



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 2024**

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(THE “STOCK EXCHANGE”)**

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This announcement, 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 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 2024 amounted to approximately HK\$59,584,000, representing a decrease of 24.7% as compared to the corresponding period in 2023 of approximately HK\$79,105,000.
- The Group recorded a profit attributable to the owners of the Company of approximately HK\$453,000 for the year ended 31 December 2024 (2023: approximately HK\$4,336,000).
- The Board does not recommend any payment of a final dividend for the year ended 31 December 2024 (2023: 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 2024 (the “Reporting Period”).

RESULTS

For the year ended 31 December 2024, the Company recorded a consolidated revenue of approximately HK\$59,584,000 (2023: approximately HK\$79,105,000) and profit attributable to owners of the Company of approximately HK\$453,000 (2023: approximately HK\$4,336,000).

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

2024 was full of challenges. In the first half of 2024, sales significantly declined by approximately HK\$15.8 million or 42.3% as compared to the same period last year. This downturn was attributable to a high level of 2023 revenue from the supply of chips bouncing back during that year (post-COVID 19), enabling our Shenzhen plant to clear its smartcard order backlog and the order volumes resumed at normal level in 2024. Using our highly automated production facilities, superior product quality and speedy delivery services, the management team improved sales and profit margins in the second half of the year to partially offset the first half weakness. For the full Reporting Period, the Group recorded a revenue of approximately HK\$57.4 million, representing a decline of approximately HK\$21.7 million or 27.4%, as compared to the corresponding period in last year of approximately HK\$79.1 million. The profit of approximately HK\$7.8 million (2023: approximately HK\$14.3 million) was derived from the SIM card market.

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 continued to make greater efforts in implementing cost-cutting/streamlining measures and increasing productivity and operational efficiency.

In the fourth quarter of 2023, the smart card plant landlord early terminated the lease, leading to the relocation of the Shenzhen (“SZ”) plant to a new site near to 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.

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 (Zhe Jiang You Sheng Ying Shi Wen Hua Company Limited*) (“Zhe Jiang You Sheng”), pursuant to which Kartop HK agreed to invest Renminbi (“RMB”) 24.0 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 2023 annual report, the production of the Target TV Play was completed. According to the producer, Mr. Zhang Jian, as additional time is needed to negotiate and conclude sales contract that could meet the target revenue, the Target TV Play is now targeting a release by the end of 2025. Such a release date would mean Kartop HK should receive revenue share by end of first quarter 2026.

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 Group’s future development and diversification plan. The Directors also believe that 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.

E-Commerce Business Segment – Digital Platform Business

As disclosed in the previous announcements of the Company, the Group intends to diversify its business portfolio by entering the prospering digital economy and exploring new development opportunities in the application of artificial intelligence. In furtherance of this, the Group, through 北京德生萬利時印藝科技有限公司 (Beijing Desheng Wanlizi Printing Arts Technology Company Limited*) (“Beijing Desheng”) (a limited liability company established in the People’s Republic of China (the “PRC”) and an indirect wholly-owned subsidiary of the Company), has completed the acquisition of the 100% equity interest in 海南動創數娛科技集團有限公司 (Hainan Dongchuang Digital Entertainment Technology Group Company Limited*) (“Hainan Dongchuang”) on 31 December 2024 (the “Acquisition”), which has an experienced market operation team and a strong customer base. It is expected that Hainan Dongchuang will operate a pan-entertainment digital ecosystem membership e-commerce platform – Dongchuang E-Commerce App Service Platform. The platform has commenced trial operations and primarily provides entertainment e-commerce with private domain traffic, including the provision of digital products and services (the “Digital Platform Business”). The headquarters of the Digital Platform Business is located in Haikou City, Hainan Province, the PRC.

* 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.

Financing

On 10 February 2023, the Company, as issuer, and Mr. Guo Rongxiang, as subscriber, entered into the subscription agreement in relation to the issue of convertible bonds (the “Convertible Bonds”). Completion took place on 3 September 2024.

The gross proceeds from the issue of the Convertible Bonds totaled HK\$16,500,000. The net proceeds from the issue of the Convertible Bonds of approximately HK\$16,392,000 are intended to be used as general working capital of the Group as well as for the continuous development of the existing media and entertainment businesses (including e-commerce business) 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 businesses of the Group. Additionally, the Convertible Bonds will not have an immediate dilution effect on the shareholding of our existing shareholders.

OUTLOOK

Looking ahead to 2025, we anticipate even greater challenges in terms of price and market pressure of our smartcard business. International clients are facing aggressive competition from Chinese rivals, who, due to overcapacity, are offering low prices to capture market share globally. To secure relatively stable order volumes in this environment, we will need to make certain price concessions, pressuring margins in 2025.

In response to the gradual decline in order volumes, we took advantage of our factory relocation at the beginning of 2024 to invest in hardware and software upgrades aligned with GSMA’s SAS certification standards. We successfully obtained this certification by the end of 2024. With this achievement, we are now positioned to target other international clients requiring SAS-certified suppliers in 2025, with the goal of bringing in new clients to offset the possible loss of order volume and lower prices from existing ones.

The Company is cautiously optimistic about the development of the digital platform business. The acquisition of Hainan Dongchuang is a strategic move aimed at seizing new opportunities in the digital economy and artificial intelligence (AI) applications. The Group also aims to progressively expand its range of digital economy services and market presence. The acquisition of Hainan Dongchuang marks the starting point, establishing a foothold in e-commerce services. Dongchuang E-Commerce App Service Platform, which is currently in trial operations, already features over 30,000 listed products.

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 2024. 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, 20 March 2025

The Board announces the audited consolidated results of the Group for the year ended 31 December 2024 together with the comparative figures for the corresponding period in 2023 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	<i>Notes</i>	2024 HK\$	2023 HK\$
Revenue	4	59,583,826	79,104,966
Cost of sales		<u>(37,591,717)</u>	<u>(51,371,188)</u>
Gross profit		21,992,109	27,733,778
Other income	5	1,381,652	1,202,251
Other (losses)/gains, net	6	(1,547,036)	1,408,548
Selling and distribution costs		(2,103,180)	(2,697,192)
Administrative expenses		(21,589,589)	(21,786,420)
Impairment loss on other receivables		(56,314)	(15,389)
Change in fair value of investment in TV programmes	14	2,878,465	(1,321,585)
Finance costs	7	(504,299)	(194,276)
Profit before income tax	8	451,808	4,329,715
Income tax credit	9	–	4,707
Profit for the year		<u>451,808</u>	<u>4,334,422</u>
Other comprehensive loss			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		<u>(96,002)</u>	<u>(583,120)</u>
Other comprehensive loss for the year, net of income tax		<u>(96,002)</u>	<u>(583,120)</u>
Total comprehensive income for the year		<u>355,806</u>	<u>3,751,302</u>

	<i>Notes</i>	2024 <i>HK\$</i>	2023 <i>HK\$</i>
Profit/(loss) for the year attributable to:			
Owners of the Company		452,961	4,335,500
Non-controlling interests		(1,153)	(1,078)
		451,808	4,334,422
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company		356,959	3,752,380
Non-controlling interests		(1,153)	(1,078)
		355,806	3,751,302
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to owners of the Company			
Basic and diluted	<i>11</i>	0.086	0.825

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

	<i>Notes</i>	2024 HK\$	2023 HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		3,539,720	2,700,493
Intangible assets	<i>12</i>	4,706,589	420,000
Right-of-use assets		3,776,663	6,681,880
Deposits	<i>13</i>	308,454	962,744
Prepayments for acquisition of property, plant and equipment	<i>13</i>	597,850	2,041,933
Investment in TV programmes	<i>14</i>	31,663,113	29,735,683
Prepayment for acquisition of an associate	<i>13</i>	2,746,482	–
		47,338,871	42,542,733
Current assets			
Inventories		2,104,154	1,036,738
Trade and other receivables, deposits and prepayments	<i>13</i>	14,868,358	18,257,977
Cash and cash equivalents		13,822,703	7,224,481
		30,795,215	26,519,196
Current liabilities			
Trade and other payables	<i>15</i>	16,370,775	20,479,991
Lease liabilities		2,803,989	3,231,661
Other borrowings		–	987,342
		19,174,764	24,698,994
Net current assets		11,620,451	1,820,202
Total assets less current liabilities		58,959,322	44,362,935

	2024	2023
	HK\$	HK\$
Non-current liabilities		
Lease liabilities	1,167,085	3,595,777
Convertible bonds	16,540,273	–
Defined benefit plan obligations	327,338	327,338
	<u>18,034,696</u>	<u>3,923,115</u>
Net assets	<u>40,924,626</u>	<u>40,439,820</u>
EQUITY		
Share capital	105,069,500	105,069,500
Deficit in reserves	(64,373,238)	(64,859,197)
Equity attributable to owners of the Company	40,696,262	40,210,303
Non-controlling interests	228,364	229,517
Total equity	<u>40,924,626</u>	<u>40,439,820</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2024

	Attributable to owners of the Company									Non-controlling interests	Total equity
	Share capital	Share premium*	Contributed surplus*	Share option reserve*	Convertible bonds reserve*	Other reserves*	Translation reserve*	Accumulated losses*	Total		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$		
Balance at 1											
January 2023	105,069,500	363,340,792	13,985,669	3,339,000	-	7	10,543,317	(459,820,362)	36,457,923	230,595	36,688,518
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)
Total comprehensive (loss)/income for the year	-	-	-	-	-	-	(583,120)	4,335,500	3,752,380	(1,078)	3,751,302
Lapse of share options	-	-	-	(39,930)	-	-	-	39,930	-	-	-
Balance at 31											
December 2023 and 1 January 2024	105,069,500	363,340,792	13,985,669	3,299,070	-	7	9,960,197	(455,444,932)	40,210,303	229,517	40,439,820
Profit/(loss) for the year	-	-	-	-	-	-	-	452,961	452,961	(1,153)	451,808
Other comprehensive loss											
- Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	(96,002)	-	(96,002)	-	(96,002)
Total comprehensive (loss)/income for the year	-	-	-	-	-	-	(96,002)	452,961	356,959	(1,153)	355,806
Issuance of convertible bonds	-	-	-	-	129,000	-	-	-	129,000	-	129,000
Balance at 31											
December 2024	105,069,500	363,340,792	13,985,669	3,299,070	129,000	7	9,864,195	(454,991,971)	40,696,262	228,364	40,924,626

* The total of these accounts as at the reporting date represents deficit in reserves of HK\$64,373,238 (2023: HK\$64,859,197) in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

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) Amended HKFRSSs

In the preparation of the consolidated financial statements for the year ended 31 December 2024, the Group has applied the following amendments to HKFRSs, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2024:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

(b) New and amendments to HKFRSs not yet adopted

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

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments ³
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ¹
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11 ³
Amendments to HKAS 21	Lack of Exchangeability ²
HKFRS 18	Presentation and Disclosure in Financial Statements ⁴

¹ Effective for annual periods beginning on or after a date to be determined

² Effective for annual periods beginning on or after 1 January 2025

³ Effective for annual periods beginning on or after 1 January 2026

⁴ Effective for annual periods beginning on or after 1 January 2027

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

HKFRS 18 Presentation and Disclosure in Financial Statements

HKFRS 18, which sets out requirements on presentation and disclosures in financial statements, will replace HKAS 1 *Presentation of Financial Statements*. Whilst many of the requirements will remain consistent, the new standard introduces new requirements to present specified categories and defined subtotals in the consolidated statement of profit or loss and other comprehensive income; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the primary financial statements and the notes. In addition, some HKAS 1 paragraphs have been moved to HKAS 8 and HKFRS 7. Minor amendments to HKAS 7 *Statement of Cash Flows* and HKAS 33 *Earnings per Share* are also made.

HKFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the consolidated statement of profit or loss and other comprehensive income and disclosures in the future financial statements. The Group is currently assessing the impact that HKFRS 18 will have 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 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 six operating segments:

- Sales of smart cards;
- Sales of smart card application systems, including relevant services;
- Financial and management consultancy services;
- Sale and trading of scrap metals;
- Media and entertainment; and
- E-commerce business.

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

Revenue and expenses are allocated to the reportable segments with reference to sales generated and the expenses incurred by those segments. The measurement of segment profit/(loss) before income tax is the same as those used in preparing these consolidated financial statements under HKFRSs except that finance costs, impairment loss on other receivables, exchange (losses)/gains, 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 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 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 convertible bonds and other borrowings.

Segment revenue, segment results, segment assets and segment liabilities

Information regarding the Group's reportable segments including the reconciliation to revenue, profit before income tax, total assets, total liabilities and other segment information are as follows:

2024

	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>	E-commerce business <i>HK\$</i>	Unallocated <i>HK\$</i>	Consolidated <i>HK\$</i>
Reportable segment revenue	<u>57,395,803</u>	<u>2,188,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,583,826</u>
Reportable segment profit/(loss)	<u>7,810,979</u>	<u>1,671,039</u>	<u>-</u>	<u>(3,156,951)</u>	<u>2,875,860</u>	<u>-</u>	<u>-</u>	<u>9,200,927</u>
Finance costs								(504,299)
Impairment loss on other receivables								(56,314)
Exchange losses, net								(1,547,036)
Corporate expenses, net								(6,641,470)
Profit before income tax								<u>451,808</u>
Reportable segment assets	<u>21,408,662</u>	<u>1,066,098</u>	<u>-</u>	<u>349,545</u>	<u>31,663,113</u>	<u>7,147,357</u>	<u>2,676,608</u>	<u>64,311,383</u>
Cash and cash equivalents								<u>13,822,703</u>
Total consolidated assets								<u>78,134,086</u>
Reportable segment liabilities	<u>15,489,006</u>	<u>12,000</u>	<u>-</u>	<u>116,845</u>	<u>-</u>	<u>2,097,175</u>	<u>2,954,161</u>	<u>20,669,187</u>
Convertible bonds								<u>16,540,273</u>
Total consolidated liabilities								<u>37,209,460</u>
Other information								
Depreciation of property, plant and equipment	2,051,021	-	-	75,325	-	-	-	2,126,346
Depreciation of right-of-use assets	2,475,941	-	-	-	-	-	843,821	3,319,762
Interest income	3,557	19	-	1,394	-	-	187	5,157
Additions to non-current segment assets during the year	<u>4,077,861</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,033,071</u>	<u>-</u>	<u>11,110,932</u>

2023

	Sales of smart cards HK\$	Sales of smart card application systems HK\$	Financial and management consultancy services HK\$	Sale and trading of scrap metals HK\$	Media and entertainment HK\$	Unallocated HK\$	Consolidated HK\$
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							(6,020,002)
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>3,660,628</u>	<u>61,837,448</u>
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>
Other information							
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>

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	
	2024 <i>HK\$</i>	2023 <i>HK\$</i>	2024 <i>HK\$</i>	2023 <i>HK\$</i>
The People’s Republic of China (the “PRC”)	9,096,932	8,403,153	12,305,809	7,626,527
Europe	50,182,344	52,698,839	–	–
Africa	–	17,857,867	–	–
Asia, excluding the PRC, Hong Kong and Taiwan	81,870	23,514	–	–
Hong Kong	222,680	121,593	2,840,585	3,911,425
Taiwan	–	–	220,910	306,354
	59,583,826	79,104,966	15,367,304	11,844,306

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, prepayments for acquisition of property, plant and equipment and prepayment for acquisition of an associate 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:

	2024 <i>HK\$</i>	2023 <i>HK\$</i>
Customer A – Sale of smart cards	39,276,670	22,920,350
Customer B – Sale of smart cards	10,770,710	29,448,310
Customer C – Sale of smart cards	N/A^(note)	17,857,867

Note: Revenue from this customer contributed less than 10% of the total revenue of the Group during the year ended 31 December 2024.

4. REVENUE

The Group's revenue is analysed as follows:

	2024	2023
	HK\$	HK\$
Revenue from contracts with customers within the scope of HKFRS 15 recognised at a point in time:		
Sales of smart cards	57,395,803	79,098,836
Sales of smart card application systems	<u>2,600</u>	<u>6,130</u>
	<u>57,398,403</u>	<u>79,104,966</u>
Revenue from contracts with customers within the scope of HKFRS 15 recognised over time:		
Sales of smart card application systems relevant services		
– Revenue from smart card technical advisory and consultancy services	<u>2,185,423</u>	<u>–</u>
	<u>59,583,826</u>	<u>79,104,966</u>
	2024	
	Sales of smart cards	Sales of smart card application systems
	HK\$	HK\$
Geographical markets by segments		
The PRC	6,911,509	2,185,423
Europe	50,182,344	–
Asia, excluding the PRC, Hong Kong and Taiwan	81,870	–
Hong Kong	<u>220,080</u>	<u>2,600</u>
Total	<u>57,395,803</u>	<u>2,188,023</u>
	2023	
	Sales of smart cards	Sales of smart card application systems
	HK\$	HK\$
Geographical markets by segments		
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	<u>115,463</u>	<u>6,130</u>
Total	<u>79,098,836</u>	<u>6,130</u>

5. OTHER INCOME

	2024	2023
	HK\$	HK\$
Bank interest income	5,157	7,355
Government subsidies (<i>note</i>)	14,880	639,080
Sundry income	1,361,615	555,816
	<u>1,381,652</u>	<u>1,202,251</u>

Note:

The government subsidies recognised for the year were the approved subsidies from the PRC government for staff costs (2023: the technology upgrade in the PRC factory). There are no unfulfilled conditions or other contingencies attached to these subsidies.

6. OTHER (LOSSES)/GAINS, NET

	2024	2023
	HK\$	HK\$
Exchange (losses)/gains, net	(1,547,036)	704,012
Gain on early termination of leases initiated by landlord	–	704,536
	<u>(1,547,036)</u>	<u>1,408,548</u>

7. FINANCE COSTS

	2024	2023
	HK\$	HK\$
Interest charges on lease liabilities	227,180	194,276
Interest charges on convertible bonds	277,119	–
	<u>504,299</u>	<u>194,276</u>

8. PROFIT BEFORE INCOME TAX

	2024 HK\$	2023 HK\$
Profit before income tax is arrived at after charging/(crediting):		
Auditor's remuneration	730,000	730,000
Short-term leases	261,931	266,651
Variable lease payments not included in the measurement of lease liabilities	1,649,965	1,630,526
Costs of inventories recognised as an expense (<i>note</i>)	37,591,717	51,371,188
Reversal of impairment loss on trade receivables	–	(473)
Impairment loss on other receivables	56,314	15,389
Written-off of property, plant and equipment	26,301	254,420
Depreciation		
– Property, plant and equipment	2,126,346	1,924,918
– Right-of-use assets	3,319,762	3,387,704
Employee benefit expenses	22,821,891	25,795,371

Note:

Cost of inventories recognised as expense includes HK\$17,345,124 (2023: HK\$20,310,038) relating to depreciation of property, plant and equipment, depreciation of right-of-use assets, employee benefit expenses and lease charges, which amounts are also included in the respective total amounts disclosed above for these expenses.

9. INCOME TAX CREDIT

	2024 HK\$	2023 HK\$
Deferred tax	–	(4,707)
Total income tax credit	–	(4,707)

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 2024, as the Group has sufficient tax losses brought forward to set off against assessable profits in Hong Kong (2023: the Group did not generate any assessable profits in Hong Kong).

(b) PRC

The PRC Enterprise Income Tax has been calculated at 25% (2023: 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 2024, as the Group did not generate any assessable profits in the PRC during the year ended 31 December 2024 (2023: the Group has sufficient tax losses brought forward to set off against assessable profits in 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 (2023: nil).

10. DIVIDENDS

The Board does not recommend the payment of any dividend in respect of the year ended 31 December 2024 (2023: nil).

11. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculations of basic earnings per share are based on the profit for the year attributable to owners of the Company and the weighted average number of respective ordinary shares in issue of 525,347,500 (2023: 525,347,500) during the year.

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

As at 31 December 2024, the Company has outstanding share options and convertible bonds (2023: 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 per share. The convertible bonds were assumed to have been converted into ordinary shares, and the net profit is adjusted to eliminate the interest expense less the tax effect.

As the exercise price of the share option exceeded the average market price of ordinary shares for the year ended 31 December 2024 and 2023 and the convertible bonds had an anti-dilutive effect to the basic earnings per share calculation for the year ended 31 December 2024, the potential exercise of the above share options and conversion of convertible bonds are not assumed in the computation of diluted earnings per share. Therefore, the diluted earnings per share attributable to owners of the Company for the years ended 31 December 2024 and 2023 are the same as the basic earnings per share, respectively.

12. INTANGIBLE ASSETS

	PRC driving licence HK\$	Digital platform HK\$	Total HK\$
At 1 January 2023, 31 December 2023, 1 January 2024			
Cost and net carrying amount	420,000	–	420,000
Year ended 31 December 2024			
Opening net carrying amount	420,000	–	420,000
Acquisition of a subsidiary (note 16)	–	4,286,589	4,286,589
Closing net carrying amount	420,000	4,286,589	4,706,589
At 31 December 2024			
Cost and net carrying amount	420,000	4,286,589	4,706,589

The PRC driving licence is considered to have an indefinite economic life as there is no foreseeable limit on the period of time over which the driving licence is expected to generate economic benefit to the Group and the licence is renewable at minimal cost. Accordingly, it is not amortised.

The digital platform represents a pan-entertainment digital ecosystem membership e-commerce platform – Dongchuang E-Commerce App Service Platform of Hainan Dongchuang, which was acquired as part of the Group’s acquisition of Hainan Dongchuang during the year (note 16). The digital platform is amortised on straight-line basis over 5 years.

13. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2024 HK\$	2023 HK\$
Trade receivables (<i>note</i>)	<u>10,386,299</u>	<u>13,155,916</u>
Other receivables, deposits and prepayments	8,818,010	8,733,589
Less: ECL allowance	<u>(683,165)</u>	<u>(626,851)</u>
Other receivables, deposits and prepayments, net	<u>8,134,845</u>	<u>8,106,738</u>
Total trade and other receivables, deposits and prepayments	18,521,144	21,262,654
Less: Non-current deposits	(308,454)	(962,744)
Less: Non-current prepayments for acquisition of property, plant and equipment	(597,850)	(2,041,933)
Less: Non-current prepayment for acquisition of an associate	<u>(2,746,482)</u>	<u>–</u>
Current trade and other receivables, deposits and prepayments	<u>14,868,358</u>	<u>18,257,977</u>

As at 1 January 2023, trade receivables from contracts with customers amounted to HK\$9,665,873 (net of ECL allowance of HK\$473).

Note:

The credit term granted by the Group to its trade customers normally ranges from 30 days to 90 days (2023: 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:

	2024 HK\$	2023 HK\$
0 – 30 days	3,002,212	4,515,265
31 – 90 days	7,260,739	7,406,361
Over 90 days	<u>123,348</u>	<u>1,234,290</u>
	<u>10,386,299</u>	<u>13,155,916</u>

14. INVESTMENT IN TV PROGRAMMES

	<i>HK\$</i>
Balance at 1 January 2023	31,685,393
Total losses included in profit or loss:	
Fair value change	(1,321,585)
Exchange difference arising from translation, included in other (losses)/gains, net	(628,125)
	<hr/>
Balance at 31 December 2023 and 1 January 2024	29,735,683
Total gains/(losses) included in profit or loss:	
Fair value change	2,878,465
Exchange difference arising from translation, included in other (losses)/gains, net	(951,035)
	<hr/>
Balance at 31 December 2024	<u>31,663,113</u>

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

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

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

During the year ended 31 December 2023, the production of the TV programmes was completed. The management of Zhe Jiang You Sheng had 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 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 classified as non-current assets as at 31 December 2023.

During the year ended 31 December 2024, the management of Zhe Jiang You Sheng is still under negotiation with television station in relation to the broadcast details and no agreement was concluded. As at 31 December 2024, 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 before the end of 2025 and the net profit distribution to be received by the end of the first quarter of 2026. Since the exact timetable for recovering the carrying amount remains uncertain, the investment in TV programmes was classified as non-current assets as at 31 December 2024.

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 (2023: level 3) fair value measurement. There were no transfers between Levels 1, 2 and 3 during the year (2023: 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 2024 and 2023.

Significant unobservable inputs	Unobservable inputs	Relationship of unobservable inputs to fair value
Discount rate	21.29% (2023: 21.78%)	The higher/lower the discount rate, the lower/higher the fair value.
Estimated revenues generated by the TV programmes	RMB210,000,000 (2023: 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\$949,809 (2023: HK\$1,315,208) or increased by HK\$1,004,067 (2023: HK\$1,229,067), 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\$3,168,911 (2023: HK\$2,949,341), respectively.

15. TRADE AND OTHER PAYABLES

	2024 <i>HK\$</i>	2023 <i>HK\$</i>
Trade payables (<i>note</i>)	7,392,585	8,715,302
Other payables and accrual	8,978,190	11,764,689
	<u>16,370,775</u>	<u>20,479,991</u>

Note:

Credit periods granted by suppliers normally range from 30 days to 90 days (2023: 30 days to 90 days). Based on the invoice date, the ageing analysis of the trade payables is as follows:

	2024	2023
	HK\$	HK\$
0 – 30 days	1,179,900	1,407,208
31 – 60 days	1,936,419	1,519,966
61 – 90 days	2,198,257	836,315
Over 90 days	2,078,009	4,951,813
	7,392,585	8,715,302

16. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

On 13 December 2024, Beijing Desheng entered into a share transfer framework agreement with four independent vendors (the “Vendors”), pursuant to which the Group agreed to acquire the entire registered capital of Hainan Dongchuang at a cash consideration to the Vendors of RMB240,000 (equivalent to HK\$258,065). The acquisition was completed on 31 December 2024 (the “Acquisition Date”).

As at the Acquisition Date, Hainan Dongchuang held the pan-entertainment digital ecosystem membership e-commerce platform – Dongchuang E-Commerce App Service Platform. After the acquisition, such platform has commenced trial operations and primarily provides entertainment e-commerce with private domain traffic, including the provision of digital products and services. The acquisition had been accounted for as acquisition of assets.

Assets acquired and liabilities assumed at the Acquisition Date were as follows:

	HK\$
Intangible asset (<i>note 12</i>)	4,286,589
Other receivables	114,286
Cash and cash equivalents	104,902
Amount due to the Group	(2,150,537)
Accruals and other payables	(2,097,175)
	258,065

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the financial year ended 31 December 2024 (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\$57.4 million, representing a decrease of approximately HK\$21.7 million or 27.4% as compared to the corresponding period in 2023 of approximately HK\$79.1 million. The significant decrease in revenue was attributable to a high level of revenue in 2023 due to the supply of chips bouncing back, clearing a smartcard order backlog and the order volumes resumed at normal level in 2024.

The Group’s revenue generated from sales of smart card application systems amounted to approximately HK\$2.2 million (2023: HK\$6,130).

Cost of Sales and Gross Profit

During the Reporting Period, cost of sales incurred for sales of smart cards amounted to approximately HK\$37.1 million, a decrease of approximately HK\$14.3 million or 27.8% as compared to the corresponding period in 2023 of approximately HK\$51.4 million. The decrease in cost of sales was in line with the decrease in revenue year-on-year.

The Group recorded cost of sales from sales of smart card application systems of approximately HK\$0.50 million (2023: HK\$5,430).

Due to the decrease in sales, gross profit of the Group during the Reporting Period dropped by approximately HK\$5.7 million or 20.7%, from the corresponding period in 2023 of approximately HK\$27.7 million, to approximately HK\$22.0 million.

Other Income

Other income of approximately HK\$1.38 million consisted of bank interest income of HK\$5,157, government subsidies of HK\$14,880 and sundry income of approximately HK\$1.36 million (2023: approximately HK\$1.20 million and was mainly comprised 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).

Other (Losses)/Gains, Net

During the Reporting Period, other losses (net) amounted to approximately HK\$1.55 million which was attributable to the exchange differences arising from translating the carrying balance of investment in TV programme at the balance sheet date, and the exchange losses arising from foreign currency-based transactions (2023: gains of approximately HK\$1.41 million, comprised of net exchange gains and gain on early termination of leases relating to the old factory in Shenzhen, of each of approximately HK\$705,000).

Selling and Distribution Costs

During the Reporting Period, selling and distribution costs amounted to approximately HK\$2.1 million, representing a decrease of approximately HK\$0.6 million, or 22.0%, as compared to the corresponding period in 2023 of approximately HK\$2.7 million. The decrease was mainly due to the decrease in freight costs and sales commission corresponding to the decrease in revenue year-on-year.

Administrative Expenses

Administrative expenses recorded a slight decrease of approximately HK\$0.2 million, or 0.9% during the Reporting Period, from approximately HK\$21.8 million for the corresponding period in 2023, to approximately HK\$21.6 million.

Impairment Loss on Other Receivables

During the Reporting Period, an impairment loss on other receivables amounted to HK\$56,314 (2023: HK\$15,389).

Change in Fair Value of Investment in TV Programmes

During the Reporting Period, a fair value gain on investment in TV programmes of approximately HK\$2.88 million was recognised (2023: loss of approximately HK\$1.32 million).

According to Mr. Zhang Jian, the director of the TV programme, the estimated timetable of revenue inflow will be delayed about six months.

Finance Costs

During the Reporting Period, the Group's finance costs amounted to approximately HK\$0.50 million which consists of interest charges on lease liabilities of approximately HK\$0.22 million, and interest charges on convertible bonds of approximately HK\$0.28 million (2023: approximately HK\$0.19 million, comprised solely of finance charges on leases liabilities).

Income Tax Credit

No income tax expense or credit was recognised during the Reporting Period (2023: income tax credit of HK\$4,707).

Non-controlling Interests

During the Reporting Period, a loss of HK\$1,153 (2023: HK\$1,078) 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\$0.45 million (2023: approximately HK\$4.34 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, proceeds from issuance of convertible bonds and other borrowings. As at 31 December 2024, the Group had cash and bank balances of approximately HK\$13.8 million (2023: approximately HK\$7.2 million), long-term convertible bonds of approximately HK\$16.5 million (2023: nil) and no other borrowings (2023: approximately HK\$1.0 million).

As at 31 December 2024, the Group had current assets of approximately HK\$30.8 million (2023: approximately HK\$26.5 million) and current liabilities of approximately HK\$19.2 million (2023: approximately HK\$24.7 million). The current ratio, expressed as current assets over current liabilities, was 1.6 (2023: 1.1).

EMPLOYEE INFORMATION AND REMUNERATION POLICY

As at 31 December 2024, the Group employed a total of 136 employees (2023: 126 employees), of which 15 were located in Hong Kong and the rest were located in the PRC and Taiwan. Among them, around 36% of the workforce (including senior management) were female, and around 29% of the Group's senior management positions were held by female. The Company considers there is a balanced gender diversity in its workforce as a whole, and intends to maintain similar level of balance. To support diversity at different level of the Group, the Group is enhancing diversity awareness through employee networks, hiring and recruitment practices, and awareness raising promotions and training for all employees. The ESG report for 2024 sets out more information about the Group's workforce.

Employee cost, including Directors' remuneration, was approximately HK\$22.8 million (2023: approximately HK\$25.8 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 bonus, training scheme, a medical scheme and share options.

SIGNIFICANT INVESTMENTS

Save as disclosed in notes 14 and 16 to the consolidated financial statements, there was no other significant investments for the year ended 31 December 2024.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

Save as disclosed in note 16 to the consolidated financial statements, there was no material acquisitions or disposals of subsidiaries and affiliated companies during the year ended 31 December 2024.

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 2024, there is no charge on assets of the Group (2023: 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 26.3% (2023: 11.3%) as at 31 December 2024.

CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any significant contingent liabilities.

FINAL DIVIDEND

The Directors does not recommend any payment of a final dividend for the year ended 31 December 2024 (2023: 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 2024.

COMPETING INTERESTS

As at 31 December 2024, 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 (if any), and to provide advice and comment thereon to the Board. The audit committee held four meetings to review the interim and annual results during the year ended 31 December 2024 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 2024 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 2024 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 2024 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 2024 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 (including sale of treasury shares (as defined under the GEM Listing Rules)) during the Reporting Period. As at 31 December 2024, the Company did not hold any treasury shares.

EVENT AFTER THE REPORTING PERIOD

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 Friday, 23 May 2025 (Hong Kong time), at Pacific Room IV, 9/F, Towers Wing, Royal Pacific Hotel, 33 Canton Road, Tsim Sha Tsui, Kowloon, 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 Tuesday, 20 May 2025 to Friday, 23 May 2025 (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 Monday, 19 May 2025.

By order of the Board
Lily Wu
Chairman

Hong Kong, 20 March 2025

As at the date of this announcement, the Board comprises four executive Directors, Ms. Lily Wu (Chairman and Chief Executive Officer), Mr. Guo Rongxiang, 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 for at least 7 days from the date of its publication and on the website of the Company at www.phoenitron.com.