	(19,953,726)
Income tax (expense)/credit	9	**(233,560)**	11,163
Profit/(Loss) for the year		**1,418,133**	(19,942,563)
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of financial statements of foreign operations		**(5,094,006)**	7,770,938
Other comprehensive (loss)/income for the year		**(5,094,006)**	7,770,938
Total comprehensive loss for the year		**(3,675,873)**	(12,171,625)

	Notes	**2018**	2017
		HK$	*HK$*
Profit/(Loss) for the year attributable to:			
Owners of the Company		**1,614,760**	(19,770,206)
Non-controlling interests		**(196,627)**	(172,357)
		1,418,133	(19,942,563)
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(1,912,357)**	(13,795,403)
Non-controlling interests		**(1,763,516)**	1,623,778
		(3,675,873)	(12,171,625)
		HK Cents	*HK Cents*
Earnings/(Loss) per share	*11*		
– Basic		**0.321**	(4.713)
– Diluted		**0.317**	(4.713)

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transitions method chosen, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 HK$	2017 HK$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**6,980,393**	9,804,732
Intangible asset		**420,000**	420,000
Prepayments for acquisition of property, plant and equipment		**1,178,045**	–
Interests in associates		**–**	–
Long-term financial assets	12	**–**	–
		8,578,438	10,224,732
Current assets			
Inventories		**1,331,159**	1,551,977
Trade and other receivables	13	**106,774,710**	230,048,287
Amount due from a joint venture	14	**23,215,878**	–
Tax recoverable		**674,221**	965,896
Pledged bank deposits		**–**	2,212,324
Cash and cash equivalents		**837,849**	2,283,931
		132,833,817	237,062,415
Current liabilities			
Trade and other payables	15	**45,844,280**	139,947,030
Borrowings		**6,457,045**	13,923,034
		52,301,325	153,870,064
Net current assets		**80,532,492**	83,192,351
Total assets less current liabilities		**89,110,930**	93,417,083
Non-current liabilities			
Deferred tax liabilities		**4,707**	4,707
Net assets		**89,106,223**	93,412,376
EQUITY			
Share capital		**105,258,500**	90,258,500
Reserves		**(21,779,947)**	(22,516,275)
Equity attributable to owners of the Company		**83,478,553**	67,742,225
Non-controlling interests		**5,627,670**	25,670,151
Total equity		**89,106,223**	93,412,376

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transitions method chosen, comparative information is not restated. See note 2.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company									
	Share capital *HK$*	Share premium* *HK$*	Contributed surplus* *HK$*	Share option reserve* *HK$*	Other reserves* *HK$*	Translation reserve* *HK$*	Accumulated losses* *HK$*	Total *HK$*	Non-controlling interests *HK$*	Total equity *HK$*
Balance at 1 January 2017	75,258,500	363,367,716	13,985,669	1,360,008	7	2,150,237	(389,559,509)	66,562,628	24,046,373	90,609,001
Issue of shares upon shares subscription	15,000,000	(25,000)	–	–	–	–	–	14,975,000	–	14,975,000
Transactions with owners	15,000,000	(25,000)	–	–	–	–	–	14,975,000	–	14,975,000
Loss for the year	–	–	–	–	–	–	(19,770,206)	(19,770,206)	(172,357)	(19,942,563)
Other comprehensive income – Translation of financial statements of foreign operations	–	–	–	–	–	5,974,803	–	5,974,803	1,796,135	7,770,938
Total comprehensive income/(loss) for the year	–	–	–	–	–	5,974,803	(19,770,206)	(13,795,403)	1,623,778	(12,171,625)
Balance at 31 December 2017 and 1 January 2018	**90,258,500**	**363,342,716**	**13,985,669**	**1,360,008**	**7**	**8,125,040**	**(409,329,715)**	**67,742,225**	**25,670,151**	**93,412,376**
Adjustment from adoption of HKFRS 9 *(note 2(a))*	**–**	**–**	**–**	**–**	**–**	**–**	**(665,315)**	**(665,315)**	**–**	**(665,315)**
Adjusted balance at 1 January 2018	**90,258,500**	**363,342,716**	**13,985,669**	**1,360,008**	**7**	**8,125,040**	**(409,995,030)**	**67,076,910**	**25,670,151**	**92,747,061**
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 – 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**

Note: The Group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transitions method chosen, comparative information is not restated. See note 2.

* The total of these accounts as at the reporting date represents "Reserves" of HK$21,779,947 (2017: HK$22,516,275) in deficit in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 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 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 financial statements, if any, are disclosed in note 2.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial assets which are measured at fair values.

It should be noted that accounting estimates and assumptions are used in the 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) New and amended HKFRSs that are effective for annual periods beginning or after 1 January 2018

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 consolidated financial statements for the annual period beginning on 1 January 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 1	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration

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 9 "Financial Instruments"

HKFRS 9 replaces HKAS 39 "Financial Instruments: Recognition and Measurement". It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an ECL model for the impairment of financial assets.

When adopting HKFRS 9, the Group has applied the standard retrospectively to items that existed at 1 January 2018 in accordance with the transition requirement and also applied transitional relief and opted not to restate prior periods. Differences arising from the adoption of HKFRS 9 in relation to classification, measurement, and impairment are recognised in accumulated losses.

The adoption of HKFRS 9 has impacted the following areas:

– the classification and measurement of the Group's financial assets. Investments in certain unlisted equity investment in Hota (USA) Holding Corp. ("Hota (USA)") (note 12) previously classified as available-for-sale investments under HKAS 39 measured at fair value with gain or loss on fair value changes being recognised in other comprehensive income are now measured at fair value and classified as financial assets at fair value through profit or loss ("FVTPL").

– HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the ECL model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECL earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to financial assets measured at amortised cost (including trade and other receivables, amount due from a joint venture, pledged bank deposits and cash and cash equivalents). For trade receivables, the Group applies a simplified model of recognising lifetime ECL as these items do not have a significant financing component. For other financial assets, the Group applies a general approach of recognising ECL.

Upon the adoption of HKFRS 9, the Group recognised additional ECL on the Group's trade receivables and other receivables of HK$101,553 and HK$563,762, respectively, which resulted in an increase in accumulated losses of HK$665,315 as at 1 January 2018.

The reclassifications and remeasurements made to balances recognised in the consolidated statement of financial position at the date of initial application (1 January 2018) are summarised as follows:

	Measurement category				
	Original HKAS 39 category	**New HKFRS 9 category**	**31 December 2017 (HKAS 39)**	**Adoption of HKFRS 9 – remeasurement**	**1 January 2018 (HKFRS 9)**
			HK$	***HK$***	***HK$***
Non-current financial assets					
Long-term financial assets	Available-for-sale	FVTPL	–	–	–
Current financial assets					
Trade and other receivables, excluding prepayments	Amortised cost	Amortised cost	224,888,561	(665,315)	224,223,246
Pledged deposits	Amortised cost	Amortised cost	2,212,324	–	2,212,324
Cash and cash equivalents	Amortised cost	Amortised cost	2,283,931	–	2,283,931
			229,384,816	(665,315)	228,719,501
Total financial asset balances			229,384,816	(665,315)	228,719,501

There have been no changes to the classification or measurement of financial liabilities as a result of the application of HKFRS 9.

The following table summarises the impact of transition to HKFRS 9 on the opening balance of accumulated losses.

	Impact of adopting HKFRS 9 on opening balance *HK$*
Accumulated losses as at December 2017	(409,329,715)
Recognition of ECL under HKFRS 9:	
– Trade receivables	(101,553)
– Other receivables, deposits and prepayments	(563,762)
Accumulated losses as at 1 January 2018	(409,995,030)

HKFRS 15 "Revenue from Contracts with Customers"

HKFRS 15 "Revenue from Contracts with Customers" and the related "Clarifications to HKFRS 15 Revenue from Contracts with Customers" (hereinafter referred to as "HKFRS 15") replace HKAS 18 "Revenue", HKAS 11 "Construction Contracts", and several revenue-related Interpretations.

The Group has elected to use the cumulative effect transition method, with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated losses at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18.

There have been no significant impact of the adoption of HKFRS 15 on when the Group recognises its revenue or on the Group's statement of financial position as at 1 January 2018.

(b) Issued but not effective HKFRSs

At the date of authorisation of these 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 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]

[1] Effective for annual periods beginning on or after 1 January 2019
[2] Effective for annual periods beginning on or after 1 January 2020
[3] Effective for annual periods beginning on or after 1 January 2021
[4] Effective for business combinations and asset acquisition for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
[5] Effective date not yet determined

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 consolidated financial statements.

HKFRS 16 "Leases"

HKFRS 16 "Leases" will replace HKAS 17 and three related Interpretations.

Currently the Group classifies leases into operating leases and accounts for the lease arrangements accordingly. The Group enters into leases as the lessee.

HKFRS 16 is not expected to impact significantly on the way that lessors account for their rights and obligations under a lease. However, once HKFRS 16 is adopted, lessees will no longer distinguish between finance leases and operating leases. Instead, subject to practical expedients, lessees will account for all leases in a similar way to current finance lease accounting, i.e. at the commencement date of the lease, the lessee will recognise a lease liability and a corresponding "right-of-use" asset. After initial recognition of this asset and liability, the lessee would recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the current policy of recognising rental expenses incurred under operating leases on a systematic basis over the lease term. As a practical expedient, the lessee can elect not to apply this accounting model to short-term leases (i.e. where the lease term is 12 months or less) and to leases of low-value assets, in which case the rental expenses would continue to be recognised on a systematic basis over the lease term.

HKFRS 16 will primarily affect the Group's accounting as a lessee of leases of properties which are currently classified as operating leases. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. As allowed by HKFRS 16, the Group plans to use the practical expedient to grandfather the previous assessment of which existing arrangements are, or contain, leases. The Group will therefore apply the new definition of a lease in HKFRS 16 only to contracts that are entered into on or after the date of initial application.

The Group plans to elect to use the modified retrospective approach for the adoption of HKFRS 16 on 1 January 2019 and will recognise the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information will not be restated. In addition, the Group plans to elect the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply HKFRS 16 only to new contracts. Furthermore, the Group plans to use the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease. As at 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to HK$3,024,021 for a number of properties, the majority of which is payable either within 1 year or between 2 to 5 years after the reporting date.

Upon the initial application of HKFRS 16, the Group plans to measure the rights-of-use assets as if HKFRS 16 had always been applied by using the incremental borrowing rate at initial application date and the opening balances of lease liabilities and the corresponding right-of-use assets will be adjusted, after taking account the effects of discounting, as at 1 January 2019.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's financial statement from 2019 onwards.

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. The directors expect that the amendments have no material impact on the Group's 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;
- Trading of scrap metals; and
- Sales of petro-chemical products.

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 or loss before income tax is the same as those used in preparing these financial statements under HKFRSs except that finance costs, reversal of impairment loss on amount due from a joint venture, impairment loss on other receivables and prepayments, exchange gains/losses (net) and corporate income and expenses 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 pledged bank deposits and 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, profit/(loss) before income tax, total assets, total liabilities and other segment information are as follows:

2018

	Sales of smart cards HK$	Sales of smart card application systems HK$	Financial and management consultancy services HK$	Trading of scrap metals HK$	Sales of petro-chemical products HK$	Unallocated HK$	Consolidated HK$
Reportable segment revenue	50,175,902	28,220	–	–	2,129,290	–	52,333,412
Reportable segment loss	(4,322,001)	(10,239)	(375,109)	(3,524,707)	(792,642)	–	(9,024,698)
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							(225,472)
Exchange gains, net							467,668
Corporate expenses, net							(11,688,719)
Profit before income tax							1,651,693
Reportable segment assets	35,374,085	3,840	–	2,326,502	77,542,362	24,233,396	139,480,185
Intangible asset							420,000
Tax recoverable							674,221
Cash and cash equivalents							837,849
Total consolidated assets							141,412,255
Reportable segment liabilities	38,881,018	16,500	–	151,384	2,128,604	4,666,774	45,844,280
Borrowings							6,457,045
Deferred tax liabilities							4,707
Total consolidated liabilities							52,306,032
Other information							
Depreciation	2,848,566	–	–	188,254	–	8,449	3,045,269
Interest income	2,518	3	–	31	113	122	2,787
Additions to non-current segment assets during the year	2,045,232	–	–	–	–	21,241	2,066,473

2017

	Sales of smart cards *HK$*	Sales of smart card application systems *HK$*	Financial and management consultancy services *HK$*	Trading of scrap metals *HK$*	Sales of petro-chemical products *HK$*	Unallocated *HK$*	Consolidated *HK$*
Reportable segment revenue	46,147,518	87,950	–	–	334,724,854	–	380,960,322
Reportable segment loss	(7,030,386)	(522)	(359,424)	(3,494,792)	(680,474)	–	(11,565,598)
Finance costs							(786,638)
Impairment loss on other receivables and prepayments							(641,026)
Exchange losses, net							(830,664)
Corporate expenses, net							(6,129,800)
Loss before income tax							(19,953,726)
Reportable segment assets	31,643,960	33,790	–	3,048,621	203,292,558	3,386,067	241,404,996
Intangible asset							420,000
Tax recoverable							965,896
Pledged bank deposits							2,212,324
Cash and cash equivalents							2,283,931
Total consolidated assets							247,287,147
Reportable segment liabilities	33,522,662	27,500	–	150,568	103,396,941	2,849,359	139,947,030
Borrowings							13,923,034
Deferred tax liabilities							4,707
Total consolidated liabilities							153,874,771
Other information							
Depreciation	3,303,184	–	–	186,342	–	2,783	3,492,309
Interest income	800	1	–	82	1,015	33	1,931
Additions to non-current segment assets during the year	4,349,108	–	–	4,646	–	33,400	4,387,154

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	
	2018	2017	**2018**	2017
	HK$	*HK$*	***HK$***	*HK$*
People's Republic of China (the "PRC")	**7,059,830**	335,287,338	**6,790,563**	9,389,313
Europe	**16,884,503**	14,910,869	**–**	–
Africa	**24,456,118**	27,125,349	**–**	–
Asia, excluding the PRC and Hong Kong	**3,675,024**	1,012,496	**65,134**	253,388
Hong Kong	**257,937**	2,624,270	**1,722,741**	582,031
Total	**52,333,412**	380,960,322	**8,578,438**	10,224,732

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 asset, prepayments for acquisition of property, plant and equipment and interests in associates.

Information about major customers

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

	2018	2017
	HK$	*HK$*
Customer A	**24,456,118**	N/A[1]
Customer B	**16,290,244**	N/A[1]
Customer C	**N/A[2]**	246,143,733
Customer D	**N/A[2]**	85,514,486

1 The corresponding revenue did not contribute over 10% of total revenue of the Group in 2017.

2 These customers did not contribute any revenue to the Group in 2018.

4. REVENUE

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

	2018	2017
	HK$	*HK$*
Sales of smart cards	**50,175,902**	46,147,518
Sales of smart card application systems	**28,220**	87,950
Sales of petro-chemical products	**2,129,290**	334,724,854
	52,333,412	380,960,322

		2018	
	Sales of smart cards	**Sales of smart card application systems**	**Sales of petro-chemical products**
	HK$	***HK$***	***HK$***
Geographical markets			
The PRC	**4,930,540**	**–**	**2,129,290**
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**	**2,129,290**

5. OTHER INCOME

	2018	2017
	HK$	*HK$*
Bank interest income	**2,787**	1,931
Government grants	**206,029**	–
Bad debts recovered	**3,390,207**	–
Reversal of impairment loss on trade receivables	**99,514**	–
Sundry income	**678,424**	233,451
	4,376,961	235,382

6. OTHER GAINS/(LOSSES), NET

	2018	2017
	HK$	*HK$*
Gain on disposal of property, plant and equipment	**110,000**	345,175
Exchange gains/(losses), net	**467,668**	(830,664)
	577,668	(485,489)

7. FINANCE COSTS

	2018	2017
	HK$	*HK$*
Interest charges on bank loans	**119,963**	175,535
Interest charges on other borrowings	**973,001**	611,103
	1,092,964	786,638

8. PROFIT/(LOSS) BEFORE INCOME TAX

	2018	2017
	HK$	*HK$*
Profit/(Loss) before income tax is arrived at after charging:		
Auditor's remuneration		
– Audit services	**730,401**	731,660
– Non-audit services	**121,800**	120,000
Costs of inventories recognised as an expense *(note)*	**40,579,503**	369,634,249
Written-off of property, plant and equipment	**253,409**	185,831
Impairment losses on other receivables and prepayments	**225,472**	641,026
Depreciation	**3,045,269**	3,492,309
Bad debts written off	**112,558**	393,634
Employee benefit expenses	**25,397,184**	22,734,114
Operating lease charges on land and buildings	**4,833,785**	5,222,895

Note:

Cost of inventories includes HK$13,899,034 (2017: HK$15,372,244) relating to depreciation, staff costs and operating lease charges.

9. INCOME TAX EXPENSE/(CREDIT)

	2018	2017
	HK$	*HK$*
Current tax		
Hong Kong Profits Tax:		
Current year	**181,097**	–
Under-provision/(Over-provision) in prior year	**59,212**	(19,802)
	240,309	(19,802)
PRC Enterprise Income Tax:		
Current year	**–**	5,787
(Over-provision)/Under-provision in prior year	**(6,749)**	2,852
	(6,749)	8,639
Total income tax expense/(credit)	**233,560**	(11,163)

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 2018, Hong Kong profits tax of Intercard Limited, an indirect wholly-owned subsidiary of the Company, is calculated in accordance with the two-tiered profits tax rates regime.

For the year ended 31 December 2017, Hong Kong Profits Tax was calculated at a flat rate of 16.5% 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% (2017: 25%) for the year ended 31 December 2018.

10. DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2018 (2017: nil).

11. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, calculated as follows:

	2018	2017
Profit/(Loss) attributable to owners of the Company *(HK$)*	**1,614,760**	(19,770,206)
Weighted average number of ordinary shares in issue *(note)*	**502,662,363**	419,443,185
Basic earnings/(loss) per share *(expressed in HK cents per share)*	**0.321**	(4.713)

Note:

The share consolidation pursuant to the shareholders resolutions dated 18 January 2017 is adjusted in the weighted average number of ordinary shares in issue and effect of deemed issue of shares under the Company's share option scheme as if the share consolidation had occurred at 1 January 2017, the beginning of the earliest period reported.

(b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is calculated by dividing the profit/(loss) 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)

	2018	2017
Weighted average number of ordinary shares (basic) as at 31 December	**502,662,363**	419,443,185
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	**508,795,665**	419,443,185

Diluted earnings/(loss) per share

	2018	2017
Profit/(Loss) attributable to owners of the Company *(HK$)*	**1,614,760**	(19,770,206)
Weighted average number of ordinary shares (diluted) as at 31 December	**508,795,665**	419,443,185
Diluted earnings/(loss) per share *(expressed in HK cents per share)*	**0.317**	(4.713)

No adjustment has been made to the basic loss per share in the prior year as the outstanding share options had anti-dilutive effect on the basic loss per share for the year ended 31 December 2017.

12. LONG-TERM FINANCIAL ASSETS

Hota (USA) is an investment holding company incorporated in the United States of America ("USA"), and its subsidiary is principally engaged in the business of disintegration of used automobiles and sale of metal derived from automobiles in Zhangjiagang, the PRC (the "Resources Recycling Business").

As at 31 December 2018, the Group is interested in (i) 83.33% (2017: 83.33%) of the Series A preferred shares of Hota (USA), which entitles the Group to receive 5% non-cumulative dividends and are redeemable at 100% of the respective principal amount since the 3rd quarter of 2012; and (ii) 35.29% (2017: 35.29%) of the common shares of Hota (USA). Each of the Series A preferred shares entitles the holder thereof to convert the same into one common share of Hota (USA) and the holders of the Series A preferred shares shall be entitled to have one vote for each common share of Hota (USA) into which each Series A preferred share is convertible on an as-converted basis, and shall vote together with the holders of the common shares. Accordingly, the Group is interested in 57.81% (2017: 57.81%) of the entire share capital of Hota (USA) as at 31 December 2018 as enlarged by the allotment and issue of the common shares upon exercise of the conversion rights attaching to the entire Series A preferred shares in issue. The board of Hota (USA) comprised of 4 directors, 2 of whom were appointed by the Group and decision is taken by simple majority. Accordingly, the directors regard Hota (USA) as a joint venture of the Group.

As at 31 December 2017, the Group's investment in the Series A preferred shares of Hota (USA) ("Series A preferred shares") are accounted for as an available-for-sale financial asset which are stated at fair value, and the derivative component arising from the conversion right of the Series A preferred shares (the "Derivative Component") are accounted for as financial assets at fair value through profit or loss. The fair value of the Series A preferred shares and the Derivative Component were nil as at 31 December 2017. The Group's investment in the common shares of Hota (USA) are accounted for as interest in a joint venture and was fully impaired in prior years.

On 1 January 2018 (the date of initial application of HKFRS 9), the Series A preferred shares has been reclassified from available-for-sale financial assets to financial assets at fair value through profit or loss. The reclassification has no impact on the carrying amount of the investment as at 1 January 2018.

The fair value of financial assets at fair value through profit or loss are determined using adjusted net asset method with inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3). The effects of unobservable inputs are not significant for equity investments.

The Resources Recycling Business carried out by Hota Auto Recycling Corporation (張家港永峰泰環保科技有限公司, "HARC"), the principal subsidiary of Hota (USA), has stopped commercial production since 2014 due to unfavorable market environment. During the year ended 31 December 2018, HARC is under liquidation. Based on the latest available information from the Group's PRC legal advisor and the bankruptcy administrator of HARC, the director's considered the fair value of the Series A preferred shares and the Derivative Component to be nil as at 31 December 2018.

The Group has not incurred any contingent liabilities or other commitments relating to its investment in the joint venture. No share of profits/losses of Hota Group is recognised by the Group for the years ended 31 December 2018 and 2017. The Group has not recognised profits amounting to approximately HK$68,656,159 (primarily attributable to the pro-rata share of profit arised from derecognising assets and liabilities of HARC from Hota Group) for the year ended 31 December 2018 (2017: share of losses HK$22,084,549) for the joint venture as the share of profits does not exceed the accumulated share of losses not recognised.

Details of Hota (USA) and its principal subsidiary as at 31 December 2018 and 2017 are as follows:

Name of company	**Place of establishment**	**Particulars of paid-up registered capital**	**Percentage of ownership interest**	**Principal activities**
Hota (USA)	USA	Common shares United States dollar ("USD") 34	35.29% (2017: 35.29%)	Investment holding
		Series A preferred shares USD12,000,000	83.33% (2017: 83.33%)	
HARC*	The PRC	USD20,000,000		Inactive and under liquidation

* Wholly-foreign-owned enterprise held by Hota (USA)

13. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$	*HK$*
Trade receivables	**14,793,651**	111,988,394
Less: ECL allowance/loss allowance	**(2,039)**	–
Trade receivables, net *(note (a)&(c))*	**14,791,612**	111,988,394
Other receivables, deposits and prepayments	**94,508,358**	119,795,919
Less: ECL allowance/loss allowance *(note (b))*	**(2,525,260)**	(1,736,026)
Other receivables, net *(note (c))*	**91,983,098**	118,059,893
	106,774,710	230,048,287

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 (2017: net of loss allowance) is as follows:

	2018	2017
	HK$	*HK$*
0 – 30 days	**3,867,673**	104,136,456
31 – 90 days	**7,908,436**	6,640,809
Over 90 days	**3,017,542**	1,211,129
Less: ECL allowance/loss allowance	**(2,039)**	–
	14,791,612	111,988,394

The movement in the ECL allowance (2017: loss allowance) of trade receivables is as follows:

	2018	2017
	HK$	*HK$*
Balance as 1 January calculated under HKAS 39	**–**	–
Amounts restated through opening accumulated losses	**101,553**	–
Adjusted balance at 1 January calculated under HKFRS 9	**101,553**	–
ECL/Loss allowance reversed during the year	**(99,514)**	–
Balance at 31 December	**2,039**	–

During the year ended 31 December 2018, management has determined trade receivables of HK$112,558 (2017: HK$393,634) as individually impaired and has been written off as bad debts.

The ageing analysis of the Group's trade receivables net of ECL allowance (2017: net of loss allowance), based on due date is as follows:

	2018	2017
	HK$	*HK$*
Neither past due nor impaired	**10,037,940**	110,405,434
1 – 30 days past due	**3,507,500**	1,042,637
31 – 90 days past due	**1,234,584**	193,693
Over 90 days past due	**11,588**	346,630
	14,791,612	111,988,394

(b) The movement in the ECL allowance (2017: loss allowance) of other receivables and prepayments is as follows:

	2018	2017
	HK$	*HK$*
Balance at 1 January calculated under HKAS 39	**1,736,026**	1,095,000
Amounts restated through opening accumulated losses	**563,762**	–
Adjusted balance at 1 January calculated under HKFRS 9	**2,299,788**	1,095,000
ECL/Loss allowance recognised during the year	**225,472**	641,026
Balance at 31 December	**2,525,260**	1,736,026

(c) Included in the Group's other receivables as at 31 December 2018 is receivables from a petroleum company (the "Petroleum Company") of RMB68,186,400 (equivalent to approximately HK$77,484,545) which is unsecured, interest-free and has no fixed repayment terms, except for an amount of RMB19,436,400 (equivalent to approximately HK$22,086,818) which is due on or before 10 March 2019. The amount due is in substance guaranteed by a customer (the "Shanghai Customer"). No expected credit loss allowance was recognised against these receivables as at 31 December 2018. Details of the balance are summarised below:

Shanghai Phoenitron Petroleum & Chemical Company Limited ("Shanghai Phoenitron") is an indirect non-wholly owned subsidiary of the Company, in which 75% of equity interest is held by Phoenitron Resources Company Limited ("Phoenitron HK"), an indirect wholly-owned subsidiary of the Company, and 25% of equity interest is held by Mr. Sun.

As at 10 December 2018, Shanghai Phoenitron has outstanding trade receivables due from the Shanghai Customer of RMB84,744,000 (equivalent to approximately HK$96,300,000) (the "Outstanding Amount") and outstanding trade payables due to the Petroleum Company of RMB307,600 (equivalent to approximately HK$349,546).

On 10 December 2018, Shanghai Phoenitron, the Shanghai Customer and the Petroleum Company entered into an agreement in which the Shanghai Customer has assigned part of its trade receivable of RMB84,744,000 (equivalent to approximately HK$96,300,000) from the Petroleum Company to Shanghai Phoenitron, and Shanghai Phoenitron has agreed to assume all rights and benefits of Shanghai Customer's trade receivables from the Petroleum Company of RMB84,744,000 (equivalent to approximately HK$96,300,000), as settlement of the Outstanding Amount, with full recourse if the Petroleum Company failed to make full settlement to Shanghai Phoenitron. In this respect, the Group derecognised trade receivables of RMB84,744,000 (equivalent to approximately HK$96,300,000) from the Shanghai Customer and recognised other receivables from the Petroleum Company of the same amount (the "Petroleum Company Receivables") during the year ended 31 December 2018.

On 17 December 2018, Shanghai Phoenitron completed a share reduction of which RMB48,750,000 (equivalent to approximately HK$55,397,727) should be payable to Phoenitron HK and RMB16,250,000 (equivalent to approximately HK$18,465,909) should be payable to Mr. Sun.

On 20 December 2018, Shanghai Phoenitron, the Petroleum Company, Phoenitron HK and Mr. Sun entered into an agreement in which (i) Phoenitron HK and Mr. Sun have agreed to assume all rights and benefits of part of the Petroleum Company Receivables of RMB65,000,000 (equivalent to approximately HK$73,863,636) as settlement of the share reduction of Shanghai Phoenitron as mentioned above, and (ii) Shanghai Phoenitron and the Petroleum Company have agreed to offset the trade payables to the Petroleum Company of RMB307,600 (equivalent to approximately HK$349,546) against other receivables from the Petroleum Company. In this respect, in the books of Shanghai Phoenitron, the amount due from the Petroleum Company decreased from RMB84,744,000 (equivalent to approximately HK$96,300,000) to RMB19,436,400 (equivalent to approximately HK$22,086,818). Meanwhile, an amount due from the Petroleum Company of RMB48,750,000 (equivalent to approximately HK$55,397,727) and RMB16,250,000 (equivalent to approximately HK$18,465,909) was recognised in the books of Phoenitron HK and Mr. Sun, respectively.

In this respect, the Group has total other receivables from the Petroleum Company of RMB68,186,400 (equivalent to approximately HK$77,484,545) as at 31 December 2018.

14. AMOUNT DUE FROM A JOINT VENTURE

As at 31 December 2018 and 2017, amounts due comprise of loans to and interest receivables from Hota (USA) and HARC (collectively the "Loans") which are unsecured, repayable on demand and interest-bearing at 10% per annum (2017: 10% per annum) and 19% per annum (2017: 19%), respectively.

As at 31 December 2017, loans to and interest receivables from Hota Group of HK$375,887,468 was fully impaired in prior years and the Group ceased to recognize loan interest income since the 3rd quarter of 2016 as the amounts were not considered to be recoverable.

As disclosed in note 12, HARC was under liquidation during the year ended 31 December 2018. Based on the latest available information from the Group's PRC legal advisor and the bankruptcy administrator of HARC, the Group is expected to receive partial repayment of approximately RMB21.0 million (equivalent to approximately HK$23,933,895, the "Proposed Distribution"). 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), in January 2019. On 4 March 2019, the Group has assigned the Proposed Distribution to a third party at a consideration of approximately RMB20.4 million (equivalent to approximately HK$23,215,878) (the "Consideration"). The above transaction was completed in March 2019, and the Consideration was settled by cash of approximately RMB14.0 million (equivalent to approximately HK$15,900,878) and the Group has set off approximately RMB6.4 million (equivalent to approximately HK$7,315,000) against its other borrowings from shareholders of the Company. For details, please refer to the Company's announcement dated 4 March 2019. Accordingly, the Group has made a reversal of impairment of HK$23,215,878 during the year ended 31 December 2018 (2017: nil).

15. TRADE AND OTHER PAYABLES

	2018	2017
	HK$	*HK$*
Trade payables	**29,739,997**	126,816,719
Other payables and accrual	**16,104,283**	13,130,311
	45,844,280	139,947,030

Included in other payables and accrual of the Group is HK$4,166,849 (2017: HK$2,379,891) of legal and professional fee payables and HK$3,166,412 (2017: HK$2,213,780) 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:

	2018	2017
	HK$	*HK$*
0 – 30 days	**1,470,892**	103,700,436
31 – 60 days	**957,825**	1,908,810
61 – 90 days	**3,011,715**	1,185,752
Over 90 days	**24,299,565**	20,021,721
	29,739,997	126,816,719

16. SIGNIFICANT RELATED PARTY TRANSACTIONS

The following transactions were carried out by the Group in the ordinary course of business with the related parties:

(a) Transaction with related parties

Related party relationship	Type of transaction	2018 HK$	2017 HK$
Mr. Tsai Chi Yuan ("Mr. Tsai"), the substantial shareholder of the Company	Consultancy fee expense	**1,320,000**	1,320,000
	Salaries and allowances	**246,154**	242,151
	Rental expense	**271,385**	266,972
	Interest expense[1]	**–**	15,051
	Interest-bearing borrowings[1]	**–**	1,050,000
	Non-interest bearing borrowings	**813,122**	795,185
Mr. Chang Wei Wen, the director of the Company	Non-interest bearing borrowings	**800,000**	200,000

1. The Group borrowed a loan with Golden Dice Co., Ltd ("Golden Dice") during the year ended 31 December 2017, one of the substantial shareholders of the Company in which Mr. Tsai has 100% beneficial interest in Golden Dice. The loan is unsecured and interest bearing at 6% per annum and repayable on demand. The Group has fully repaid the loan during the year 2017.

(b) Compensation of key management personnel

Members of key management during the year comprised only the executive directors whose remunerations are:

	2018 HK$	2017 HK$
Salaries, wages and other benefits	**3,082,145**	1,867,769
Contributions to defined contribution retirement plans	**94,233**	94,438
	3,176,378	1,962,207

EXTRACT OF INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

Grant Thornton Hong Kong 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:

Disclaimer of Opinion

We were engaged to audit 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 2018, 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.

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Disclaimer of Opinion

As described in note to the consolidated financial statements, included in other receivables as at 31 December 2018 is receivables from a petroleum company (the "Petroleum Company") of RMB68,186,400 (equivalent to approximately HK$77,484,545), and no expected credit loss allowance was recognised against these receivables. Details of the balance are summarised below:

Shanghai Phoenitron Petroleum & Chemical Company Limited (literal translation of the Chinese name of 上海品創石油化工有限公司) ("Shanghai Phoenitron") is an indirect non-wholly owned subsidiary of the Company, in which 75% of equity interest is held by Phoenitron Resources Company Limited ("Phoenitron HK"), an indirect wholly-owned subsidiary of the Company, and 25% of equity interest is held by Mr. Sun.

As at 10 December 2018, Shanghai Phoenitron has outstanding trade receivables due from a customer (the "Shanghai Customer") of RMB84,744,000 (equivalent to approximately HK$96,300,000) (the "Outstanding Amount") and outstanding trade payables due to the Petroleum Company of RMB307,600 (equivalent to approximately HK$349,546).

Management represented that the Petroleum Company and the Shanghai Customer are independent third parties of the Group.

On 10 December 2018, Shanghai Phoenitron, the Shanghai Customer and the Petroleum Company entered into an agreement ("Agreement A") in which the Shanghai Customer has assigned part of its trade receivable of RMB84,744,000 (equivalent to approximately HK$96,300,000) from the Petroleum Company to Shanghai Phoenitron, and Shanghai Phoenitron has agreed to assume all rights and benefits of the Shanghai Customer's trade receivables from the Petroleum Company of RMB84,744,000 (equivalent to approximately HK$96,300,000), as settlement of the Outstanding Amount, with full recourse if the Petroleum Company failed to make full settlement to Shanghai Phoenitron. In this respect, the Group derecognised trade receivables of RMB84,744,000 (equivalent to approximately HK$96,300,000) from the Shanghai Customer and recognised other receivables from the Petroleum Company of the same amount (the "Petroleum Company Receivables") during the year ended 31 December 2018.

On 17 December 2018, Shanghai Phoenitron completed a share reduction of which RMB48,750,000 (equivalent to approximately HK$55,397,727) should be payable to Phoenitron HK and RMB16,250,000 (equivalent to approximately HK$18,465,909) should be payable to Mr. Sun.

On 20 December 2018, Shanghai Phoenitron, the Petroleum Company, Phoenitron HK and Mr. Sun entered into an agreement ("Agreement B") in which (i) Phoenitron HK and Mr. Sun have agreed to assume all rights and benefits of part of the Petroleum Company Receivables of RMB65,000,000 (equivalent to approximately HK$73,863,636) as settlement of the share reduction of Shanghai Phoenitron as mentioned above, and (ii) Shanghai Phoenitron and the Petroleum Company have agreed to offset the trade payables to the Petroleum Company of RMB307,600 (equivalent to approximately HK$349,546) against other receivables from the Petroleum Company. In this respect, in the books of Shanghai Phoenitron, the amount due from the Petroleum Company decreased from RMB84,744,000 (equivalent to approximately HK$96,300,000) to RMB19,436,400 (equivalent to approximately HK$22,086,818). Meanwhile, an amount due from the Petroleum Company of RMB48,750,000 (equivalent to approximately HK$55,397,727) and RMB16,250,000 (equivalent to approximately HK$18,465,909) was recognised in the books of Phoenitron HK and Mr. Sun, respectively.

In this respect, the Group has total other receivables from the Petroleum Company of RMB68,186,400 (equivalent to approximately HK$77,484,545) as at 31 December 2018.

Based on Agreement B, the Petroleum Company should settle RMB19,436,400 (equivalent to approximately HK$22,086,818) ("First Instalment") on or before 10 March 2019 and there are no repayment terms stated on the remaining balance of RMB48,750,000 (equivalent to approximately HK$55,397,727) to Phoenitron HK and RMB16,250,000 (equivalent to approximately HK$18,465,909) to Mr. Sun. During the course of our audit, it came to our attention that the Petroleum Company has default on payment of the First Instalment and all the related receivables from the Petroleum Company remained unsettled up to the date of this report.

In respect of the abovementioned transactions and balances occurred and recorded during the year ended 31 December 2018, we were unable to obtain sufficient appropriate audit evidence or satisfactory management explanation to support management's recoverability assessment, including but not limited to, information to ascertain the background and financial strength of the Petroleum Company. We were also not able to obtain all the necessary corroborative evidence from the counterparties to substantiate the nature of these transactions and the related outstanding balances. There were no alternative audit procedures that we could perform to satisfy ourselves as to the occurrence, accuracy, completeness and presentation of these transactions together with the related balances, and to assess the Petroleum Company's ability to repay the debts, and whether the effects of these transactions, including the related cashflows, have been properly accounted for and disclosed in the consolidated financial statements as at and for the year ended 31 December 2018, and whether the balance of the expected credit loss allowance as at the end of reporting period were fairly stated. Consequently, we were not able to determine whether any adjustment to these amounts and disclosures was necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

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

Contract manufacturing and sales of smart cards

During the Reporting Period, the Group's revenue generated from the SIM card manufacturing business amounted to approximately HK$50.2 million, an increase of approximately HK$4.1 million or 8.9% as compared to the corresponding period in 2017 of approximately HK$46.1 million.

Sales of petro-chemical products

Having taken into account the volatility of cruel oil price, the risks in the past and the current global economies, sales of petro-chemical products was conducted by Shanghai Renzhong on a limited scale only, which led to a substantial drop in revenue on a year-on-year basis. During the Reporting Period, the Group recorded revenue derived from this segment of approximately HK$2.1 million (2017: HK$334.7 million).

Provision of financial and management consultancy services

No revenue was generated from the provision of financial and management consultancy services during the Reporting Period (2017: 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 the sales of petro-chemical products.

Contract manufacturing and sales of smart cards

During the Reporting Period, cost of sales incurred for the SIM card manufacturing business amounted to approximately HK$38.4 million, up approximately HK$3.1 million or 8.8% as compared to the corresponding period in 2017 of approximately HK$35.3 million. The increase in COS was in line with the corresponding increase in revenue year-on-year. As a result, gross profit generated from the SIM card manufacturing business segment amounted to approximately HK$11.8 million, representing an increase of approximately HK$1.0 million, or 9.3%, as compared to the corresponding period in 2017 of approximately HK$10.8 million.

Sales of petro-chemical products

During the Reporting Period, COS in relation to the sales of petro-chemical products amounted to approximately HK$2.1 million (2017: HK$334.2 million).

Due to the above-mentioned, gross profit of the Group increased slightly by approximately HK$0.4 million or 3.5%, from the corresponding period in 2017 of approximately HK$11.3 million, to approximately HK$11.7 million.

Other Income

Other income of approximately HK$4.4 million (2017: approximately HK$0.2 million) was mainly comprised of a recovery of bad debts from the PRC SIM card segment of approximately HK$3.4 million (2017: nil), sundry income and government grants of approximately HK$0.9 million (2017: HK$0.2 million) and the recognition of a decrease in expected credit loss of approximately HK$0.1 million (2017: nil) due to the adoption of HKFRS 9.

Other Gains/(Losses), Net

During the Reporting Period, other gains amounted to approximately HK$0.6 million (2017: losses of approximately HK$0.5 million) which was attributable to the exchange gains arising from foreign currency based transactions of approximately HK$0.5 million (2017: losses of approximately HK$0.8 million) and a gain on disposal of certain fixed assets of approximately HK$0.1 million (2017: HK$0.3 million).

Reversal of Impairment Loss on Amount due from a Joint Venture

As disclosed in note 14 to the consolidated financial statements, a reversal of impairment loss on amount due from HARC of approximately HK$23.2 million was recognised during the Reporting Period (2017: nil).

Selling and Distribution Costs

During the Reporting Period, selling and distribution costs amounted to approximately HK$3.5 million, representing a drop of approximately HK$0.6 million, or 14.6%, as compared to the corresponding period in 2017 of approximately HK$4.1 million. The decrease was mainly due to the fact that certain expenses (for examples, salary payment and freight charges) for the PRC SIM card plant no longer recurred upon its closure.

Administrative Expenses

Administrative expenses recorded an increase of approximately HK$7.9 million, or 30.9% during the Reporting Period, from approximately HK$25.5 million for the corresponding period in 2017, to approximately HK$33.4 million. The increase was largely attributable to (i) a share-based payment expense with a fair value of approximately HK$3.3 million was recognised to account for the share options granted to the directors and certain employees of the Group in 2018; (ii) the increase in various legal and professional fees of approximately HK$3.2 million that were largely attributable to the legal fees of approximately HK$2.3 million incurred in connection with the collection of payment from HARC, as well as certain advisory fee of approximately HK$0.5 million incurred by SIM card segment; and (iii) the incurrence of research and development expenses of approximately HK$1.4 million.

Impairment Loss on Other Receivables and Prepayments

During the Reporting Period, an impairment loss on other receivables and prepayments of approximately HK$0.23 million in respect of certain other receivables and prepayment was recognised (2017: approximately HK$0.64 million).

Finance Costs

During the Reporting Period, the Group's finance costs amounted to approximately HK$1.1 million (2017: approximately HK$0.8 million). The increase was due to the interest rates charged on such borrowings were higher.

Income Tax (Expense)/Credit

During the period under review, a net income tax expense of approximately HK$0.24 million, which is primarily attributable to the Hong Kong Profits Tax based on the estimated assessable profits arising from the SIM card business, was provided for (2017: income tax credit of approximately HK$0.01 million).

Non-controlling Interest

During the period under review, losses attributable to the non-controlling interests amounted to approximately HK$0.20 million (2017: HK$0.17 million).

As a result of the foregoing, profit attributable to owners of the Company for the Reporting Period amounted to approximately HK$1.6 million (2017: loss of approximately HK$19.8 million).

THE GROUP'S RESPONSE TO THE BASIS OF DISCLAIMER OPINION

Background of and the reason for entering into Agreement A

At 10 December 2018, Shanghai Phoenitron has outstanding trade receivables due from the Shanghai Customer of RMB84,744,000 (equivalent to approximately HK$96,300,000). Shanghai Customer is known as a subsidiary of a stated owned company in the PRC while the Petroleum Company has good trading records with Shanghai Phoenitron for the past years. Pursuant to the joint venture contract ("**JV Contract**") entered into between Phoenitron HK and Shanghai Dongfu on 2014, Mr. Sun, who holds 25% of equity interest in Shanghai Phoenitron, is responsible for the operations and the business dealings of Shanghai Phoenitron. Since the goods that Shanghai Phoenitron sold to the Shanghai Customer was ultimately sold to the Petroleum Company by the Shanghai Customer, the entering into of Agreement A, which enables Shanghai Phoenitron to collect Other Receivables from the Petroleum Company and with full recourse if the Petroleum Company failed to make full settlement to Shanghai Phoenitron (the arrangement is legally binding based on the legal opinion issued by a PRC lawyer), increase the probability of collecting back the receivables.

Background of and the reason for entering into Agreement B

Shanghai Phoenitron was formed and established Shanghai Phoenitron in Shanghai, the PRC in 2014. Pursuant to the JV Contract, Shanghai Phoenitron is owned as to 75% and 25% by Phoenitron HK and Shanghai Dongfu respectively. The purpose of Shanghai Phoenitron is to carry out the Project involving the setting up of natural gas stations in Yangtze River Delta and other petrochemical related business.

It was further agreed in the JV Contract that Shanghai Dongfu (who was owned by Mr. Sun and whose shareholding was transferred to Mr. Sun in 2017 and Mr. Sun agrees to assume all obligations and duties of Shanghai Dongfu as set out in the JV Contract) should meet certain performance indexes including but not limit to the operating scale and profit target in respect of LNG business of Shanghai Phoenitron as set out in the JV Contract. Unfortunately, both failed to achieve the targets, hence Phoenitron Holding's management believes that it is in the best interest of Phoenitron Holdings shareholders to pull back part of its investment in Shanghai Phoenitron and invest in other profitable businesses/projects if such opportunities arise. During the year 2018, there were on-going discussions between the Company and Mr. Sun on the downsizing of the business and operating scale of Shanghai Phoenitron, and both parties agreed that Shanghai Phoenitron should apply for the capital reduction of RMB65,000,000 (out of RMB80,000,000 of registered and paid-up capital) in the second half of 2018 (the application was approved by the relevant government authority on 17 December 2018).

On 20 December 2018, Shanghai Phoenitron, the Petroleum Company, Phoenitron HK and Mr. Sun entered into an Agreement B in which (i) Phoenitron HK and Mr. Sun have agreed to assume all rights and benefits of part of the Petroleum Company Receivables of RMB65,000,000 (equivalent to approximately HK$73,863,636) as settlement of the share reduction of Shanghai Phoenitron as mentioned above (the compliance of the agreement with relevant regulations has been confirmed by a PRC lawyer); and (ii) Shanghai Phoenitron and the Petroleum Company have agreed to offset the trade payables to the Petroleum Company of RMB307,600 (equivalent to approximately HK$349,546) against other receivables from the Petroleum Company. Phoenitron Holdings management considers the above transaction is justified based on the fact that (i) in the consolidated accounts of the Company, the amount due from the Petroleum Company immediately decreased by RMB16,250,000 (equivalent to approximately HK$18,465,909) which was taken up by Mr. Sun as settlement of the pro-rata return of capital, the Group's total other receivables from the Petroleum Company decreased to RMB68,186,400 (equivalent to approximately HK$77,484,545) as at 31 December 2018; (ii) instead of waiting for the settlement by the Petroleum Company or the Shanghai Customer, the assumption of all rights and benefits of RMB48,750,000 (equivalent to approximately HK$55,397,727) by Phoenitron HK, which is a company incorporated in Hong Kong and thereafter can directly exercise the rights of the claims, provides additional flexibility for the Group to carry out diversified solutions for collecting back the money (including but not limit to the assignment of debt), and is much faster than passively waiting for the settlement to Shanghai Phoenitron, or than Shanghai Phoenitron to conduct related recourse.

As advised by the PRC lawyer, the settlement arrangement for Agreement B is legal and valid.

PROPOSED PLAN AFTER EXECUTION OF AGREEMENT B

In view of the disclaimer opinion regarding the recoverability of other receivables and other related matters for the year ended 31 December 2018, after the discussion with the audit committee, the Board and the management of the Company, the following measures have been taken or is planned to be taken to resolve:

a. in respect of the other receivable of RMB48,750,000, the Company is currently in negotiation with a potential buyer, who had good record with the Company for entering into transaction of similar nature, for the possible assignment or transfer (the "**Possible Assignment**"). An earnest money of approximately HK$2,700,000 has also been received from this potential buyer on 21 March 2019 and formal discussion will soon take place. The Board wishes to emphasize that no binding agreement in relation to the Possible Assignment has been entered into as at the date of this announcement. As such, the Possible Assignment may or may not proceed. If the Possible Assignment materialises, it may constitute a notifiable transaction on the part of the Company. Further announcement in respect of the Possible Assignment will be made by the Company in the event when any formal agreement has been signed.

   Shareholders and investors are urged to exercise caution when dealing in the securities of the Company.

b. in respect of the remaining balance of RMB19,436,400 that is recognised in the books of Shanghai Phoenitron as other receivables from the Petroleum Company, the Company is currently reviewing all possible alternatives including but not limit to the disposal of Shanghai Phoenitron or applying for further capital reduction, or recourse to claims in a direct or indirect manner.

Due to staff turnover caused by the reduction of capital in Shanghai Phoenitron, the Group was unable to make effective arrangements to assist the auditor for account review in a timely manner. In the future similar such situations, the Group is committed to avoid such a similar problem.

The Board also wish to point out that, other than the matters described above and in the Independent Auditor's Report, there was no other significant matters reported by the auditor on other business segments of the Group (such as SIM card segment).

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, proceeds from subscription of new shares, bank loans and other borrowings. As at 31 December 2018, the Group had cash and bank balances of approximately HK$0.8 million (2017: approximately HK$4.5 million), other borrowings of approximately HK$6.5 million (2017: secured bank loans and other borrowings of approximately HK$13.9 million).

As at 31 December 2018, the Group had current assets of approximately HK$132.8 million (2017: approximately HK$237.1 million) and current liabilities of approximately HK$52.3 million (2017: approximately HK$153.9 million). The current ratio, expressed as current assets over current liabilities, was 2.5 (2017: 1.5).

EMPLOYEE INFORMATION

As at 31 December 2018, the Group employed a total of 141 employees (2017: 164 employees), of which 14 were located in Hong Kong and the rest were located in the PRC and Taiwan. Employee cost, including directors' remuneration, was approximately HK$25.4 million (2017: approximately HK$22.7 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

There was no other significant investments for the year ended 31 December 2018.

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 2018.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the "Chairman's Statement" sections, there were no future plans for material investments or capital assets.

CHARGE ON GROUP ASSETS

At 31 December 2018, there is no charge on assets of the Group (2017: bank deposits of approximately HK$2.2 million was pledged by a Company's subsidiary as collaterals to secure general banking facilities granted to the Group).

GEARING RATIO

The gearing ratio of the Group, expressed as a percentage of total borrowings to total assets of the Group, was 4.6% as at 31 December 2018 (2017: 5.6%).

FINAL DIVIDEND

The Directors does not recommend any payment of a final dividend for the year ended 31 December 2018 (2017: nil).

COMPETING INTERESTS

As at 31 December 2018, 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 2018.

The Group's audited results for the year ended 31 December 2018 have been reviewed by the audit committee.

SCOPE OF WORK OF GRANT THORNTON HONG KONG LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2018 have been agreed by the Company's auditor, Grant Thornton Hong Kong Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Grant Thornton Hong Kong Limited on the preliminary announcement.

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 2018, 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 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.

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, 8 May 2019, 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 Friday, 3 May 2019 to Wednesday, 8 May 2019 (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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Thursday, 2 May 2019.

By order of the Board
Lily Wu
Chairman

Hong Kong, 26 March 2019

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

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