



PHOENITRON

**PHOENITRON HOLDINGS LIMITED**

**品創控股有限公司**

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

**(Stock code: 8066)**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2023**

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

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## **HIGHLIGHTS**

- Revenue for the year ended 31 December 2023 amounted to approximately HK\$79,105,000, representing an increase of 35.3% as compared to the corresponding period in 2022 of approximately HK\$58,482,000.
- The Group recorded a profit attributable to the owners of the Company of approximately HK\$4,336,000 for the year ended 31 December 2023 (2022: loss of approximately HK\$7,735,000).
- The Board does not recommend any payment of a final dividend for the year ended 31 December 2023 (2022: nil).

## **CHAIRMAN’S STATEMENT**

### **TO OUR SHAREHOLDERS**

On behalf of the Board of Directors, I am pleased to present the results of Phoenitron Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**” or “**Phoenitron**”) for the financial year ended 31 December 2023 (the “**Reporting Period**”).

### **RESULTS**

For the year ended 31 December 2023, the Company recorded a consolidated revenue of approximately HK\$79,105,000 (2022: approximately HK\$58,482,000) and profit attributable to owners of the Company of approximately HK\$4,336,000 (2022: loss of approximately HK\$7,735,000).

### **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’s financial result was principally derived from the contract manufacturing and sales of smart cards.

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

During the Reporting Period, the Group’s performance on contract manufacturing and sales of SIM cards business has shown notable improvement. The Group grew turnover in the year by 35.3% to approximately HK\$79.1 million (2022: approximately HK\$58.5 million). Segment-wise, profit of approximately HK\$14.25 million (2022: approximately HK\$1.46 million) was recorded for the SIM card market segment during the Reporting Period. The much improved results were due partly to the supply of chips recovering and being relatively stable during the Reporting Period, which enabled our SZ plant to clear its smartcard order backlog, and also partly due to a high volume of high-value-added ancillary card services orders (e.g. packaging) placed by our customers during the Reporting Period. As additional favorable factors include the lowering of freight rates and removal of global logistics challenges, returning the business condition back to before the COVID-19 period.

In the fourth quarter, the facility landlord early terminated of the lease, leading to the relocation of the SZ plant to a new site near to and equally accessible as the previous plant. The relocation process was completed in early January 2024. As opposed to the old plant, all the workshops in the new SZ plant are on the same floor, which improves the overall production and operational efficiency by 15% to 20%. More importantly, the layout of the new SZ plant meets the requirement for the global SAS standard certification, which could increase the Group’s customer opportunities in the future.

During the Reporting Period, we focused on strengthening our relationship with existing customers and at the same time expanding the client base and overall market share. Management also made greater efforts in implementing cost-cutting/streamlining measures and increasing productivity and operational efficiency.

Apart from the existing SIM card services, we will also be exploring more opportunities to provide certain higher-value-added card services (for example, machine-to-machine (M2M) smartcard related business) in the coming year, with the aim of further diversifying its revenue base in the long term.

### **Investment in TV Programmes**

On 30 September 2019, Kartop (Hong Kong) Limited (“**Kartop HK**”), an indirectly wholly-owned subsidiary of the Company, entered into the Joint Production Agreement with 浙江優盛影視文化有限公司, pursuant to which Kartop HK agreed to invest RMB24.0 million (equivalent to approximately HK\$26.9 million) in the production of a TV Play “Snow Leopard II” (the “**Target TV Play**”), which is directed by Mr. Wang De Qing, produced by Mr. Zhang Jian and starring Mr. Zhang Ming En and Ms. Feng Yue and was tentatively targeting a release in China in 2020.

As disclosed in the Company’s previous annual/interim reports, the Covid-19 outbreak caused a major film production delay of “Snow Leopard II”, which pushed the release schedule to the third quarter of 2024.

According to the producer Mr. Zhang Jian, the Target TV Play is completed. Based on the revised timetable, since more time is needed to conclude sales contracts that could meet the target revenue, the Target TV Play is now targeting a release by the second quarter of 2025. Such a release date would mean Kartop HK should receive revenue share in late 2025.

The Group plans to develop new businesses in the advertising, media and entertainment industry. The Directors consider that the investment in the Target TV Play would be beneficial to the Group as it represents a first step forward in the implementation of the Group’s development plan. The Directors also believe that the investment in the Target TV Play provides a good investment return and additional income to the Group. Apart from “Snow Leopard II”, the management is looking for other similar investments in the future.

### **Financing**

On 10 February 2023, the Company, as issuer, and Mr. Guo Rong Xiang (the “**Subscriber**”), an independent third party, as subscriber, entered into the subscription agreement (the “**Subscription Agreement**”) in relation to the issue of convertible bonds (the “**Convertible Bonds**”). Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue to the Subscriber the Convertible Bonds in an aggregate principal amount of HK\$16,500,000 (the “**Subscription**”). Completion of the Subscription is subject to all necessary consent and approvals required to be obtained on the part of the Company and the Subscriber in respect of the Subscription and the transactions contemplated thereunder, as well as the GEM Listing Committee of the Stock Exchange granting the listing of and permission to deal in the new share(s) fall to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds.

The gross proceeds from the issue of the Convertible Bonds will be HK\$16,500,000. The net proceeds from the issue of the Convertible Bonds of approximately HK\$16,200,000 are intended to be used as general working capital of the Group as well as for the continuous development of the existing smart cards and media and entertainment businesses of the Group.

The Directors consider raising funds by issuing the Convertible Bonds is justifiable considering the recent market conditions which represent an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position for the continuous development of the existing smart cards and media and entertainment businesses of the Group. The Directors consider that the issue of the Convertible Bonds is an appropriate means of raising additional capital for the Company since it will not have an immediate dilution effect on the shareholding of our existing shareholders.

As of the date of this announcement, the Subscription is yet to be completed. For details, please refer to the announcements of the Company.

## **OUTLOOK**

Going forward, the Company is cautiously optimistic about macroeconomic improvements and a better demand outlook. The management of smart cards segment is currently preparing to obtain SAS standard certification for the new SZ plant. It is expected that the certification process shall commence in the third quarter 2024 and be completed in the fourth quarter. At the same time, we will continue to explore more business opportunities, and to consolidate the existing SIM card businesses, manufacture with greater efficiency, seek cost and expense savings wherever possible, and to reinforce competitive strengths to solidify Phoenitron's leading position in existing markets by providing quality services and to convert challenges into opportunities. We believe, by applying the Company's funds in an appropriate manner and by utilising the unique investment opportunities of the Company, we will bring stable revenue and profit for our shareholders. The Board believes the diversification of our businesses will facilitate the long-term development of the Group and enhance our shareholder value.

## **ACKNOWLEDGEMENT**

On behalf of the Board, I would like to take this opportunity to extend our gratitude to all members of the Board and staff for their dedication and contribution to the Group throughout the year 2023. 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, 25 March 2024

The Board announces the audited consolidated results of the Group for the year ended 31 December 2023 together with the comparative figures for the corresponding period in 2022 as follows:

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

For the year ended 31 December 2023

	<i>Notes</i>	<b>2023</b> <b>HK\$</b>	2022 <b>HK\$</b>
<b>Revenue</b>	4	<b>79,104,966</b>	58,482,208
Cost of sales		<u>(51,371,188)</u>	<u>(43,510,435)</u>
<b>Gross profit</b>		<b>27,733,778</b>	14,971,773
Other income	5	<b>1,202,251</b>	1,020,970
Other gains/(losses), net	6	<b>1,408,548</b>	(786,283)
Selling and distribution costs		<b>(2,697,192)</b>	(2,295,072)
Administrative expenses		<b>(21,786,420)</b>	(21,247,053)
Impairment loss on other receivables		<b>(15,389)</b>	(13,877)
Change in fair value of investment in TV programmes	13	<b>(1,321,585)</b>	898,877
Finance costs	7	<b>(194,276)</b>	(284,865)
<b>Profit/(loss) before income tax</b>	8	<b>4,329,715</b>	(7,735,530)
Income tax credit	9	<b>4,707</b>	–
<b>Profit/(loss) for the year</b>		<u><b>4,334,422</b></u>	<u>(7,735,530)</u>
<b>Other comprehensive loss</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		<u><b>(583,120)</b></u>	<u>(1,054,603)</u>
Other comprehensive loss for the year, net of income tax		<u><b>(583,120)</b></u>	<u>(1,054,603)</u>
<b>Total comprehensive income/(loss) for the year</b>		<u><u><b>3,751,302</b></u></u>	<u><u>(8,790,133)</u></u>

	<i>Notes</i>	<b>2023</b> <b><i>HK\$</i></b>	2022 <i>HK\$</i>
<b>Profit/(loss) for the year attributable to:</b>			
Owners of the Company		<b>4,335,500</b>	(7,735,405)
Non-controlling interests		<b>(1,078)</b>	(125)
		<u><b>4,334,422</b></u>	<u>(7,735,530)</u>
<b>Total comprehensive income/(loss) for the year attributable to:</b>			
Owners of the Company		<b>3,752,380</b>	(8,790,008)
Non-controlling interests		<b>(1,078)</b>	(125)
		<u><b>3,751,302</b></u>	<u>(8,790,133)</u>
		<i>HK cents</i>	<i>HK cents</i>
<b>Earnings/(loss) per share attributable to owners of the Company</b>			
Basic and diluted	<i>11</i>	<u><b>0.825</b></u>	<u>(1.472)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 HK\$	2022 HK\$
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment		2,700,493	4,065,829
Intangible asset		420,000	420,000
Right-of-use assets		6,681,880	4,287,058
Deposits and prepayment	12	962,744	1,652,961
Prepayments for acquisition of property, plant and equipment	12	2,041,933	275,262
Investment in TV programmes	13	29,735,683	31,685,393
		<u>42,542,733</u>	<u>42,386,503</u>
<b>Current assets</b>			
Inventories		1,036,738	3,257,275
Trade and other receivables, deposits and prepayments	12	18,257,977	14,437,765
Cash and cash equivalents		7,224,481	6,236,472
		<u>26,519,196</u>	<u>23,931,512</u>
<b>Current liabilities</b>			
Trade and other payables	14	20,479,991	22,705,666
Lease liabilities		3,231,661	3,347,596
Other borrowings		987,342	1,337,500
		<u>24,698,994</u>	<u>27,390,762</u>
<b>Net current assets/(liabilities)</b>		<u>1,820,202</u>	<u>(3,459,250)</u>
<b>Total assets less current liabilities</b>		<u>44,362,935</u>	<u>38,927,253</u>



	<b>2023</b> <b>HK\$</b>	2022 <b>HK\$</b>
<b>Non-current liabilities</b>		
Lease liabilities	<b>3,595,777</b>	1,896,490
Defined benefit plan obligations	<b>327,338</b>	337,538
Deferred tax liabilities	–	4,707
	<u><b>3,923,115</b></u>	<u>2,238,735</u>
<b>Net assets</b>	<u><b>40,439,820</b></u>	<u>36,688,518</u>
<b>EQUITY</b>		
Share capital	<b>105,069,500</b>	105,069,500
Deficit in reserves	<u><b>(64,859,197)</b></u>	<u>(68,611,577)</u>
Equity attributable to owners of the Company	<b>40,210,303</b>	36,457,923
Non-controlling interests	<u><b>229,517</b></u>	<u>230,595</u>
<b>Total equity</b>	<u><b>40,439,820</b></u>	<u>36,688,518</u>

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium*	Contributed surplus*	Share option reserve*	Other reserves*	Translation reserve*	Accumulated losses*			
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
<b>Balance at 1 January 2022</b>	105,069,500	363,340,792	13,985,669	3,339,000	7	11,597,920	(452,084,957)	45,247,931	230,720	45,478,651
Loss for the year	-	-	-	-	-	-	(7,735,405)	(7,735,405)	(125)	(7,735,530)
Other comprehensive loss										
- Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	(1,054,603)	-	(1,054,603)	-	(1,054,603)
<b>Total comprehensive loss for the year</b>	-	-	-	-	-	(1,054,603)	(7,735,405)	(8,790,008)	(125)	(8,790,133)
<b>Balance at 31 December 2022 and 1 January 2023</b>	<b>105,069,500</b>	<b>363,340,792</b>	<b>13,985,669</b>	<b>3,339,000</b>	<b>7</b>	<b>10,543,317</b>	<b>(459,820,362)</b>	<b>36,457,923</b>	<b>230,595</b>	<b>36,688,518</b>
Profit/(loss) for the year	-	-	-	-	-	-	4,335,500	4,335,500	(1,078)	4,334,422
Other comprehensive loss										
- Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	(583,120)	-	(583,120)	-	(583,120)
<b>Total comprehensive (loss)/income for the year</b>	-	-	-	-	-	(583,120)	4,335,500	3,752,380	(1,078)	3,751,302
Lapse of share options	-	-	-	(39,930)	-	-	39,930	-	-	-
<b>Balance at 31 December 2023</b>	<b>105,069,500</b>	<b>363,340,792</b>	<b>13,985,669</b>	<b>3,299,070</b>	<b>7</b>	<b>9,960,197</b>	<b>(455,444,932)</b>	<b>40,210,303</b>	<b>229,517</b>	<b>40,439,820</b>

\* The total of these accounts as at the reporting date represents deficit in reserves of HK\$64,859,197 (2022: HK\$68,611,577) in the consolidated statement of financial position.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 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 (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the GEM Listing Rules.

The consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is also the functional currency of the Company.

The material 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 and amended HKFRSs and the impacts on the Group’s consolidated financial statements, if any, are disclosed in note 2.

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

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates and assumptions are based on management’s best knowledge and judgement 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

In the preparation of the consolidated financial statements for the year ended 31 December 2023, the Group has applied the following new and amendments to HKFRSs, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023:

Amendments to HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### ***Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies***

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the “Practice Statement”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

In accordance with the guidance set out in the amendments, accounting policy information that is standardised information, or information that only duplicates or summarises the requirements of the HKFRSs, is considered immaterial accounting policy information and is no longer disclosed in the notes to the consolidated financial statements so as not to obscure the material accounting policy information disclosed in the notes to the consolidated financial statements.

**(b) Amendments to HKFRSs not yet adopted**

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current <sup>1</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

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

### 3. SEGMENT INFORMATION

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

- Sales of smart cards;
- Sales of smart card application systems;
- Financial and management consultancy services;
- Sale and trading of scrap metals; and
- Media and entertainment.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

Revenue and expenses are allocated to the reportable segments with reference to sales generated and the expenses incurred by those segments. The measurement of segment profit/(loss) before income tax is the same as those used in preparing these consolidated financial statements under HKFRSs except that finance costs, impairment loss on other receivables, exchange gains/(losses), net and corporate expenses, net not directly attributable to business activities of the operating segments are not included in arriving at the operating results of the operating segments.

Segment assets include all assets with the exception of intangible asset, assets which are not attributable to the business activities of the operating segments and other assets which are managed on a group basis such as cash and cash equivalents.

Segment liabilities include all liabilities except for deferred tax liabilities, liabilities which are not attributable to the business activities of the operating segments and other liabilities which are managed on a group basis such as other borrowings.

## Segment revenue, 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:

2023

	Sales of smart cards <i>HK\$</i>	Sales of smart card application systems <i>HK\$</i>	Financial and management consultancy services <i>HK\$</i>	Sale and trading of scrap metals <i>HK\$</i>	Media and entertainment <i>HK\$</i>	Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
Reportable segment revenue	<u>79,098,836</u>	<u>6,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,104,966</u>
Reportable segment profit/(loss)	<u>14,251,720</u>	<u>(13,734)</u>	<u>-</u>	<u>(3,058,576)</u>	<u>(1,324,040)</u>	<u>-</u>	<u>9,855,370</u>
Finance costs							(194,276)
Impairment loss on other receivables							(15,389)
Exchange gains, net							704,012
Corporate expenses, net							<u>(6,020,002)</u>
Profit before income tax							<u>4,329,715</u>
Reportable segment assets	<u>28,000,219</u>	<u>-</u>	<u>-</u>	<u>440,918</u>	<u>29,735,683</u>	<u>3,240,628</u>	<u>61,417,448</u>
Intangible asset							420,000
Cash and cash equivalents							<u>7,224,481</u>
Total consolidated assets							<u>69,061,929</u>
Reportable segment liabilities	<u>19,708,887</u>	<u>12,000</u>	<u>-</u>	<u>636,225</u>	<u>-</u>	<u>7,277,655</u>	<u>27,634,767</u>
Other borrowings							<u>987,342</u>
Total consolidated liabilities							<u>28,622,109</u>
<b>Other information</b>							
Depreciation of property, plant and equipment	1,849,796	-	-	72,644	-	2,478	1,924,918
Depreciation of right-of-use assets	2,486,348	-	-	-	-	901,356	3,387,704
Interest income	5,103	21	-	1,824	-	407	7,355
Additions to non-current segment assets during the year	<u>6,933,211</u>	<u>-</u>	<u>-</u>	<u>375,241</u>	<u>-</u>	<u>2,515,708</u>	<u>9,824,160</u>

**2022**

	Sales of smart cards <i>HK\$</i>	Sales of smart card application systems <i>HK\$</i>	Financial and management consultancy services <i>HK\$</i>	Sale and trading of scrap metals <i>HK\$</i>	Media and entertainment <i>HK\$</i>	Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
<b>Reportable segment revenue</b>	<u>58,471,358</u>	<u>10,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,482,208</u>
<b>Reportable segment profit/(loss)</b>	<u>1,461,634</u>	<u>(10,931)</u>	<u>-</u>	<u>(3,178,734)</u>	<u>898,327</u>	<u>-</u>	<u>(829,704)</u>
Finance costs							(284,865)
Impairment loss on other receivables							(13,877)
Exchange losses, net							(786,283)
Corporate expenses, net							<u>(5,820,801)</u>
Loss before income tax							<u>(7,735,530)</u>
<b>Reportable segment assets</b>	<u>26,152,179</u>	<u>-</u>	<u>-</u>	<u>402,034</u>	<u>31,685,393</u>	<u>1,421,937</u>	<u>59,661,543</u>
Intangible asset							420,000
Cash and cash equivalents							<u>6,236,472</u>
Total consolidated assets							<u>66,318,015</u>
<b>Reportable segment liabilities</b>	<u>25,065,753</u>	<u>12,000</u>	<u>-</u>	<u>226,360</u>	<u>-</u>	<u>2,983,177</u>	<u>28,287,290</u>
Other borrowings							1,337,500
Deferred tax liabilities							<u>4,707</u>
Total consolidated liabilities							<u>29,629,497</u>
<b>Other information</b>							
Depreciation of property, plant and equipment	2,343,702	-	-	-	-	8,145	2,351,847
Depreciation of right-of-use assets	2,258,223	-	-	-	-	901,356	3,159,579
Interest income	4,425	5	-	616	-	16	5,062
Additions to non-current segment assets during the year	<u>1,555,354</u>	<u>-</u>	<u>-</u>	<u>275,262</u>	<u>-</u>	<u>-</u>	<u>1,830,616</u>

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

## Geographical information

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

	Revenue from external customers		Specified Non-current assets	
	2023 HK\$	2022 HK\$	2023 HK\$	2022 HK\$
The People's Republic of China (the "PRC")	8,403,153	4,528,113	7,626,527	6,627,425
Europe	52,698,839	30,145,558	–	–
Africa	17,857,867	23,679,501	–	–
Asia, excluding the PRC, Hong Kong and Taiwan	23,514	26,834	–	–
Hong Kong	121,593	102,202	3,911,425	2,145,462
Taiwan	–	–	306,354	1,075,262
	<u>79,104,966</u>	<u>58,482,208</u>	<u>11,844,306</u>	<u>9,848,149</u>

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

Specified non-current assets include property, plant and equipment, intangible assets, right-of-use assets, prepayment and prepayments for acquisition of property, plant and equipment only.

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

### Information about major customers

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

	2023 HK\$	2022 HK\$
Customer A – Sale of smart cards	29,448,310	29,780,372
Customer B – Sale of smart cards	22,920,350	-*
Customer C – Sale of smart cards	17,857,867	23,297,301
	<u>70,226,527</u>	<u>53,077,673</u>

\* This customer did not contribute any revenue to the Group for the year ended 31 December 2022.

## 4. REVENUE

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

	2023 HK\$	2022 HK\$
<b>By product lines</b>		
Sales of smart cards	79,098,836	58,471,358
Sales of smart card application systems	6,130	10,850
	<u>79,104,966</u>	<u>58,482,208</u>



	2023	
	Sales of smart cards <i>HK\$</i>	Sales of smart card application systems <i>HK\$</i>
<b>Geographical markets</b>		
The PRC	8,403,153	–
Europe	52,698,839	–
Africa	17,857,867	–
Asia, excluding the PRC, Hong Kong and Taiwan	23,514	–
Hong Kong	115,463	6,130
	<u>79,098,836</u>	<u>6,130</u>
Total	<u><b>79,098,836</b></u>	<u><b>6,130</b></u>

	2022	
	Sales of smart cards <i>HK\$</i>	Sales of smart card application systems <i>HK\$</i>
<b>Geographical markets</b>		
The PRC	4,528,113	–
Europe	30,145,558	–
Africa	23,679,501	–
Asia, excluding the PRC, Hong Kong and Taiwan	26,834	–
Hong Kong	91,352	10,850
	<u>58,471,358</u>	<u>10,850</u>
Total	<u><b>58,471,358</b></u>	<u><b>10,850</b></u>

## 5. OTHER INCOME

	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Bank interest income	7,355	5,062
Government subsidies ( <i>note</i> )	639,080	423,704
Sundry income	555,816	592,204
	<u>1,202,251</u>	<u>1,020,970</u>

### *Note:*

The government subsidies recognised for the year ended 31 December 2023 were the approved subsidies from the PRC government mainly due to the technology upgrade in the PRC factory (2022: approved subsidies from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the Government of the Hong Kong Special Administrative Region of the PRC and other approved subsidies from the PRC government). There are no unfulfilled conditions or other contingencies attached to these subsidies.

**6. OTHER GAINS/(LOSSES), NET**

	<b>2023</b>	2022
	<b>HK\$</b>	HK\$
Exchange gains/(losses), net	<b>704,012</b>	(786,283)
Gain on early termination of leases initiated by landlord	<b>704,536</b>	–
	<b>1,408,548</b>	(786,283)

**7. FINANCE COSTS**

	<b>2023</b>	2022
	<b>HK\$</b>	HK\$
Finance charges on lease liabilities	<b>194,276</b>	284,865

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

	<b>2023</b>	2022
	<b>HK\$</b>	HK\$
Profit/(loss) before income tax is arrived at after charging/(crediting):		
Auditor's remuneration	<b>730,000</b>	700,000
Short-term leases	<b>266,651</b>	286,060
Variable lease payments not included in the measurement of lease liabilities	<b>1,630,526</b>	1,734,596
Costs of inventories recognised as an expense ( <i>note</i> )	<b>51,371,188</b>	43,510,435
Reversal of impairment losses on trade receivables	<b>(473)</b>	(19,554)
Impairment losses on other receivables	<b>15,389</b>	13,877
Written-off of property, plant and equipment	<b>254,420</b>	–
Depreciation		
– Property, plant and equipment	<b>1,924,918</b>	2,351,847
– Right-of-use assets	<b>3,387,704</b>	3,159,579
Employee benefit expenses	<b>25,795,371</b>	22,592,039

*Note:*

Cost of inventories recognised as expense includes HK\$20,310,038 (2022: HK\$16,941,384) relating to depreciation of property, plant and equipment, depreciation of right-of-use assets, employee benefits expenses and lease charges, which amounts are also included in the respective total amounts disclosed above for these expenses.

## 9. INCOME TAX CREDIT

	<b>2023</b>	2022
	<b>HK\$</b>	HK\$
Deferred tax	<u>(4,707)</u>	<u>–</u>
Total income tax credit	<u><u>(4,707)</u></u>	<u><u>–</u></u>

*Notes:*

### (a) Hong Kong

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2,000,000 of profits of qualifying group entity will be taxed at 8.25%, and the profits above HK\$2,000,000 will be taxed at 16.5%. The profits of entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. No Hong Kong Profits Tax has been provided for the year ended 31 December 2023 as the Group did not generate any estimated profits in Hong Kong during the year ended 31 December 2023 (2022: the Group has sufficient tax losses brought forward to set off against assessable profits in Hong Kong).

### (b) PRC

The PRC Enterprise Income Tax has been calculated at 25% (2022: 25%) on the estimated assessable profits for the year based on the existing legislation, interpretations and practices in respect thereof. No PRC Enterprise Income Tax has been provided for the year ended 31 December 2023, as the Group has sufficient tax losses brought forward to set off against assessable profits in PRC during the year ended 31 December 2023 (2022: the Group did not generate any assessable profits in the PRC).

### (c) Other jurisdictions

Pursuant to the rules and regulations of the Cayman Islands, the British Virgin Islands (the “BVI”) and Taiwan, the Group is not subject to any income tax or did not generate any assessable profits in the Cayman Islands, the BVI and Taiwan (2022: nil).

## 10. DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2023 (2022: nil).

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

The calculations of basic earnings/(loss) per share are based on the profit/(loss) for the year attributable to owners of the Company and the weighted average number of respective ordinary shares in issue of 525,347,500 (2022: 525,347,500) during the year.

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

As at 31 December 2023 and 2022, the Company has outstanding share options. For the outstanding share options, the number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings/(loss) per share.

As the Company's outstanding share options had an anti-dilutive effect to the basic loss per share calculation for the year ended 31 December 2022 and the exercise price of the share option is higher than the average market price per share for the year ended 31 December 2023, the exercise of the above potential ordinary shares is not assumed in the computation of diluted earnings/(loss) per share. Therefore, the diluted earnings/(loss) per share attributable to owners of the Company for years ended 31 December 2023 and 2022 are the same as the basic earnings/(loss) per share, respectively.

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

	<b>2023</b> <b>HK\$</b>	2022 <b>HK\$</b>
Trade receivables	<b>13,155,916</b>	9,666,346
Less: Expected credit loss ("ECL") allowance	–	(473)
	<hr/>	<hr/>
Trade receivables, net ( <i>note (a)</i> )	<b>13,155,916</b>	9,665,873
Other receivables, deposits and prepayments	<b>8,733,589</b>	7,311,577
Less: ECL allowance	<b>(626,851)</b>	(611,462)
	<hr/>	<hr/>
Other receivables, deposits and prepayments, net	<b>8,106,738</b>	6,700,115
Total trade and other receivables, deposits and prepayments	<b>21,262,654</b>	16,365,988
Less: Non-current deposits and prepayment	<b>(962,744)</b>	(1,652,961)
Less: Non-current prepayments for acquisition of property, plant and equipment	<b>(2,041,933)</b>	(275,262)
	<hr/>	<hr/>
Current trade and other receivables, deposits and prepayments	<b>18,257,977</b>	14,437,765
	<hr/> <hr/>	<hr/> <hr/>

*Note:*

- (a) The credit term granted by the Group to its trade customers normally ranges from 30 days to 90 days (2022: 30 days to 90 days). Based on the invoice dates, the ageing analysis of the Group's trade receivables (net of ECL allowance) is as follows:

	<b>2023</b> <b>HK\$</b>	2022 <b>HK\$</b>
0 – 30 days	<b>4,515,265</b>	2,639,540
31 – 90 days	<b>7,406,361</b>	6,363,602
Over 90 days	<b>1,234,290</b>	663,204
Less: ECL allowance	–	(473)
	<hr/>	<hr/>
	<b>13,155,916</b>	9,665,873
	<hr/> <hr/>	<hr/> <hr/>

### 13. INVESTMENT IN TV PROGRAMMES

	<i>HK\$</i>
Balance at 1 January 2022	33,578,431
Total gains/(losses) included in profit or loss:	
Fair value change	898,877
Exchange difference arising from translation, included in other gains/(losses), net	<u>(2,791,915)</u>
Balance at 31 December 2022 and 1 January 2023	<b>31,685,393</b>
Total losses included in profit or loss:	
Fair value change	<b>(1,321,585)</b>
Exchange difference arising from translation, included in other gains/(losses), net	<u><b>(628,125)</b></u>
<b>Balance at 31 December 2023</b>	<b><u><u>29,735,683</u></u></b>

During the year ended 31 December 2019, the Group entered into a joint production agreement and supplemental agreement (collectively, the “Joint Production Agreement”) with 浙江優盛影視文化有限公司 (Zhe Jiang You Sheng Ying Shi Wen Hua Company Limited\*) (“Zhe Jiang You Sheng”), an independent TV programmes producer, pursuant to which the Group agreed to invest RMB24,000,000 (equivalent to HK\$26,850,000) in the production of TV programmes “Snow Leopard II”, representing 30% of the budgeted production costs. In accordance with the Joint Production Agreement, the Group has no control, significant influence or joint control over the investment.

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

The Group is entitled to 30% of net profit generated by the TV programmes for five years, after obtained broadcasting approval from the PRC government authority.

During the year ended 31 December 2022, due to the unstable environment under the COVID-19 pandemic in the PRC, the TV programmes could not be produced as planned in prior years. As at 31 December 2022, with reference to the production progress provided by Zhe Jiang You Sheng, the Directors further revisited the production timetable with Zhe Jiang You Sheng and tentatively expected the TV programmes to be released in the PRC and the net profit distribution to be received during the year ending 31 December 2024. Therefore, the investment in TV programmes was classified as non-current assets as at 31 December 2022.

During the year ended 31 December 2023, the production of the TV programmes was completed. The management of Zhe Jiang You Sheng has decided to defer the broadcasting timetable due to the poor economic environment in the PRC. As at 31 December 2023, with reference to the broadcast progress provided by Zhe Jiang You Sheng, the Directors further revisited the broadcasting timetable with Zhe Jiang You Sheng and tentatively expected the TV programmes to be released in the PRC and the net profit distribution to be received during the year ending 31 December 2025. Therefore, the investment in TV programmes was remained classified as non-current assets as at 31 December 2023.

The Group’s investment in TV programmes is measured at fair value in the consolidated statement of financial position on a recurring basis, categorised into three levels of a fair value hierarchy. The levels are based on the observability of significant inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the investment in TV programmes is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The fair value of the investment in TV programmes is level 3 (2022: level 3) fair value measurement. There were no transfers between Levels 1, 2 and 3 during the year (2022: nil).

#### Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments by adopting an income approach based on discounted cash flow.

#### Fair value measurements using significant unobservable inputs (level 3)

The above movement presents the changes in level 3 item for the years ended 31 December 2023 and 2022.

Significant unobservable inputs	Unobservable inputs	Relationship of unobservable inputs to fair value
Discount rate	21.78% (2022: 22.92%)	The higher/lower the discount rate, the lower/higher the fair value.
Estimated revenues generated by the TV programmes	RMB210,000,000 (2022: RMB210,000,000)	The higher/lower the estimated revenue generated by the TV programmes, the higher/lower the fair value.

Should the discount rate increase or decrease by 3% respectively, the fair value of the investment in TV programmes would be decreased by HK\$1,315,208 (2022: HK\$1,064,015) or increased by HK\$1,229,067 (2022: HK\$1,128,634), respectively. Should the estimated revenues generated by the TV programmes increase or decrease by 10% respectively, the fair value of the investment in TV programmes would be increased or decreased by HK\$2,949,341 (2022: HK\$3,171,604).

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

#### 14. TRADE AND OTHER PAYABLES

	2023 HK\$	2022 HK\$
Trade payables ( <i>note</i> )	8,715,302	15,847,797
Other payables and accrual	11,764,689	6,857,869
	<u>20,479,991</u>	<u>22,705,666</u>

*Note:*

Credit periods granted by suppliers normally range from 30 days to 90 days (2022: 30 days to 90 days). Based on the invoice date, the ageing analysis of the trade payables is as follows:

	<b>2023</b>	2022
	<b>HK\$</b>	HK\$
0 – 30 days	<b>1,407,208</b>	2,414,515
31 – 60 days	<b>1,519,966</b>	2,482,576
61 – 90 days	<b>836,315</b>	1,312,873
Over 90 days	<b>4,951,813</b>	9,637,833
	<b>8,715,302</b>	15,847,797

#### **15. EVENT AFTER THE REPORTING PERIOD**

The Company entered into the Subscription Agreement to raise additional capital of HK\$16,500,000 by issuance of the Convertible Bonds. As at 31 December 2023 and up to the date of this announcement, in the opinion of the Directors, the precedent conditions of the Subscription Agreement were not fulfilled and the Convertible Bonds have not yet been issued. On 29 February 2024, the Company entered into an extension letter with the Subscriber to further extend the long stop date of the Subscription Agreement to 30 April 2024. Further details regarding the issuance and extension of the Convertible Bonds are disclosed in the announcements of the Company dated 10 February 2023, 28 February 2023, 21 March 2023, 11 April 2023, 2 May 2023, 23 May 2023, 5 July 2023, 18 August 2023, 31 October 2023, 20 December 2023 and 29 February 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Revenue

For the financial year ended 31 December 2023 (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 sales of smart cards amounted to approximately HK\$79.10 million, an increase of approximately HK\$20.63 million or 35.3% as compared to the corresponding period in 2022 of approximately HK\$58.47 million. The increase was due to the supply of chips recovering and being relatively stable during the Reporting Period, hence enabling our SZ plant to clear its smartcard order backlog.

The Group’s revenue generated from sales of smart card application systems amounted to HK\$6,130 (2022: HK\$10,850).

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

During the Reporting Period, COS incurred for sales of smart cards amounted to approximately HK\$51.37 million, an increase of approximately HK\$7.87 million or 18.1% as compared to the corresponding period in 2022 of approximately HK\$43.50 million. The increase in COS was less than the increase in revenue year-on-year due to sales mix differences year-on-year, as well as the fact that some costs are relatively fixed in nature.

The Group recorded cost of sales from sales of smart card application systems of HK\$5,430 (2022: HK\$9,004).

Due to the increase in sales and better sales mix year-on-year, gross profit of the Group during the Reporting Period rose by approximately HK\$12.76 million or 85.2%, from the corresponding period in 2022 of approximately HK\$14.97 million, to approximately HK\$27.73 million.

#### Other Income

Other income of approximately HK\$1.2 million consisted of PRC government subsidies of approximately HK\$0.64 million, bank interest income of HK\$7,355 and sundry income of approximately HK\$0.56 million (2022: approximately HK\$1.02 million and was mainly comprised of government subsidy of approximately HK\$0.42 million, bank interest income of HK\$5,062 and sundry income of approximately HK\$0.59 million).

#### Other Gains/(Losses), Net

During the Reporting Period, other gains amounted to approximately HK\$1.41 million which was attributable to the net exchange gains and gain on early termination of leases relating to the old factory in Shenzhen, of each of approximately HK\$705,000 (2022: net exchange losses of approximately HK\$0.79 million).



## **Selling and Distribution Costs**

During the Reporting Period, selling and distribution costs amounted to approximately HK\$2.7 million, representing an increase of approximately HK\$0.4 million, or 17.5%, as compared to the corresponding period in 2022 of approximately HK\$2.3 million. The increase was mainly due to increases in various sales-related expenses such as freight charges, sales commission and overseas travelling expenses, as a result of the substantial increase in year-on-year revenue.

## **Administrative Expenses**

Administrative expenses recorded a slight increase of approximately HK\$0.54 million, or 2.5% during the Reporting Period, from approximately HK\$21.25 million for the corresponding period in 2022, to approximately HK\$21.79 million. The increase was primarily attributable to the increases in various administrative expenses in general.

## **Impairment Loss on Other Receivables**

During the Reporting Period, an impairment loss on other receivables amounted to HK\$15,389 (2022: HK\$13,877).

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

During the Reporting Period, a fair value loss on investment in TV programmes of approximately HK\$1.32 million was recognised (2022: gain of approximately HK\$0.90 million).

According to Mr. Zhang Jian, the director of TV programme, more time is needed to conclude sales contracts which will delay the estimated timetable of revenue inflow by about sixteen months.

## **Finance Costs**

During the Reporting Period, the Group's finance costs, representing the finance charges on lease liabilities, amounted to approximately HK\$0.19 million (2022: approximately HK\$0.28 million).

## **Income Tax Credit**

During the Reporting Period, an income tax credit of HK\$4,707 (2022: Nil) was recognised.

## **Non-controlling Interests**

During the Reporting Period, a loss of HK\$1,078 (2022: HK\$125) attributable to the non-controlling interests was recognised.

As a result of the foregoing, profit attributable to owners of the Company for the Reporting Period amounted to approximately HK\$4.34 million (2022: loss of approximately HK\$7.74 million).

## **LIQUIDITY AND FINANCIAL RESOURCES/CAPITAL STRUCTURE**

During the Reporting Period, the Group financed its business operations and investments with cash, revenue generated from operating activities and other borrowings. As at 31 December 2023, the Group had cash and bank balances of approximately HK\$7.2 million (2022: approximately HK\$6.2 million) and other borrowing of approximately HK\$1.0 million (2022: approximately HK\$1.3 million).

As at 31 December 2023, the Group had current assets of approximately HK\$26.5 million (2022: approximately HK\$23.9 million) and current liabilities of approximately HK\$24.7 million (2022: approximately HK\$27.4 million). The current ratio, expressed as current assets over current liabilities, was 1.1 (2022: 0.9).

## **EMPLOYEE INFORMATION**

As at 31 December 2023, the Group employed a total of 126 employees (2022: 139 employees), of which 13 were located in Hong Kong and the rest were located in the PRC and Taiwan. Employee cost, including Directors' remuneration, was approximately HK\$25.8 million (2022: approximately HK\$22.6 million) during the Reporting Period. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. In addition to basic salaries and participation in mandatory provident fund scheme, staff benefits include medical scheme and share options.

## **SIGNIFICANT INVESTMENTS**

Save as disclosed in note 13 to the consolidated financial statements, there was no other significant investments for the year ended 31 December 2023.

## **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 2023.

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

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

## **CHARGE ON GROUP ASSETS**

At 31 December 2023, there is no charge on assets of the Group (2022: nil).

## **GEARING RATIO**

The gearing ratio of the Group, expressed as a percentage of total borrowings including lease liabilities to total assets of the Group, was 11.3% (2022: 9.9%) as at 31 December 2023.

## **FINAL DIVIDEND**

The Directors does not recommend any payment of a final dividend for the year ended 31 December 2023 (2022: nil).

The Company was not aware of any shareholders that had waived or agreed to waive any dividend arrangement for the year ended 31 December 2023.

## **COMPETING INTERESTS**

As at 31 December 2023, 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 audit committee currently comprises three independent non-executive Directors and is chaired by Ms. Wong Ka Wai, Jeanne. The rest of members are Mr. Chan Siu Wing, Raymond and Mr. Yeung Man Chit, Daniel. At the discretion of the audit committee, executive Directors and/or senior management personnel, overseeing the Group's finance and internal control functions, may be invited to attend meeting. The primary role and function of the audit committee are to review the Company's financial controls, internal control and risk management systems; to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; to review the Company's consolidated financial statements, annual reports, interim reports and quarterly reports, and to provide advice and comment thereon to the Board. The audit committee held four meetings to review the quarterly, interim and annual results during the year ended 31 December 2023 as well as discussed and reviewed the Group's internal control and audit works with the auditor of the Group.

The Group's annual audited results during the year ended 31 December 2023 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

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

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2023 and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement of the Group have been agreed by the Group's auditor, Moore CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Moore CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Moore CPA Limited on the preliminary announcement.

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

The Board believes that good corporate governance practices are essential for effective management and enhancement of shareholder value and investor confidence. The Company has taken a proactive approach in strengthening corporate governance practices, increasing transparency and sustaining accountability to shareholders through effective internal controls, under the leadership of its experienced and committed Board.

The Company has applied the principles set out in the Corporate Governance Code (the “CG Code”) contained in Appendix C1 to the GEM Listing Rules.

In the opinion of the Board, the Company has complied with all the code provisions set out in the CG Code throughout the year ended 31 December 2023 with the exception of the code provision C.2.1 which requires that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Details relating to the foregoing deviation are summarised below.

Code provision C.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing.

Ms. Lily Wu (“Ms. Wu”) serves as the Chairman of the Board since 1 April 2006 and was further appointed as the Chief Executive Officer on 23 March 2009. The reasons for not splitting the roles of chairman and chief executive officer are (i) the size of the Group is still relatively small and thus not justified in separating the roles of chairman and chief executive officer; and (ii) the Group has in place an internal control system to perform the check and balance function. Ms. Wu is primarily responsible for leadership of the Group and the Board, setting strategic direction, ensuring the effectiveness of management in execution of the strategy approved by the Board. Execution responsibilities lie with another executive Director and senior management of the Company.

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

## **PURCHASE, SALE OR REDEMPTION OF SECURITIES**

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities during the Reporting Period.

## **EVENT AFTER THE REPORTING PERIOD**

Save as disclosed in note 15 to the consolidated financial statements, there is no other material event after the Reporting Period.

## **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, 19 June 2024, at Function Room 2, 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, 14 June 2024 to Wednesday, 19 June 2024 (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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Thursday, 13 June 2024.

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

Hong Kong, 25 March 2024

*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 and Mr. Yang Meng Hsiu, and three independent non-executive Directors, Ms. Wong Ka Wai, Jeanne, Mr. Yeung Man Chit, Daniel and Mr. Chan Siu Wing, Raymond.*

*This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) for at least 7 days from the date of its publication and on the website of the Company at [www.phoenitron.com](http://www.phoenitron.com).*