



PHOENITRON

PHOENITRON HOLDINGS LIMITED

品創控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8066)

FIRST QUARTERLY REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2020

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

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

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

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This report, for which the directors (the “Directors”) of Phoenix Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report 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 report misleading.

HIGHLIGHTS

- Unaudited revenue from continuing operations for the three months ended 31 March 2020 amounted to approximately HK\$8,335,000, representing a decrease of 19.2% as compared to the corresponding period in 2019 of approximately HK\$10,312,000.
- The Group recorded an unaudited loss attributable to owners of the Company for the continuing operations of approximately HK\$4,083,000 for the three months ended 31 March 2020.
- The Board does not recommend any payment of an interim dividend for the three months ended 31 March 2020.

UNAUDITED FIRST QUARTERLY RESULTS

The board of Directors (the “Board”) announces the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the three months ended 31 March 2020 together with the comparative figures for the corresponding period in 2019 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Unaudited Three months ended 31 March	
	<i>Notes</i>	2020 HK\$	2019 HK\$ (Restated)
Continuing operations			
Revenue	2	8,335,201	10,311,945
Cost of sales		<u>(6,778,746)</u>	<u>(7,221,976)</u>
Gross profit		1,556,455	3,089,969
Other income	3	20,018	12,819
Other (losses)/gains, net	4	(134,700)	406,252
Selling and distribution costs		(566,189)	(712,897)
Administrative expenses		(4,871,768)	(5,630,534)
Finance costs		<u>(107,309)</u>	<u>(218,337)</u>
Loss before income tax		(4,103,493)	(3,052,728)
Income tax credit/(expense)	5	<u>20,000</u>	<u>(272,000)</u>
Loss for the period from continuing operations		(4,083,493)	(3,324,728)
Discontinued operations			
Profit for the period from discontinued operations	6	<u>–</u>	<u>1,426,142</u>
Loss for the period		<u>(4,083,493)</u>	<u>(1,898,586)</u>
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange gain on translation of financial statements of foreign operations		<u>85,800</u>	<u>305,365</u>
Other comprehensive income for the period		<u>85,800</u>	<u>305,365</u>
Total comprehensive loss for the period		<u>(3,997,693)</u>	<u>(1,593,221)</u>

		Unaudited	
		Three months ended	
		31 March	
		2020	2019
<i>Notes</i>		HK\$	HK\$
		(Restated)	
(Loss)/Profit for the period attributable to:			
Owners of the Company			
	– Continuing operations	(4,083,493)	(3,324,728)
	– Discontinued operations	–	1,474,396
Non-controlling interests			
	– Continuing operations	–	–
	– Discontinued operations	–	(48,254)
		<u>(4,083,493)</u>	<u>(1,898,586)</u>
Total comprehensive (loss)/income for the period attributable to:			
Owners of the Company			
	– Continuing operations	(3,997,693)	(3,648,173)
	– Discontinued operations	–	1,946,003
Non-controlling interests			
	– Continuing operations	–	–
	– Discontinued operations	–	108,949
		<u>(3,997,693)</u>	<u>(1,593,221)</u>
		HK Cents	HK Cents
(Loss)/Earnings per share			
Basic			
	– Continuing operations	(0.777)	(0.632)
	– Discontinued operations	–	0.280
		<u>(0.777)</u>	<u>(0.352)</u>
Diluted			
	– Continuing operations	(0.777)	(0.632)
	– Discontinued operations	–	0.280
		<u>(0.777)</u>	<u>(0.352)</u>

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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 31 March 2020

	Attributable to owners of the Company								Non-controlling interests	Total Equity
	Share capital	Share premium	Contributed surplus	Share option reserve	Other reserves	Translation reserve	Accumulated losses	Total		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Balance at										
1 January 2019	105,258,500	363,317,716	13,985,669	3,339,000	7	4,597,923	(408,144,617)	82,354,198	5,627,670	87,981,868
Loss for the period	-	-	-	-	-	-	(1,850,332)	(1,850,332)	(48,254)	(1,898,586)
Other comprehensive income										
- Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	148,162	-	148,162	157,203	305,365
Total comprehensive income/(loss) for the period	-	-	-	-	-	148,162	(1,850,332)	(1,702,170)	108,949	(1,593,221)
Balance at										
31 March 2019	<u>105,258,500</u>	<u>363,317,716</u>	<u>13,985,669</u>	<u>3,339,000</u>	<u>7</u>	<u>4,746,085</u>	<u>(409,994,949)</u>	<u>80,652,028</u>	<u>5,736,619</u>	<u>86,388,647</u>
Balance at										
1 January 2020	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
Loss for the period	-	-	-	-	-	-	(4,083,493)	(4,083,493)	-	(4,083,493)
Other comprehensive income										
- Exchange gain on translation of financial statements of foreign operations	-	-	-	-	-	85,800	-	85,800	-	85,800
Total comprehensive income/(loss) for the period	-	-	-	-	-	85,800	(4,083,493)	(3,997,693)	-	(3,997,693)
Balance at										
31 March 2020	<u>105,069,500</u>	<u>363,340,792</u>	<u>13,985,669</u>	<u>3,339,000</u>	<u>7</u>	<u>10,108,634</u>	<u>(454,361,226)</u>	<u>41,482,376</u>	<u>231,023</u>	<u>41,713,399</u>

NOTES:

1. BASIS OF PREPARATION

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

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

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

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

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

2. REVENUE

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

	Unaudited	
	Three months ended	
	31 March	
	2020	2019
	HK\$	HK\$
Sales of smart cards	8,334,601	10,270,845
Sales of smart card application systems	600	41,100
	8,335,201	10,311,945

3. OTHER INCOME

	Unaudited Three months ended 31 March	
	2020 HK\$	2019 HK\$ (Restated)
Bank interest income	1,763	391
Sundry income	18,255	12,428
	<u>20,018</u>	<u>12,819</u>

4. OTHER (LOSSES)/GAINS, NET

	Unaudited Three months ended 31 March	
	2020 HK\$	2019 HK\$ (Restated)
Exchange (losses)/gains, net	(134,700)	406,252
	<u>(134,700)</u>	<u>406,252</u>

5. INCOME TAX (CREDIT)/EXPENSE

	Unaudited Three months ended 31 March	
	2020 HK\$	2019 HK\$
Current tax		
Hong Kong Profits Tax:		
Current year	–	272,000
Over-provision in prior year	(20,000)	–
	<u>(20,000)</u>	<u>–</u>
Total income tax (credit)/expense	<u>(20,000)</u>	<u>272,000</u>

Notes:

(a) Hong Kong Profits Tax

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

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying entities will be taxed at 8.25%, and the profits above HK\$2,000,000 will be taxed at 16.5%. The profits of entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at 16.5%. For the three months ended 31 March 2020, Hong Kong profits tax has been provided at the rate of 16.5% (three months ended 31 March 2019: Hong Kong profits tax of the nominated Group company is calculated in accordance with the two-tiered profits tax rates regime) of the estimated assessable profits for the period.

(b) PRC Enterprise Income Tax

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the period and prior period based on the existing legislation, interpretations and practices in respect thereof. The applicable income tax rate is 25% (2019: 25%) for the three months ended 31 March 2020.

6. DISCONTINUED OPERATIONS

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

Analysis of profit for the period from discontinued operations

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

	Unaudited Three months ended 31 March 2019 HK\$ (Restated)
Revenue	–
Cost of sales	–
Gross profit	–
Other income	5
Other gains, net	1,619,817
Administrative expenses	(193,680)
Profit for the period from discontinued operations	1,426,142
Profit/(Loss) for the period from discontinued operations attributable to:	
– Owners of the Company	1,474,396
– Non-controlling interests	(48,254)
	1,426,142

7. DIVIDENDS

The Board does not recommend any payment of an interim dividend for the three months ended 31 March 2020 (three months ended 31 March 2019: nil).

8. (LOSS)/EARNINGS PER SHARE

From continuing operations

(a) Basic loss per share

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

	Unaudited Three months ended 31 March	
	2020 HK\$	2019 HK\$ (Restated)
Loss attributable to owners of the Company (HK\$)	(4,083,493)	(3,324,728)
Weighted average number of ordinary shares in issue	<u>525,347,500</u>	<u>526,292,500</u>
Basic loss per share (expressed in HK cents per share)	<u>(0.777)</u>	<u>(0.632)</u>

(b) Diluted loss per share

No adjustment has been made to basic loss per share as the outstanding share options had anti-dilutive effect on the basic loss per share for the three months ended 31 March 2020.

The diluted loss per share attributable to the owners of the Company for the three months ended 31 March 2019 is the same as the basic loss per share because conversion of share options only decreases the loss per share and, therefore is anti-dilutive.

From discontinued operations

Basic earnings per share for the discontinued operations is nil (2019 (restated): 0.280 HK cents per share) and diluted earnings per share for the discontinued operations is nil (2019 (restated): 0.280 HK cents per share), based on the unaudited profit for the period from the discontinued operations of nil (2019 (restated): HK\$1,474,396) and the denominators detailed above for both basic and diluted earnings per share.

MANAGEMENT DISCUSSION AND ANALYSIS

Operations and Financial Review

Revenue

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

During the Reporting Period, the Group's revenue generated from the SIM card manufacturing business amounted to approximately HK\$8.3 million, a decline of approximately HK\$2.0 million or 19.4% as compared to the corresponding period in 2019 of approximately HK\$10.3 million. The drop was mainly due to the outbreak of COVID-19 which caused the temporary closure of plant in Shenzhen. Nevertheless, the production of our SZ plant has been fully resumed in April and is expected to be running at full capacity in the second quarter.

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\$6.8 million, a decline of approximately HK\$0.4 million or 5.6% as compared to the corresponding period in 2019 of approximately HK\$7.2 million. The reason for the decrease in COS was due to lower level of revenue generated year-on-year.

Due to the above-mentioned, gross profit of the Group down by approximately HK\$1.5 million or 48.4%, from the corresponding period in 2019 of approximately HK\$3.1 million, to approximately HK\$1.6 million.

Other Income

Other income of approximately HK\$0.02 million (three months ended 31 March 2019 (restated): approximately HK\$0.01 million) was mainly comprised of sundry income.

Other (losses)/gains, net

During the Reporting Period, other losses amounted to approximately HK\$0.13 million (three months ended 31 March 2019 (restated): gains of approximately HK\$0.41 million), which was attributable to the exchange losses arising from foreign currency based transactions.

Selling and Distribution Costs

During the Reporting Period, selling and distribution costs amounted to approximately HK\$0.57 million, representing a decline of approximately HK\$0.14 million, or 19.7%, as compared to the corresponding period in 2019 of approximately HK\$0.71 million. The decrease was mainly due to the decreases in various sales-related expenses such as freight charges, transportation costs and sales commission as a result of the decline in revenue of SIM card segment year-on-year.

Administrative Expenses

Administrative expenses recorded a drop of approximately HK\$0.76 million, or 13.5% during the Reporting Period, from approximately HK\$5.63 million (restated) for the corresponding period in 2019, to approximately HK\$4.87 million. The decrease was primarily attributable to the drop in legal and professional fees and rent and rates but partially offset by the increase in depreciation (right-of-use) expenses.

Finance Costs

During the Reporting Period, the Group's finance costs amounted to approximately HK\$0.11 million (three months ended 31 March 2019: approximately HK\$0.22 million). The decrease was mainly attributable to the fact that no interests on borrowings was incurred in this quarter.

Income Tax Credit/(Expense)

During the Reporting Period, an income tax credit of approximately HK\$0.02 million, which is primarily attributable to the over-provision of Hong Kong Profits Tax in prior year arising from the SIM card business (three months ended 31 March 2019: income tax expense of approximately HK\$0.27 million).

Profit for the Period from Discontinued Operations

During the Reporting Period, there was no disposal of discontinued operations. (three months ended 31 March 2019 (restated): operating profit of approximately HK\$1.43 million which comprised of unrealized exchange gain on the carrying balance of a financial asset).

Non-controlling Interest

During the Reporting Period, there was no loss attributable to the non-controlling interests (three months ended 31 March 2019: approximately HK\$0.05 million).

As a result of the foregoing, loss attributable to owners of the Company for the Reporting Period for each of the continuing operations and the discontinued operations amounted to approximately HK\$4.08 million and nil respectively (2019 (restated): loss of approximately HK\$3.32 million and profit of approximately HK\$1.47 million respectively).

LIQUIDITY AND FINANCIAL RESOURCES/CAPITAL STRUCTURE

During the period under review, the Group financed its business operations and investments with cash revenue generated from operating activities and other borrowings. As at 31 March 2020, the Group had cash and bank balances of approximately HK\$7.2 million (31 December 2019: approximately HK\$10.3 million), and other borrowings of nil (31 December 2019: approximately HK\$1.7 million).

As at 31 March 2020, the Group had current assets of approximately HK\$62.8 million (31 December 2019: approximately HK\$71.3 million) and current liabilities of approximately HK\$28.8 million (31 December 2019: approximately HK\$33.7 million). The current ratio, expressed as current assets over current liabilities, was 2.2 (31 December 2019: 2.1).

GEARING RATIO

The gearing ratio of the Group, expressed as a percentage of total borrowings including lease liabilities to total assets of the Group, was 11.7% as at 31 March 2020 (31 December 2019: 13.4%).

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

As at 31 March 2020, the interests or short position of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

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

Notes:

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

Save as disclosed above, as at 31 March 2020, none of the Directors and chief executives or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2020, the following persons/companies had interest or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying voting rights to vote in all circumstances at general meetings of the Company or any other member of the Group:

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

Note:

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

Save as disclosed above, as at 31 March 2020, the Directors are not aware of any other persons or corporation (other than the Directors and chief executive of the Company) having an interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

SHARE OPTION

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

Name of participant	At 1 January 2020	Granted during the period	At 31 March 2020	Date of grant	Exercisable period	Exercise price HK\$
Executive Director						
Lily Wu (<i>Note 1</i>)	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Chang Wei Wen (<i>Note 1</i>)	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Yang Meng Hsiu (<i>Note 1</i>)	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Independent Non-executive Director						
Chan Siu Wing, Raymond (<i>Note 1</i>)	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Leung Ka Kui, Johnny (<i>Note 1</i>)	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Wong Ka Wai, Jeanne (<i>Note 1</i>)	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20

Note:

- As at 31 March 2020, the remaining life was about 7.76 year.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system and risk management systems of the Group. The audit committee comprises three independent non-executive Directors, namely, Ms. Wong Ka Wai, Jeanne, Mr. Leung Ka Kui, Johnny, and Mr. Chan Siu Wing, Raymond. The Chairman of the audit committee is Ms. Wong Ka Wai, Jeanne.

The Group's unaudited results for the three months ended 31 March 2020 have been reviewed by the audit committee.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The corporate governance principles of the Company emphasise a quality Board, sound internal controls, transparency and accountability to all shareholders. Throughout the three months ended 31 March 2020, the Group complied with the code provisions in the Code on Corporate Governance Practices (the "Code") as set out in Appendix 15 of the GEM Listing Rules, except for the code provision A2.1 stipulated in the following paragraphs.

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

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

Having made specific enquiry by the Company, all Directors have confirmed that they have complied with the required standard set out in such code of conduct throughout the three months ended 31 March 2020.

COMPETING INTERESTS

As at 31 March 2020, none of the directors or the management shareholders or any of their respective associates (as defined under the GEM Listing Rules) of the Company had any interest in a business that competed or might compete with the business of the Group directly or indirectly.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the three months ended 31 March 2020.

By order of the Board
Lily Wu
Chairman

Hong Kong, 14 May 2020