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ISP GLOBAL LIMITED

(Incorporated in Cayman Islands with limited liability)

(Stock Code: 8487)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2023

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

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

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

*This announcement, for which the directors (the “**Directors**”) of ISP Global 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.*

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 September 2023

Unaudited first quarterly results

The unaudited condensed consolidated first quarterly results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the three months ended 30 September 2023 (the “**Relevant Period**”), together with the unaudited comparative figures for the corresponding periods in 2022 are as follows:

	<i>Notes</i>	Three months ended	
		2023	2022
		RMB’000	RMB’000
		(Unaudited)	(Unaudited)
Revenue	3	58,905	39,834
Costs of sales/services		<u>(35,154)</u>	<u>(29,985)</u>
Gross profit		23,751	9,849
Other income		36	594
Other gains, net	4	47	482
Provision for allowance for expected credit loss on trade receivables		(1,414)	(435)
Share-based payment expenses		(1,651)	(801)
Selling and administrative expenses		(13,168)	(7,499)
Selling and administrative staff costs		(9,588)	(7,016)
Finance costs	5	<u>(674)</u>	<u>(458)</u>
Loss before income tax	6	(2,661)	(5,284)
Income tax expense	7	<u>(327)</u>	<u>(104)</u>
Loss for the period		<u>(2,988)</u>	<u>(5,388)</u>

		Three months ended	
		30 September	
		2023	2022
<i>Notes</i>		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Other comprehensive income, after tax			
<i>Items that may be reclassified subsequently to profit and loss</i>			
Exchange differences on translation of foreign operations		<u>405</u>	<u>1,406</u>
Total comprehensive loss for the period, net of tax		<u>(2,583)</u>	<u>(3,982)</u>
Loss for the period attributable to:			
Owners of the Company		(1,791)	(5,805)
Non-controlling interest		<u>(1,197)</u>	<u>417</u>
		<u>(2,988)</u>	<u>(5,388)</u>
Total comprehensive loss for the period attributable to:			
Owners of the Company		(1,371)	(4,432)
Non-controlling interest		<u>(1,212)</u>	<u>450</u>
		<u>(2,583)</u>	<u>(3,982)</u>
Loss per share attributable to the owners of the Company			
Basic and diluted (<i>Expressed in RMB cents per share</i>)	<i>8</i>	<u>(0.20)</u>	<u>(0.66)</u>

Details of dividends of the Company are set out in note 9.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 September 2023

	Attributable to owners of the Company									Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Shares held under share award scheme RMB'000	Merger reserve RMB'000	Translation reserves RMB'000	Share Option and share award reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000	
Balance at 1 July 2023 (Audited)	7,665	86,282	(210)	2,572	5,536	7,870	(29,979)	79,736	(2,266)	77,470
Total comprehensive loss for the period:										
Loss for the period	-	-	-	-	-	-	(1,791)	(1,791)	(1,197)	(2,988)
Other comprehensive income for the period	-	-	-	-	420	-	-	420	(15)	405
Transactions with owners, recognised directly in equity										
Recognition of equity-settled share-based payments in relation to share options	-	-	-	-	-	1,650	-	1,650	-	1,650
Lapse of share options	-	-	-	-	-	(138)	138	-	-	-
Balance at 30 September 2023 (Unaudited)	<u>7,665</u>	<u>86,282</u>	<u>(210)</u>	<u>2,572</u>	<u>5,956</u>	<u>9,382</u>	<u>(31,632)</u>	<u>80,015</u>	<u>(3,478)</u>	<u>76,537</u>

For the three months ended 30 September 2022

	Attributable to owners of the Company									Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Translation reserves RMB'000	Share Option Reserve RMB'000	Accumulated losses RMB'000	Sub-total RMB'000	Non-controlling interest RMB'000		
Balance at 1 July 2022 (Audited)	7,455	86,282	2,572	(1,170)	4,337	(3,679)	95,797	(725)	95,072	
Total comprehensive loss for the period:										
Loss for the period	-	-	-	-	-	(5,805)	(5,805)	417	(5,388)	
Other comprehensive income for the period	-	-	-	1,373	-	-	1,373	33	1,406	
Transactions with owners, recognised directly in equity										
Recognition of equity-settled share-based payments	-	-	-	-	807	-	807	-	807	
Lapse of share options	-	-	-	-	(121)	121	-	-	-	
Balance at 30 September 2022 (Unaudited)	<u>7,455</u>	<u>86,282</u>	<u>2,572</u>	<u>203</u>	<u>5,023</u>	<u>(9,363)</u>	<u>92,172</u>	<u>(275)</u>	<u>91,897</u>	

Note: Merger reserve represents the difference between the nominal value of the shares issued by the Company in exchange for the nominal value of the share capital of its subsidiaries arising from the corporate reorganisation undertaken in the preparation for the listing of the shares of the Company (the “Shares”) on GEM of the Stock Exchange.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

ISP Global Limited (the “**Company**”) was incorporated and registered as an exempted company in the Cayman Islands with limited liability on 21 July 2017 and its registered office is Winward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company was registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the “**Companies Ordinance**”) on 8 September 2017. The head office and the principal place of business in Hong Kong registered is Suite 4302, 43/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong. The principal place of business in Singapore is at No. 3 Ang Mo Kio Street 62, #01-39, LINK@AMK, Singapore 569139. The shares of the Company (the “**Shares**”) have been listed on GEM of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with effect from 16 January 2018.

The Company is an investment holding company and the principal activities of its operating subsidiaries are sale of networking, sound and communication systems, provision of integrated services of networking, sound and communication systems in Singapore and the People’s Republic of China (the “**PRC**”), and e-commerce operation in the PRC.

Prior to 1 July 2022, Singapore dollars (“**S\$**”) was regarded as the presentation currencies of the Group. The directors of the Company announced that the presentation currency used in the consolidated financial statements of the Group for the year ended 30 June 2023 was changed to Renminbi (“**RMB**”) from S\$ with effective from 1 July 2022.

The unaudited condensed consolidated financial statements are presented in RMB.

The unaudited condensed consolidated financial statements are approved by the board of directors (the “**Board**”) of the Company on 14 November 2023.

2. BASIS OF PREPARATION AND APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (“**IFRSs**”)

For the purpose of preparing and presenting the unaudited condensed consolidated financial statement for the reporting period, the Group has consistently applied IFRSs that are effective for the financial year beginning on 1 July 2023 throughout the reporting period. At the date of issuance of this announcement, the Group has not applied the following new IFRSs, amendments to IFRSs, amendments to International Accounting Standards (“**IASs**”), and the new interpretations that have been issued but are not yet effective:

New and amendments to IFRSs in issue but not yet effective

The Group has not adopted the early application of the following new and amendments to IFRSs that have been issued but are not yet effective:

Amendments to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments to Interpretation 5 (2021)	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

Management anticipates that the adoption of the above new and amendments to IFRSs in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

3. REVENUE AND SEGMENT INFORMATION

Revenue represents the consideration to which the Group expects to be entitled to from (1) sale of networking, sound and communication systems; (2) provision of integrated services of networking, sound and communication systems, includes installation and customisation of networking, sound and communication systems and technical support services; and (3) e-commerce operation. The Group's operations are mainly derived from Singapore and the PRC during the three months ended 30 September 2023 and 2022.

Information is reported to the executive directors of the Company, being the chief operating decision maker ("CODM") of the Group, for the purposes of resource allocation and performance assessment. The CODM reviews revenue by nature of revenue, i.e. (1) sale of networking, sound and communication systems and related services; (2) sale of consumer products; (3) technical support services in relation to networking systems; and (4) provision of integrated services of sound and communication systems, includes installation and customisation of sound and communication systems in buildings. The Group's operating businesses are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's operating segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other operating segments. The Group currently has two operating segments:

- a) E-commerce operation mainly includes sales of consumer products on e-commerce platforms; and
- b) Sale and provision of integrated services of networking, sound and communication systems, which includes points (1), (3) and (4) as mentioned above.

Segment profit/(loss) represents the profit earned/(loss incurred) by each segment without allocation of certain administration costs, directors' emoluments, other income, other losses, share-based payment expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment revenue and results for the Relevant Period:

	Sale and provision of integrated services of networking, sound and communication systems RMB'000	E-commerce operation RMB'000	Total RMB'000
Gross segment revenue	25,080	33,825	58,905
Inter-segment revenue	—	—	—
Revenue	<u>25,080</u>	<u>33,825</u>	<u>58,905</u>
Timing of revenue recognition			
At a point in time	24,544	33,825	58,369
Over time	536	—	536
	<u>25,080</u>	<u>33,825</u>	<u>58,905</u>
Segment results	<u><u>4,835</u></u>	<u><u>(3,537)</u></u>	1,298
Other income			36
Other gains, net			47
Unallocated depreciation			—
Share-based payment expenses			(1,651)
Unallocated expenses			(1,717)
Finance costs			(674)
Income tax expense			(327)
Loss for the period			<u><u>(2,988)</u></u>
Segment results include:			
Provision for allowance for expected credit loss of trade receivables	(1,108)	(306)	(1,414)
Depreciation	<u>(248)</u>	<u>(524)</u>	<u>(772)</u>

Segment revenue and results for the three months ended 30 September 2022:

	Sale and provision of integrated services of networking, sound and communication systems <i>RMB'000</i>	E-commerce operation <i>RMB'000</i>	Total <i>RMB'000</i>
Gross segment revenue	12,652	27,182	39,834
Inter-segment revenue	<u>–</u>	<u>–</u>	<u>–</u>
Revenue	<u>12,652</u>	<u>27,182</u>	<u>39,834</u>
Timing of revenue recognition			
At a point in time	6,502	27,182	33,684
Over time	<u>6,150</u>	<u>–</u>	<u>6,150</u>
	<u>12,652</u>	<u>27,182</u>	<u>39,834</u>
Segment results	<u>(1,431)</u>	<u>(1,992)</u>	(3,423)
Other income			594
Other gains			482
Unallocated depreciation			(344)
Share-based payment expenses			(801)
Unallocated expenses			(1,334)
Finance costs			(458)
Income tax expense			<u>(104)</u>
Loss for the period			<u>(5,388)</u>
Segment results include:			
Provision for allowance for expected credit loss of trade receivables	(435)	–	(435)
Depreciation	<u>(164)</u>	<u>(725)</u>	<u>(889)</u>

An analysis of the Group's revenue is as follows:

	Three months ended	
	30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>At a point in time:</i>		
Sale of networking, sound and communication systems	24,544	6,502
Sale of consumer products	33,825	27,182
<i>Over time:</i>		
Integrated services of networking, sound and communication systems	<u>536</u>	<u>6,150</u>
	<u>58,905</u>	<u>39,834</u>

Geographical information

Information by geographical location on the Group's revenue from customers and non-current assets, comprising property, plant and equipment, goodwill, right-of-use assets, and pledged bank deposits, are detailed below:

	Three months ended	
	30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Revenue from external customers:</i>		
Singapore	10,705	7,127
PRC	48,144	32,610
Others	<u>56</u>	<u>97</u>
	<u>58,905</u>	<u>39,834</u>
<i>Non-current assets:</i>		
Singapore	23,025	23,270
PRC	7,197	7,613
Others	<u>799</u>	<u>959</u>
	<u>31,021</u>	<u>31,842</u>

4. OTHER GAINS, NET

	Three months ended	
	30 September	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net foreign exchange gains	50	480
Others	(3)	2
	<u>47</u>	<u>482</u>

5. FINANCE COSTS

	Three months ended	
	30 September	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest on lease liabilities	72	122
Interest on bank and other borrowings	602	305
Interest on amount due to a third party	—	31
	<u>674</u>	<u>458</u>

6. LOSS BEFORE INCOME TAX

Loss before income tax has been arrived at after charging:

	Three months ended	
	30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Expense relating to short-term leases	85	79
Depreciation of property, plant and equipment	772	1,233
Directors' remuneration	2,537	2,114
– Share-based payment expenses for director	505	213
<i>Other staff costs</i>		
– Salaries, wages and other benefit	7,219	6,585
– Share based payment expenses for staff	1,117	576
– Defined contribution plans, including retirement benefits	2,374	1,183
– Foreign worker levy and skill development levy	274	243
Total staff costs (inclusive of Directors' remuneration) (<i>Note</i>)	<u>14,026</u>	<u>10,914</u>
Cost of materials recognised as costs of sales/services	32,096	26,807
Subcontractor costs recognised as costs of sales/services	241	69
Share-based payment expenses for external consultant	<u>29</u>	<u>12</u>

Note: For the Relevant Period, staff costs of approximately RMB2,817,000 (three months ended 30 September 2022: approximately RMB3,109,000) are included in costs of sales/services.

7. INCOME TAX EXPENSE

For the Relevant Period, Singapore corporate income tax has been provided at the rate of 17% (three months ended 30 September 2022: 17%) and the PRC enterprise income tax has been provided at the rate of 25% (three months ended 30 September 2022: 25%). A breakdown of the income tax expenses is as follows:

	Three months ended	
	30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<i>Tax expense comprises:</i>		
Current tax		
– Singapore corporate income tax expense	330	67
– PRC enterprise income tax	–	43
Deferred tax utilisation	(3)	(6)
	<u>327</u>	<u>104</u>

8. LOSS PER SHARE FOR THE PERIOD

	Three months ended	
	30 September	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss for the period attributable to owners of the Company	(1,791)	(5,805)
Weighted average number of ordinary shares (<i>Note (a)</i>)	880,000,000	880,000,000
Basic and diluted loss per share (<i>RMB cents per share</i>)	<u>(0.20)</u>	<u>(0.66)</u>

Note:

- (a) The calculation of basic earnings per share is based on the loss for the period attributable to owners of the Company and the weighted average number of ordinary shares in issue.

The computation of diluted loss per share for the period ended 30 September 2023 did not assume the exercise of the Company's outstanding share options since it would result in a decrease in the loss per share (30 September 2022: Same). The computation of diluted loss per share during the period ended 30 September 2023 also did not assume the exercise of the share award because the issuance of shares in relation to the share award scheme has anti-dilutive effect to the basic loss per share. The resulting number of shares issued and held by the trustee during the year is not included in the weighted average number of ordinary shares as the denominator for calculating basic loss per share for the period ended 30 September 2023. Therefore, the amount of diluted loss per share is the same as the amount of basic loss per share during the periods ended 30 September 2023 and 2022.

9. DIVIDENDS

No dividends have been proposed or paid by the Company or any of its subsidiaries during the Relevant Period (three months ended 30 September 2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Development of business and prospects

Our principal businesses are:

- (i) provision of brand e-commerce operation services (digital marketing services, online agency operation services, online retailing and distribution services) in the PRC (the “**EC segment**”); and
- (ii) sale and provision of integrated services of networking, sound and communication systems and alert alarm system services (including the sale of networking, sound and communication systems, provision of integrated services of networking, sound and communication systems and alert alarm system services) to customers in Singapore, Malaysia and the PRC (the “**NSC segment**”).

For the three months ended 30 September 2023, (the “**Relevant Period**”), the Group recorded a net loss of approximately RMB3.0 million as compared to a net loss of approximately RMB5.4 million for the three months ended 30 September 2022. The Directors are of the view that the net loss was primarily caused by the increase in selling and administrative expenses and payroll expenses incurred as part of business expansion and operations in the Group’s NSC segment and EC segment in the PRC for the Relevant Period. This effect of the increase in expenses was offset by the increase gross profit earned from the expansion in business operations the Group’s NSC segment and EC segment during the Relevant Period.

Outlook

Outlook of E-commerce in the People’s Republic of China (the “PRC”)

Overview of China’s Brand E-commerce Service Market

Brand e-commerce operation refers to third-party services provided to brand owners, and mainly includes brand market analysis, marketing and promotion, online store operation, consumer management, customer service and warehousing logistics services.

With professional operating experience, brand e-commerce operation service providers can help brand clients to promote brand culture and improve customer experience, carry out promotional activities through diversified online distribution channels to expand customer base, and constantly optimise marketing strategies based on accurate consumer analysis, so as to ultimately enhance their brand influence.

As a link between brand owners, e-commerce platforms and consumers, brand e-commerce operation service providers create value for all parties in the industry chain. With the increasing importance of online sales channels, operation service providers have gradually built a dynamic and beneficial ecosystem with brand owners and e-commerce platforms.

Brand owners enter e-commerce platforms to explore online sales channels and tap into the traffic resources of e-commerce platforms; aided by the professional operation of e-commerce operation service providers, brand owners fully reach target customers and continuously improve the conversion rate which would in turn ultimately increase sales of products for the brands. Brand operation service providers cater to the needs of the brand owners, obtain authorization, and generate business revenue through operations. E-commerce platforms, while providing traffic platforms for brand owners and operating service providers, benefit from them in turn. In expanding online channels for brand owners, operation service providers also bring premium brands to the platform, thereby enhancing the reputation and traffic of the platform. The gross merchandise volume that operation service providers help brand owners create is also an important support for the platform's transaction volume. Therefore, operation service providers play an indispensable role in promoting the ecological prosperity of the platform.

Prospect of the business of E-commerce Operation of the Company

The business of e-commerce operation is one of the diversified business lines newly developed by the Company since the end of 2020. As at the date of this announcement, the Company has established a complete operation team and achieved a certain scale in its operation. Currently, brands that the Company is operating and has newly added include domestically and internationally renowned brands, such as Philips, ASUS, BISSELL, THERASCIENCE, Guiwei C (果維康), Choi Heong Yuen (咀香園), Padaria da Guia, TCL, VIOMI, Puppy Electronic Appliances, Meiling, Autohome, ECOVACS.

In terms of brand expansion, we will continue to focus on introducing relatively matured and renowned brands at home and abroad in order to ensure a high-speed growth of our operation business in addition to the consolidation of existing cooperative brands.

We will (1) continue to focus on the JD.com platform by strengthening close cooperation with various industry sectors of JD.com; (2) cooperate with Tmall, Taobao and Pinduoduo at the same time; (3) strengthen the operation capacity of social e-commerce operators such as Youzan through the introduction of strategic partners with ample private domain traffic. The cooperation with China Comfort Tourism and Ctrip is proceeding in an orderly manner. The Company will also continue to invest in and strive to create new business growth engines in private domain traffic operations; (4) continue to explore live streaming e-commerce business for offering e-commerce operation services across all channels to brands. During the Relevant Period, the Company has been in the process of cooperating with Philips and ASUS on live broadcast and live commerce; and (5) enhance store operation capabilities and back-end management capabilities through talent acquisition strategies.

Regarding the establishment of operation systems, we will consolidate our teams by enhancing the structure of the front office, middle office and back office, and continuously boost operational capability and efficiency of our teams through talent recruitment and internal training.

We firmly believe that China and the rest of the world will gradually emerge from the pandemic and return to normal. In addition, a solid operating foundation has been established for the e-commerce operation business. We are optimistic that the e-commerce operation business will see rapid growth.

Outlook of sale and provision of integrated services of networking, sound and communications system solutions industry in Singapore and Malaysia

As a developed country with an aging population, Singapore continues to face the challenges of higher impact of chronic disease and of increasing medical infrastructure utility rates. Being one of the countries which spends most annually in healthcare on a per capita basis amongst member countries in the Association of South East Asian Nation, the Singapore's Ministry of Health expects Singapore's national health expenditure to increase to S\$43 billion in 2030. Therefore, we continue to monitor the public and private healthcare infrastructure plans in existing markets and participate in requests for proposal in both private and public tenders.

We continue to look for opportunities to work together with potential and existing customers to expand our sales pipeline through the introduction of cloud-based network solutions to enhance both wired and wireless communication systems within healthcare institutions. During the Year, we expanded our product offerings to include medical beds and continue to explore potential integrations within our strong business network in Singapore.

We stand ready and are committed to serving our clients in the education, private healthcare and public housing sectors. Through iterative and constructive feedback from our stakeholders, we continue to create value for our clients through constant innovation and integration with existing or new systems to formulate the relevant solution to address the end-users' needs.

The Malaysian Hospital Market, valued at US\$6.8 billion in the year 2021, is anticipated to grow at a compound annual growth rate of 7.0% during the forecast period of 2023 to 2027. In potential growth markets such as Malaysia, we expect the rapid growth to require significant investments from both the public and private sectors, therefore, we continue to work closely with our strategic business partners in both East and West Malaysia to promote our customised solutions to our clients serving the public and private healthcare sector.

Although the global electronics downturn is likely to be protracted and costly to our operations, we continue to optimise utilisation of existing resources to continue capital efficient growth in our existing markets. In line with increased cost competitiveness in the Network, Sound and Communication Systems and Solutions industry in Singapore and Malaysia, the Group will focus our resources on projects which will benefit the most to our stakeholders. We expect to retain our competitive edge in the Singapore market in the public and private healthcare sector and continue to grow our presence in other high growth markets such as Malaysia private healthcare sector.

In the face of general challenges such as looming recession risks and higher interest rates, we believe that with our healthy level of project and maintenance pipeline, we are poised to continue to create and share value amongst the stakeholders in our industry chain, through building mutually beneficial relationships.

Outlook of sale and provision of integrated services of networking, sound and communication systems in the PRC

The Chinese government sets “Accelerating Digitalization and Building Digital China” as a separate chapter in the 14th five-year plan, proposing to “transform the pattern of production, lifestyle, and governance models through digital transformation”. Digital economy and digital transformation will become important strategies and development drivers for China in the coming years.

In February 2023, the Chinese government promulgated the “Plan for the Overall Layout of Building a Digital China”, which pointed out that building a digital China is an important engine for promoting Chinese-style modernization in the digital age. The plan stipulates that the construction of digital China will be carried out in accordance with the “2522” overall framework. The promulgation of this plan by the Chinese government will surely lead to the development of China’s digital economy.

It is anticipated that the Chinese government will speed up the construction of digital infrastructure represented by data centers and intelligent computing centers. According to China’s Digital Transformation Market Forecast, 2021-2026: Practicing a Digital Priority Strategy through Application Scenarios, a study report published by IDC in June 2022, it is forecasted that the Chinese government’s total investment in digital economy during the 14th Five-Year Plan period will reach RMB15-20 trillion, with the government and large and medium state-owned enterprises accounting for 70% of digital transformation spending.

In view of China's national strategic planning and the instrumental role of "data centers and computing centers" and other digital infrastructure, the provision of IT system integration services, IT technical services and operation and maintenance services for large and medium state-owned enterprises revolving around "data centers" will be a market with great potential and size.

During the Relevant Period, we obtained various projects of networking system integration and services in the railway industry, which has become a key driver of the Group's business. As railway has become an important industry in respect of China's infrastructure construction, railway construction is also an industry where the Group endeavours to deepen and expand the business of networking system integration.

Financial review

Revenue

Our revenue increased to approximately RMB58.9 million for the Relevant Period by approximately RMB19.1 million or 47.9%, from approximately RMB39.8 million for the three months ended 30 September 2022. This was principally due to the increased revenue contribution from the completion of certain high value contracts in NSC segment for the Relevant Period.

Costs of sales/services

Our costs of sales/services increased to approximately RMB35.2 million for the Relevant Period by approximately RMB5.2 million or 17.2%, from approximately RMB30.0 million for the three months ended 30 September 2022. The increase in costs was substantially due to the increases in materials delivered to customers in the PRC which were in line with the increase in revenues from both NSC segment and EC segment in the PRC during the Relevant Period.

Gross profit

Our gross profit increased to approximately RMB23.8 million for the Relevant Period by approximately RMB14.0 million or 2.4 times, from approximately RMB9.8 million for the three months ended 30 September 2022. However, the Group's gross profit margin increased from 24.7% for the three months ended 30 September 2022 to 40.3% for the Relevant Period. The increase in gross profit was largely due to volume sales in the EC segment. The increase in gross profit margin was mainly due to the achieving lower material prices with vendors in our EC Segment during the Relevant Period.

Other gains, net

Net other gains decreased by approximately RMB0.5 million or 90.2% from other gains of approximately RMB0.5 million for the period ended 30 September 2022 to other gains of approximately RMB47,000 for the Relevant Period. The decrease was mainly attributable to reduction of foreign exchange gain on the operations in Singapore of the period ended 30 September 2023.

Selling and administrative expenses

The selling and administrative expenses increased by approximately RMB5.7 million or 75.6% from approximately RMB7.5 million for the period ended 30 September 2022 to approximately RMB13.2 million for the Relevant Period. The significant increase was mainly due to the increase of approximately RMB3.6 million in administrative costs related to the expansion and growth of the operations of the Group's EC segment in the PRC.

Selling and administrative staff costs

Payroll expenses increased by approximately RMB2.6 million or 36.7%, from approximately RMB7.0 million for the period ended 30 September 2022, to approximately RMB9.6 million for the Relevant Period. The increase was mainly attributed to administrative expenses incurred to expand our EC Segment in the PRC, including but not limited to: (i) increased of payroll headcount related to operation expansion and growth in the Group's EC segment in the PRC contributing an increase of approximately RMB1.8 million; and (ii) increased in payroll costs of approximately RMB0.8 million related to Group's NSC segment due to the hiring of sales personnel.

Finance costs

Our finance costs increased to approximately RMB674 thousand for the Relevant Period, by approximately RMB216 thousand or 47.2%, from approximately RMB458 thousand for the three months ended 30 September 2022. The increase was mainly due to the increase in borrowings to fund the expansion of CP segment and NSC segment in the PRC during the Relevant Period.

Income tax expense

Our income tax expense increased to approximately RMB327 thousand for the Relevant Period, by approximately RMB223 thousand or 2.1 times, from approximately RMB104 thousand for the three months ended 30 September 2022. The increase was primarily due to an increase in taxable profits in the Group's NSC Segment in Singapore for the Relevant Period.

Loss and other comprehensive loss for the period attributable to the owners of the Company

For the Relevant Period, the Group recorded a net loss for the period attributable to owners of the Company of approximately RMB1.7 million as compared to a net loss for the period attributable to owners of the Company of approximately RMB5.8 million for the three months ended 30 September 2022. The decrease in loss was mainly attributable to the increase of gross profit earned from the expansion in business operations of the Group's NSC segment and EC segment for the Relevant Period.

Dividends

The Board does not recommend the payment of dividend for the Relevant Period (three months ended 30 September 2022: nil).

Use of proceeds from the listing of shares of the Company and comparison of business objectives with actual business progress

Up to 30 September 2023, the net proceeds raised from the listing of shares of the Company were utilised in accordance with the designated uses set out in the prospectus issued by the Company on 29 December 2017 (the “**Prospectus**”), the supplemental announcement issued on 31 July 2020 (the “**Supplemental Announcement**”), and the announcement in relation to further change in use of net proceeds issued on 6 September 2023 as follows:

Description	Amount	Net movement	Revised	Actual use	Unutilised	% utilised	Expected date
	designated in	designated	allocation of	of proceeds	amount	as at	to fully utilise
	the	in the	the total net	as at	as at	as at	the unutilised
	prospectus	announcement	proceeds	30 September	30 September	30 September	amount
	dated	dated	as at	2023	2023	2023	amount
	6 September	6 September	30 September	2023	2023	2023	amount
	2023	2023	2023	2023	2023	2023	amount
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	%	amount
		(Note)					
Strengthen our marketing efforts in the sound and communication industry in Singapore	1.4	1.5	2.9	1.2	1.7	41.4%	30 June 2026
Expand and train our sales and marketing, technical and support workforce	11.6	9.0	20.6	11.9	8.7	57.8%	30 June 2026
Purchase transportation vehicles	3.0	Nil	3.0	1.0	2.0	33.3%	30 June 2026
Setting up of a new sales office in Singapore	10.0	(8.0)	2.0	0.2	1.8	10.0%	30 June 2026
Partial repayment of bank loan	10.0	Nil	10.0	10.0	Nil	100.0%	N/A
Resources for the provision of performance bonds	2.0	Nil	2.0	1.8	0.2	90.0%	30 June 2024
Take steps to obtain higher grade level under our current mechanical and electrical workhead	2.5	(2.5)	Nil	Nil	Nil	0.0%	N/A
General working capital and general corporate purposes	3.5	Nil	3.5	3.5	Nil	100.0%	N/A
Grand total	44.0	Nil	44.0	29.6	14.4	67.3%	

Note:

Net movement amount is calculated as the revised use of remaining balance of the unutilized net proceeds minus the unutilized amount of net proceeds as stated in the announcement dated 6 September 2023.

The following table sets forth the designated and actual implementation plan up to 30 September 2023:

Purpose	Implementation Plan	Actual implementation activities
Strengthen our marketing efforts in the sound and communication industry in Singapore	<ul style="list-style-type: none"> • Implement corporate branding and identity for our sound and communication services solution operations in Singapore which includes printing of marketing materials and advertisement • Maintain and improve our corporate websites by the external consultant for customised website development • Participate in industry trade show(s) 	<ul style="list-style-type: none"> • Maintained and improved our corporate websites, by using in-house resources to develop and maintain the Group’s website instead of engaging external website designers • Considered the current project tender • Sought more opportunities to conduct new trade shows to further reach out to potential customers in healthcare industry in Singapore
Expand and train our sales and marketing, technical and support workforce	<ul style="list-style-type: none"> • Staff cost for retaining the approximately one project manager, two engineers and 10 technicians to be recruited by February 2018, and the associated staff accommodation costs • Staff cost for retaining the approximately one sales manager, two sales and marketing executives and 10 technicians to be recruited by July 2018, and taking into account potential increase in wage level, and the associated staff accommodation costs • To provide internal and external trainings and workshops to our sales and technical staff 	<ul style="list-style-type: none"> • New headcount of 8 engineers and 25 technicians were recruited as at 30 September 2023 • New headcount of 2 sales and marketing executives, 1 marketing manager and 1 sales manager were recruited as at 30 September 2023 • Provided internal and external trainings and workshops to our technical staff • In the process to seek suitable candidates to the remaining positions
Purchase transportation vehicles	<ul style="list-style-type: none"> • Purchase of three van for maintenance operations and, transportation of relevant equipment and/or labour • Purchase of two lorries for delivery and transportation of larger equipment and/or labour 	<ul style="list-style-type: none"> • Purchased of two vans for maintenance operations and, transportation of relevant equipment and/or labour • Considered and monitored Group’s current project portfolio but postponed the purchase of two vans due to current different project requirements

Purpose	Implementation Plan	Actual implementation activities
Setting up a new sales office in Singapore	<ul style="list-style-type: none"> Purchase of one new property to be used by our sales and contract department and act as a demonstration facility for our sound and communication systems 	<ul style="list-style-type: none"> Considered and monitored the Group’s project tenders and plan was postponed due to current observed industry customers’ requirements and the property prices in Singapore were surged up higher than expected which the Group requires additional time to identify the suitable premises in order to meet the Group’s financial budget The Group revised the use of net proceeds for renovation of new sales office space
Partial repayment of bank loan	<ul style="list-style-type: none"> Partial repayment for the bank loan in relation to the mortgage loan secured for the purchase of our head office in Singapore 	<ul style="list-style-type: none"> The mortgage loan was partially repaid on 11 July 2018
Expansion of our sound and communication services solution business	<ul style="list-style-type: none"> To explore, evaluate and tender for potential integrated services of sound and communication systems projects in Singapore, particularly larger scale projects which may be required for the provision of performance bonds 	<ul style="list-style-type: none"> Postponed due to performance bond not required in recent awarded tenders to the Group In the process of exploring large scale potential projects which requires the provision of performance bonds
Take steps to obtain higher grade level under our current mechanical and electrical workhead	<ul style="list-style-type: none"> Satisfy the minimum financial requirements for “L6” grade under our current mechanical and electrical workhead 	<ul style="list-style-type: none"> Considered and monitored the Group’s project portfolio and considered adverse impacts on Singapore economy, the unutilized amount were reallocated to other categories

The net proceeds raised from the listing of the shares of the Company on GEM of the Stock Exchange, after deducting the related expenses, were approximately HK\$44.0 million.

The unutilised balance of net proceeds of each designated uses set out above is expected to be fully utilised by 30 June 2024 and 30 June 2026. Please refer to the announcements of the Company dated 31 July 2020 and 6 September 2023 for the details of the delay in the use of the net proceeds and change in the use of proceeds, respectively.

The expected timeline for fully utilise the unutilised proceeds disclosed above is based on the best estimation from the Board with latest information as at the date of this announcement. The Board confirms that the Group continues to be invited for tender and be awarded projects from its customers during the relevant periods and therefore considers that the delay in use of proceeds and business expansion does not have any material adverse impacts on the operation of the Group. The Board will continue closely monitoring the situation and evaluate the impacts on the timeline to utilise the unutilised proceeds and will keep shareholders and potential investors informed if there are any material changes.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS

As at 30 September 2023, the interests and short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he/she is taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long position in ordinary shares of the Company

Name of Directors	Capacity/Nature of interest	Number of Shares held/ interested	Approximate percentage of shareholding in the Company
			as at 30 September 2023
Mr. Cao Chunmeng	Beneficial owner	108,168,000	11.97%
Mr. Qiu Yingming	Beneficial owner	40,000,000	4.42%
Mr. Yuan Shuangshun (<i>Note</i>)	Beneficial owner/Interest of spouse	4,510,000	0.50%
Mr. Han Bing	Beneficial owner	1,000,000	0.11%

Note: Ms. Zeng Xiu Hua, the spouse of Mr. Yuan Shuangshun, holds 844,000 ordinary shares of the Company. By virtue of the SFO, Mr. Yuan Shuangshun is deemed to be interested in the 844,000 ordinary shares.

Long position in the underlying shares or equity derivatives of the Company

Name of Directors	Capacity/ Nature of interest	Share options	Approximate	Approximate
			percentage of shareholding in the Company as at 30 September 2023	percentage of shareholding in the Company assuming all the share options granted under Share Option Scheme were exercised as at 30 September 2023
Mr. Yuan Shuangshun	Beneficial owner	8,000,000	0.88%	0.83%
Mr. Han Bing	Beneficial owner	8,000,000	0.88%	0.83%
Mr. Yan Xiaotian	Beneficial owner	800,000	0.09%	0.08%
Mr. Tang Chi Wai	Beneficial owner	800,000	0.09%	0.08%

Save as disclosed above, as at 30 September 2023, none of the Directors and chief executive of the Company had an interest or short position in the Shares, underlying shares and debentures of the Company or any of its associated corporations that was notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or was recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 September 2023, so far as is known to the Directors, the following persons (other than Directors or chief executive of the Company) had or were deemed or taken to have interests and short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO was as follows:

Long position in ordinary shares of the Company

Name	Capacity/Nature of interest	Number of Shares held/interested	Approximate percentage of shareholding in the Company as at 30 September 2023
Lux Aeterna Global Fund SPC	Beneficial owner	65,300,000	7.22%

Save as disclosed above, as at 30 September 2023, so far as is known to the Directors or chief executive of the Company, no other persons, other than the Directors and chief executive of the Company whose interests are set out in the section “**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATIONS**” above, had any interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CAPITAL STRUCTURE

There has been no further change in the capital structure of the Group during the three months ended 30 September 2023.

As at 30 September 2023, the Company's issued capital was 904,000,000 shares of HK\$0.01 each. As at the date of this announcement, the Company's issued capital was 1,046,628,000 shares of HK\$0.01 each.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct for securities transactions by the Directors in respect of the Shares. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by the Directors during the Relevant Period and up to the date of this announcement.

NO CHANGE IN INFORMATION OF DIRECTORS

There was no change in the information of Directors required to be disclosed pursuant to Rule 17.50A(1) of the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the best knowledge of the Directors, the Directors confirmed that the Company has maintained a sufficient amount of public float for its Shares as required under the GEM Listing Rules during the Relevant Period.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the Controlling Shareholders or substantial shareholders of the Company or any of their respective close associates (as defined in the GEM Listing Rules) has engaged in any business or interest that competes or may compete, either directly or indirectly, with the businesses of the Group, or has any other conflict of interests with the Group as required to be disclosed pursuant to Rule 11.04 of the GEM Listing Rules during the Relevant Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The Board confirms that during the Relevant Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “Share Option Scheme”) on 14 December 2017 for the purpose of providing incentive to eligible participants (including Directors) who contributed to the success of the Group. As at 30 September 2023, options to subscribe for an aggregate of 56,500,000 shares of the Company granted to Directors, certain employees and external consultant pursuant to the Share Option Scheme remained outstanding, details of which were as follows:

Name and category of participants	Date of grant	Exercise price per option	Exercise period	Vesting period	At 1 July 2023	Granted during the period	Lapsed/ forfeited during the period	At 30 September 2023
Directors								
Mr. Yuan Shuangshun	31.12.2021	HK\$0.5	31.12.2021 to 30.12.2026	N/A	2,400,000	–	–	2,400,000
	31.12.2021	HK\$0.5	31.12.2022 to 30.12.2026	1st anniversary of the date of grant	2,400,000	–	–	2,400,000
	31.12.2021	HK\$0.5	31.12.2023 to 30.12.2026	2nd anniversary of the date of grant	3,200,000	–	–	3,200,000
Sub-total					<u>8,000,000</u>	<u>–</u>	<u>–</u>	<u>8,000,000</u>
Mr. Han Bing	31.12.2021	HK\$0.5	31.12.2021 to 30.12.2026	N/A	2,400,000	–	–	2,400,000
	31.12.2021	HK\$0.5	31.12.2022 to 30.12.2026	1st anniversary of the date of grant	2,400,000	–	–	2,400,000
	31.12.2021	HK\$0.5	31.12.2023 to 30.12.2026	2nd anniversary of the date of grant	3,200,000	–	–	3,200,000
Sub-total					<u>8,000,000</u>	<u>–</u>	<u>–</u>	<u>8,000,000</u>

Name and category of participants	Date of grant	Exercise price per option	Exercise period	Vesting period	At	Granted	Lapsed/ forfeited	At 30
					1 July 2023	during the period	during the period	September 2023
Mr. Yan Xiaotian	31.12.2021	HK\$0.5	31.12.2021 to 30.12.2026	N/A	240,000	-	-	240,000
	31.12.2021	HK\$0.5	31.12.2022 to 30.12.2026	1st anniversary of the date of grant	240,000	-	-	240,000
	31.12.2021	HK\$0.5	31.12.2023 to 30.12.2026	2nd anniversary of the date of grant	320,000	-	-	320,000
Sub-total					<u>800,000</u>	<u>-</u>	<u>-</u>	<u>800,000</u>
Mr. Tang Chi Wai	31.12.2021	HK\$0.5	31.12.2021 to 30.12.2026	N/A	240,000	-	-	240,000
	31.12.2021	HK\$0.5	31.12.2022 to 30.12.2026	1st anniversary of the date of grant	240,000	-	-	240,000
	31.12.2021	HK\$0.5	31.12.2023 to 30.12.2026	2nd anniversary of the date of grant	320,000	-	-	320,000
Sub-total					<u>800,000</u>	<u>-</u>	<u>-</u>	<u>800,000</u>
Employees – In aggregate	31.12.2021	HK\$0.5	31.12.2021 to 30.12.2026	N/A	11,670,000	-	(300,000)	11,370,000
	31.12.2021	HK\$0.5	31.12.2022 to 30.12.2026	1st anniversary of the date of grant	11,670,000	-	(300,000)	11,370,000
	31.12.2021	HK\$0.5	31.12.2023 to 30.12.2026	2nd anniversary of the date of grant	15,560,000	-	(400,000)	15,160,000
Sub-total					<u>38,900,000</u>	<u>-</u>	<u>(1,000,000)</u>	<u>37,900,000</u>
External consultant Mr. Liuqingwang	31.12.2021	HK\$0.5	31.12.2021 to 30.12.2026	N/A	300,000	-	-	300,000
	31.12.2021	HK\$0.5	31.12.2022 to 30.12.2026	1st anniversary of the date of grant	300,000	-	-	300,000
	31.12.2021	HK\$0.5	31.12.2023 to 30.12.2026	2nd anniversary of the date of grant	400,000	-	-	400,000
Sub-total					<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>1,000,000</u>
Total					<u>57,500,000</u>	<u>-</u>	<u>(1,000,000)</u>	<u>56,500,000</u>

Share options were lapsed due to employee resignations. As of the date of this announcement, no share options were exercised.

For further details of the grant of share options to Mr. Liuqingwang, external consultant of the Company, please refer to the Company's announcement dated 14 December 2022.

Particulars of the Share Option Scheme are set out below:

Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide incentives or rewards to eligible persons for their contribution to the Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any entity in which the Group holds any equity interest.

Total number of shares available for issue under the Share Option Scheme

Under the Share Option Scheme, the total number of Shares which may be allotted and issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option scheme of the Company must not in aggregate exceed 10% of the total number of Shares in issue on the 16 January 2018, being 80,000,000 Share (the “**Scheme Limit**”). Subject to the issue of a circular by the Company and the approval of the Shareholders in general meeting and/or such other requirements prescribed under the GEM Listing Rules from time to time, the Board may renew this limit at any time to 10% of the Shares in issue (the “**New Scheme Limit**”) as at the date of the approval by the Shareholders in that general meeting.

Maximum entitlement of each participant under the Share Option Scheme

The maximum entitlement of each participant under the Share Option Scheme in any 12-month period up to and including the date of grant of the options must not exceed 1% of the total number of Shares in issue.

Period within which the shares must be taken up under an option

The period during which an option may be exercised is determined by the Board at its discretion, save that such period shall not be longer than 10 years from the date of grant.

Minimum period for which an option must be held before it can be exercised

The minimum period will be determined by the Board upon the grant of an option.

Amount payable on acceptance of an option and the period within which payments shall be made

A consideration of HK\$1 (approximately RMB0.93) is payable on acceptance of the offer of grant of an option where the grantee should accept or decline the offer of grant of an option within the date as specified in the offer letter issued by the Company, being a date no later than 21 business days from the date upon which it is made.

Basis of determining the exercise price

The exercise price of a share in respect of any particular option granted under the Share Option Scheme shall be a price determined by the Board in its absolute discretion and notified to an eligible person, and shall be at least the higher of: (1) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, (2) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five consecutive business days immediately preceding the date of grant, and (3) the nominal value of the share on the date of grant.

Remaining life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years from the Adoption Date until 13 December 2027.

Details of share options granted under the Share Option Scheme are as follows:

	Share options granted on 31 December 2021
Number of ordinary shares issued upon exercise:	
– Directors	18,400,000
– Employees	45,900,000
– External consultant	<u>1,000,000</u>
	<u><u>65,300,000</u></u>

For the share options granted on 31 December 2021, 19,590,000 share options are exercisable immediately on the date of grant (i.e. 31 December 2021) (the “**first tranche**”); 19,590,000 share options are exercisable on the 1st anniversary of the date of grant (i.e. 31 December 2022) (the “**second tranche**”); 26,120,000 share options are exercisable on the 2nd anniversary of the date of grant (i.e. 31 December 2023) (the “**third tranche**”).

In the event the grantee ceases to be the participants, the share options granted to the grantee shall lapse on the date which the grantee ceases to be the participant.

The Group does not have a legal or constructive obligation to repurchase or settle the options in cash.

Details in the exercise prices and the movement of number of share options outstanding and exercisable are as follows:

Grant date	Exercise price per share option <i>HK\$</i>	As at 1 July 2023	Granted during the Relevant Period	Lapsed/ forfeited during the Relevant Period	As at 30 September 2023
31 December 2021					
– Directors	0.5	17,600,000	–	–	17,600,000
– Employees	0.5	38,900,000	–	(1,000,000)	37,900,000
– External consultant	0.5	1,000,000	–	–	1,000,000
		<u>57,500,000</u>	<u>–</u>	<u>(1,000,000)</u>	<u>56,500,000</u>

Grant date	Exercise price per share option <i>HK\$</i>	As at 1 July 2022	Granted during the year	Lapsed/ forfeited during the year	As at 30 June 2023
31 December 2021					
– Directors	0.5	18,400,000	–	(800,000)	17,600,000
– Employees	0.5	44,700,000	–	(5,800,000)	38,900,000
– External consultant	0.5	1,000,000	–	–	1,000,000
		<u>64,100,000</u>	<u>–</u>	<u>(6,600,000)</u>	<u>57,500,000</u>

At 30 September 2023, the weighted average remaining contractual life of these outstanding share options was approximately 3.4 years (30 June 2023: 3.5 years), with a weighted average exercise price of HK\$0.50 (30 June 2023: HK\$0.50) per share option. At 30 September 2023, the number of exercisable share options was 33,900,000 (30 June 2023: 34,500,000). The weighted average share price per share from the date of the share options granted to 30 September 2023 was HK\$0.24.

1,000,000 share options were lapsed due to the termination of employment during the period ended 30 September 2023. As a result, share options reserve of approximately RMB138,000 was reclassified to be accumulated losses thereafter.

As at the date of this announcement, no share options were exercised.

Exercisable at the end of the Period

During the Relevant Period, no share option were granted.

The fair values of employee services received in return for share options granted are measured by reference to the fair value of share options granted.

An external consultant was engaged to provide legal advice on the business operations of the Group in the PRC as detailed in the Company's supplemental announcement dated 14 December 2022. In the opinion of the directors of the Company, the fair value of services cannot be measured reliably and the Group should measure the services rendered by the external consultant by reference to the fair value of share options granted.

For the fair value of services measured indirectly by reference to the fair value of the share options granted, the fair value is determined by the directors of the Company with reference to the valuation performed by an independent valuer, Ravia Global Appraisal Advisory Limited using the Binomial Option Pricing Model and significant inputs into the model were as follows:

	Share options granted on 31 December 2021
Expected volatility	100.38%
Expected option life	5 years
Expected dividend yield	0.00%
Annual risk-free interest rate	1.11%
Fair value	HK\$10,300,000
Fair value – first tranche	HK\$0.1382
– second tranche	HK\$0.1550
– third tranche	HK\$0.1740

The expected volatility reflects the assumption that the historical volatility of future trends, adjusted for any expected changes to future volatility based on publicly available information, which may also not necessarily be the actual outcome. No other feature of the options was incorporated into the measurement of the fair value.

The variables and assumptions used in estimating the fair value of the share options were the directors' best estimates. Change in subjective input assumptions can materially affect the fair value.

During the Relevant Period, share-based payment expense of approximately RMB1,651,000 (for the period ended 30 September 2022: approximately RMB801,000) for the share option scheme was recognised in the unaudited condensed consolidated profit or loss with a corresponding credit in share-based payment reserve.

None of the share options (30 June 2023: nil) were exercised during Relevant Period. At the time when the share options are subsequently exercised, the amount previously recognised in share-based payment reserve will be transferred to share capital and share premium.

SHARE AWARD SCHEME

On 18 February 2021, the Company adopted the Share Award Scheme to recognise the contributions by certain eligible persons and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group. The details are set out in the announcements of the Company dated 18 February 2021 and 9 March 2021. According to the Share Award Scheme, the awarded Shares will be satisfied by way of (i) allotment and issue of new Shares to the trustee at the subscription price under general mandate or specific mandate (as the case may be); or (ii) acquisition of existing Shares through on-market transactions by the trustee and will be held on trust until they are vested. The maximum number of all awarded Shares granted under the Share Award Scheme shall not exceed 1% of the total issued share capital of the Company from time to time.

On 18 April 2023, the Company has allotted and issued of 24,000,000 shares (the “**Awarded Shares**”) to a trustee as fully paid at nominal value under the general mandate pursuant to the share award scheme (the “**Share Award Scheme**”). The Awarded Shares represented approximately 2.65% of the enlarged issued share capital of the Company as at 30 September 2023. On the issuance date, the trustee held such Awarded Shares on trust for the 16 selected participants and will transfer the respective proportions to each of them at nil consideration upon vesting and settlement of their respective Awarded Shares. Accordingly, no fund was raised from the allotment and issue of the Awarded Shares. The details of grant of Awarded Shares are set out in the announcement of the Company dated 29 March 2023.

During the Relevant Period, no awarded Shares had been purchased under the Share Award Scheme.

Movement of the awarded Shares, which were granted under the Share Award Scheme, for the Relevant Period are listed below in accordance with Rule 23.07 of the GEM Listing Rules:

Category	Date of grant	Number of awarded Shares			Closing price per Share HK\$ (Note a)	Purchase Price HK\$	Vesting Period (Note b)
		Unvested as at 01/07/2023	Granted during the period	Unvested as at 30/09/2023			
16 continuous contract employees of the Group	29/03/2023	24,000,000	–	24,000,000	0.255	N/A	12 months from the date of grant

Notes:

- a. This represented the closing price of the Shares immediately before the date on which the awarded Shares were granted.
- b. The vesting period of the awarded Shares is from the date of grant until the date of vesting.
- c. During the Relevant Period, no awarded Shares was transferred from/to other category, cancelled or lapsed under the Share Award Scheme.
- d. There are no participants with awarded Shares granted in excess of the individual limit and no grants to suppliers of goods and services. There is no performance target attached to the awards granted. The above employees with awarded Shares are not Directors or senior managers (as defined in the GEM Listing Rules).

SUMMARY OF THE SHARE AWARD SCHEME

Details	Share Award Scheme
1. Purpose	To recognise the contributions by certain eligible persons and to provide them with incentives in order to retain them for the continual operation and development of the Group, and to attract suitable personnel for further development of the Group.
2. Eligible Persons	Any individual, being an employee, director, officer, consultant or advisor of any member of the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group unless otherwise necessary or expedient to be excluded.
3. Maximum number of Shares	<p>On 18 April 2023, 24,000,000 awarded Shares were granted under the Share Award Scheme. Since the date of adoption and up to 30 September 2023, a total of 24,000,000 awarded Shares have been granted under the Share Award Scheme (representing approximately 2.65% of the issued share capital of the Company as at 30 September 2023), of which 24,000,000 remain unvested. The maximum number of the Shares which can be awarded under the Share Award Scheme is 10% of the total number of Shares in issue from time to time.</p> <p>As at 30 September 2023, the total number of shares available for issue under the Share Award Scheme was 64,000,000 Shares (representing approximately 7.08% of total number of issued shares of the Company as at 30 September 2023).</p> <p>The number of new shares available for grant under the Share Award Scheme was 64,000,000 Shares as at 1 July 2023 and 30 September 2023.</p>
4. Maximum entitlement of each participant	1% of the issued share capital of the Company from time to time.

Details

Share Award Scheme

- | | |
|----------------------------------|---|
| 5. Vesting period | The Board may, from time to time while the Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the award to be vested. The Board may in its absolute discretion decide whether any award shall lapse or shall be subject to such conditions or limitations as the Board may decide. |
| 6. Acceptance of offer | N/A |
| 7. Exercise price/Purchase price | N/A |
| 8. Remaining life of the scheme | It shall be valid and effective for the award period, which commences on the adoption date, namely 18 February 2021, and ends on (i) the business day immediately prior to the 10th anniversary of the adoption date, i.e. 17 February 2031. As at the date of this announcement, the remaining life of the Share award Scheme was about 7 years and 3 months; and (ii) such date of early termination as determined by the Board by a resolution of the Board provided that such termination does not affect any subsisting rights of any selected Eligible Persons specified under paragraph 2 above. |

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to achieving a high standard of corporate governance practices in enhancing the confidence of shareholders, investors, employees, creditors and business partners and also the growth of its business. The Board has and will continue to review and improve the Company's corporate governance practices from time to time in order to increase its transparency and accountability to shareholders. The Company has adopted the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 15 of the GEM Listing Rules as its own corporate governance code since the shares of the Company were listed on GEM of Stock Exchange on 16 January 2018. The Company has, so far as applicable, principally complied with the CG Code throughout the Relevant Period.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES

During the three months ended 30 September 2023, the Group did not have any material acquisitions or disposals of subsidiaries and associates.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 September 2023 (30 June 2023: nil).

COMMITMENTS

As at 30 September 2023, the Group did not have any capital commitments (30 June 2023: nil).

CAPITAL EXPENDITURE

Total capital expenditure for the Relevant Period was approximately RMB53,000 which was used to purchase property, plant and equipment.

TREASURY POLICY

The Group has adopted a conservative approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Relevant Period. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

EVENTS AFTER REPORTING PERIOD

As at 31 October 2023, the Company issued and allotted 142,628,000 new shares, representing approximately 13.63% of the issued share capital of the Company as at the date of announcement, under general mandate upon completion of the placing. As a result, the total number of issued shares is 1,046,628,000. For details, please refer to the Company's announcements dated 6 October 2023 and 31 October 2023.

Other than as disclosed above, there were no other significant events from the end of the reporting period to the date of this announcement.

AUDIT COMMITTEE

The Company established an audit committee with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules on 14 December 2017 (the “**Audit Committee**”). The primary duties of the Audit Committee include, among others, (a) making recommendations to our Board on the appointment, re-appointment, and removal of the external auditor and approving the remuneration and terms of engagement of the external auditor; (b) reviewing our financial statements, our annual report and accounts, our half-year report, and quarterly report and significant financial reporting judgements contained therein; and (c) reviewing our financial controls, internal control and risk management systems. As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Tang Chi Wai, Mr. Yan Xiaotian and Mr. Zheng Xiaorong. Mr. Tang Chi Wai is the chairman of the Audit Committee.

The unaudited first quarterly results of the Company for the Relevant Period have not been audited by the Company’s independent auditors, but have been reviewed by the Audit Committee which is of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure have been made in respect thereof.

By order of the Board
ISP Global Limited
Cao Chunmeng
Chairman and executive Director

Hong Kong, 14 November 2023

As at the date of this announcement, the executive Directors are Mr. Cao Chunmeng, Mr. Han Bing, Mr. Yuan Shuangshun, Mr. Mong Kean Yeow and Ms. Choon Shew Lang; the non-executive Director is Mr. Qiu Yingming and the independent non-executive Directors are Mr. Zheng Xiaorong, Mr. Tang Chi Wai, and Mr. Yan Xiaotian.

This announcement will remain on the “Latest Listed Company Announcements” page of the Stock Exchange website at <http://www.hkexnews.hk> for at least seven days from the date of its posting. This announcement will also be published on the Company’s website at www.ispg.hk.