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## **HKC INTERNATIONAL HOLDINGS LIMITED**

**香港通訊國際控股有限公司\***

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

(Stock code: 248)

### **ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2023**

The board of directors (the “Board”) of HKC International Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September, 2023 as follows:

#### **CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2023**

|   |              | <b>Six months ended</b> |                    |
|---|--------------|-------------------------|--------------------|
|   |              | <b>30 September,</b>    |                    |
|   |              | <b>2023</b>             | <b>2022</b>        |
|   | <i>Notes</i> | <b>HK\$’000</b>         | <b>HK\$’000</b>    |
|   |              | <b>(unaudited)</b>      | <b>(unaudited)</b> |
| <b>Revenue</b>  | 3            | <b>101,526</b>          | 97,085             |
| Cost of sales   |              | <b>(81,388)</b>         | (81,504)           |
| <b>Gross profit</b>   |              | <b>20,138</b>           | 15,581             |
| Other income, gains and losses  | 4            | <b>1,290</b>            | 2,879              |
| Fair value loss on financial assets at fair value through profit and loss (“FVTPL”) |              | <b>(123)</b>            | (47)               |
| Reversal of impairment on trade receivables and contract assets, net                |              | <b>573</b>              | 215                |
| Selling and distribution expenses   |              | <b>(1,814)</b>          | (1,653)            |
| Administrative and other operating expenses   |              | <b>(14,802)</b>         | (14,898)           |
| Finance costs   | 5            | <b>(5,910)</b>          | (1,245)            |

\* For identification purpose only

|   |              | <b>Six months ended</b>    |                    |
|---|--------------|----------------------------|--------------------|
|   |              | <b>30 September,</b>       |                    |
|   |              | <b>2023</b>                | <b>2022</b>        |
|   | <i>Notes</i> | <b>HK\$'000</b>            | <b>HK\$'000</b>    |
|   |              | <b>(unaudited)</b>         | <b>(unaudited)</b> |
| <b>(Loss) profit before taxation</b>  | 6            | <b>(648)</b>               | 832                |
| <b>Taxation</b>   | 7            | <u>–</u>                   | <u>(38)</u>        |
| <b>(Loss) profit for the period attributable to equity holders of the Company</b> |              | <b>(648)</b>               | 794                |
| <b>Other comprehensive income</b>   |              |                            |                    |
| <i>Item that may be reclassified subsequently to profit or loss</i>               |              |                            |                    |
| Exchange differences on translation of overseas Operations                        |              | <u><b>2,090</b></u>        | <u>5,125</u>       |
| <b>Total comprehensive income attributable to equity holders of the Company</b>   |              | <u><b>1,442</b></u>        | <u>5,919</u>       |
| <b>(Loss) earnings per share – (HK cents)</b>                                     |              |                            |                    |
| – basic and diluted   | 8            | <u><b>(0.05) cents</b></u> | <u>0.06 cents</u>  |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER, 2023

|  |              | As at<br>30 September,<br>2023 | As at<br>31 March,<br>2023   |
|--|--------------|--------------------------------|------------------------------|
|  | <i>Notes</i> | <i>HK\$'000</i><br>(unaudited) | <i>HK\$'000</i><br>(audited) |
| <b>NON-CURRENT ASSETS</b>  |              |                                |                              |
| Property, plant and equipment  |              | 50,066                         | 50,426                       |
| Investment properties  |              | 182,400                        | 193,000                      |
| Financial assets at FVTPL  |              | 9,145                          | 9,145                        |
| Financial assets at fair value through other comprehensive income ("FVTOCI") |              | —                              | 9,854                        |
|  |              | <b>241,611</b>                 | 262,425                      |
| <b>CURRENT ASSETS</b>  |              |                                |                              |
| Inventories  |              | 15,836                         | 15,906                       |
| Contract assets  | 10           | 126,951                        | 78,344                       |
| Financial assets at FVTPL  |              | 473                            | 596                          |
| Trade receivables  | 11           | 9,561                          | 19,275                       |
| Prepayments, deposits and other receivables                                  |              | 10,239                         | 12,644                       |
| Tax recoverable  |              | 176                            | 176                          |
| Pledged bank deposits  |              | 2,760                          | 2,667                        |
| Cash and bank balances   |              | 21,176                         | 35,463                       |
|  |              | <b>187,172</b>                 | 165,071                      |
| <b>CURRENT LIABILITIES</b>   |              |                                |                              |
| Trade payables   | 12           | 2,023                          | 4,164                        |
| Accruals and other payables  | 12           | 2,663                          | 7,237                        |
| Contract liabilities   |              | 2,067                          | 2,137                        |
| Amounts due to directors   |              | 4,000                          | 10,000                       |
| Lease liabilities  |              | 8                              | 72                           |
| Bank borrowings  |              | 153,202                        | 140,478                      |
| Tax payable  |              | —                              | 30                           |
|  |              | <b>163,963</b>                 | 164,118                      |

|  | <b>As at<br/>30 September,<br/>2023<br/>HK\$'000<br/>(unaudited)</b> | <b>As at<br/>31 March,<br/>2023<br/>HK\$'000<br/>(audited)</b> |
|--|--|--|
| <b>NET CURRENT ASSETS</b>                        | <u>23,209</u>  | <u>953</u>   |
| <b>TOTAL ASSETS LESS CURRENT<br/>LIABILITIES</b> | <u>264,820</u>   | <u>263,378</u>   |
| <b>NON-CURRENT LIABILITIES</b>                   |  |  |
| Deferred tax liabilities                         | <u>50</u>  | <u>50</u>  |
| <b>NET ASSETS</b>                                | <u><u>264,770</u></u>  | <u><u>263,328</u></u>  |
| <b>CAPITAL AND RESERVES</b>                      |  |  |
| Share capital                                    | 12,453   | 12,453   |
| Reserves   | <u>252,317</u>   | <u>250,875</u>   |
| <b>TOTAL EQUITY</b>                              | <u><u>264,770</u></u>  | <u><u>263,328</u></u>  |

# NOTES ON THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2023

### 1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which also include Hong Kong Accounting Standards (“HKASs”) and Interpretations (“HK-Int”)) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and certain financial instruments, which have been measured at fair values. These financial statements are presented in Hong Kong Dollars (“HK\$”) and all values are rounded to the nearest thousand except where otherwise indicated.

### 2. PRINCIPAL ACCOUNTING POLICIES

In the current interim period, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA which are effective for the Group’s financial year beginning 1 April, 2023:

|  |   |
|--|---|
| HKFRS 17 and related amendments                        | Insurance Contracts   |
| Amendments to HKAS 1 and<br>HKFRS Practice Statement 2 | Disclosure of Accounting Policies   |
| Amendments to HKAS 8                                   | Definition of Accounting Estimates  |
| Amendments to HKAS 12                                  | Deferred Tax related to Assets and Liabilities<br>arising from a Single Transaction |
| Amendments to HKAS 12                                  | International Tax Reform – Pillar Two Model<br>Rules                                |

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

### 3. REVENUE/SEGMENT INFORMATION

Revenue represents sales of mobile phones, sales of internet of things (“IOT”) solutions and gross rental income.

#### Segment results, assets and liabilities

The reportable segments for the six months ended 30 September, 2023 are as follows:

|  | Sales of<br>mobile phones<br>in Hong Kong<br><i>HK\$'000</i> | Sales of IOT<br>solutions in<br>Hong Kong<br><i>HK\$'000</i> | Sales of<br>IOT solutions<br>in Mainland<br>China<br>and other<br>countries<br>in South<br>East Asia<br><i>HK\$'000</i> | Property<br>investment<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|--|--|---|---|--------------------------|
| <b>REVENUES</b>  |  |  |   |   |                          |
| Reportable segment revenue – external  | <u>19,434</u>  | <u>79,015</u>  | <u>2,605</u>  | <u>472</u>                                | <u>101,526</u>           |
| Reportable segment (loss) profit   | <u>(946)</u>   | <u>3,926</u>   | <u>(2,276)</u>  | <u>(1,228)</u>                            | <u>(524)</u>             |
| <b>Segments assets and liabilities:</b>  |  |  |   |   |                          |
| Reportable segment assets  | <u>151,427</u>   | <u>52,822</u>  | <u>14,236</u>   | <u>200,680</u>                            | <u>419,165</u>           |
| Reportable segment liabilities   | <u>111,022</u>   | <u>3,433</u>   | <u>4,088</u>  | <u>45,420</u>                             | <u>163,963</u>           |
| <b>Other segment information:</b>  |  |  |   |   |                          |
| Amounts included in the measure of<br>segment profit or loss or segment assets |  |  |   |   |                          |
| Interest income from bank deposits   | -  | 304  | -   | -   | 304                      |
| Finance costs  | 18   | 4,679  | 264   | 949                                       | 5,910                    |
| Depreciation   | 72   | 160  | 208   | 15  | 455                      |
| Reversal of impairment on trade<br>receivables                                 | -  | 573  | -   | -   | 573                      |
| Additions to non-current assets  | -  | 18   | 77  | -   | 95                       |

The reportable segments for the six months ended 30 September, 2022 are as follows:

|  | Sales of<br>mobile phones<br>in Hong Kong<br><i>HK\$'000</i> | Sales of IOT<br>solutions in<br>Hong Kong<br><i>HK\$'000</i> | Sales of<br>IOT solutions<br>in Mainland<br>China<br>and other<br>countries<br>in South<br>East Asia<br><i>HK\$'000</i> | Property<br>investment<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
|--|--|--|---|---|--------------------------|
| <b>REVENUES</b>  |  |  |   |   |                          |
| Reportable segment revenue – external  | 30,007   | 60,083   | 5,961   | 1,034                                     | 97,085                   |
| Reportable segment profit (loss)   | 259  | 2,369  | (1,811)   | 63  | 880                      |
| <b>Segments assets and liabilities:</b>  |  |  |   |   |                          |
| Reportable segment assets  | 104,223  | 62,330   | 12,907  | 220,712                                   | 400,172                  |
| Reportable segment liabilities   | 106,401  | 2,659  | 4,300   | 17,816                                    | 131,176                  |
| <b>Other segment information:</b>  |  |  |   |   |                          |
| Amounts included in the measure of<br>segment profit or loss or segment assets |  |  |   |   |                          |
| Interest income from bank deposits   | –  | 4  | –   | –   | 4                        |
| Finance costs  | 844  | –  | 120   | 281                                       | 1,245                    |
| Depreciation   | 49   | 247  | 224   | 43  | 563                      |
| Reversal of impairment on trade<br>receivables                                 | –  | 560  | –   | –   | 560                      |
| Impairment loss on contract assets   | –  | 345  | –   | –   | 345                      |
| Additions to non-current assets  | 405  | –  | 2   | –   | 407                      |

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment (loss) profit represents the (loss) profit earned by each segment without allocation of fair value loss of financial assets at FVTPL and net exchange loss. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

## Geographic information

Information about the Group's revenue from external customers is presented based on the location of the operations. Information about the Group's non-current assets is presented based on the geographic location of the assets.

|                                    | Revenues from<br>external customers         |   | Non-current assets*                         |   |
|------------------------------------|---|---|---|---|
|                                    | 30.9.2023<br><i>HK\$'000</i><br>(unaudited) | 30.9.2022<br><i>HK\$'000</i><br>(unaudited) | 30.9.2023<br><i>HK\$'000</i><br>(unaudited) | 31.3.2023<br><i>HK\$'000</i><br>(audited) |
| Hong Kong (place of domicile)      | <u>98,922</u>                               | <u>91,124</u>                               | <u>232,109</u>                              | <u>231,196</u>                            |
| Mainland China                     | 573   | 4,042                                       | 200   | 257                                       |
| Singapore                          | 2,031                                       | 1,919                                       | 157   | 11,973                                    |
| Other countries in South East Asia | <u>–</u>                                    | <u>–</u>                                    | <u>–</u>                                    | <u>–</u>                                  |
|                                    | <u>2,604</u>                                | <u>5,961</u>                                | <u>357</u>                                  | <u>12,230</u>                             |
|                                    | <u><u>101,526</u></u>                       | <u><u>97,085</u></u>                        | <u><u>232,466</u></u>                       | <u><u>243,426</u></u>                     |

\* Non-current assets excluding financial assets at FVTPL and financial assets at FVTOCI

## Reconciliations of reportable segment profit or loss before taxation

|  | Six months ended                            |   |
|--|---|---|
|  | 30.9.2023<br><i>HK\$'000</i><br>(unaudited) | 30.9.2022<br><i>HK\$'000</i><br>(unaudited) |
| <b>PROFIT OR LOSS</b>                        |   |   |
| Reportable segment (loss) profit             | (524)                                       | 880   |
| Fair value loss of financial assets at FVTPL | (123)                                       | (47)  |
| Net exchange loss                            | <u>(1)</u>                                  | <u>(1)</u>                                  |
| Consolidated (loss) profit before taxation   | <u><u>(648)</u></u>                         | <u><u>832</u></u>                           |



## Reconciliations of reportable segment assets and liabilities

|                                      | <b>30.9.2023</b><br><i>HK\$'000</i><br>(unaudited) | 31.3.2023<br><i>HK\$'000</i><br>(audited) |
|--------------------------------------|--|---|
| <b>ASSETS</b>                        |  |   |
| Total reportable segment assets      | <b>419,165</b>                                     | 407,901                                   |
| Unallocated corporate assets         | <b>9,618</b>                                       | 19,595                                    |
|                                      | <hr/>  | <hr/>                                     |
| Consolidated total assets            | <b>428,783</b>                                     | 427,496                                   |
|                                      | <hr/> <hr/>  | <hr/> <hr/>                               |
| <b>LIABILITIES</b>                   |  |   |
| Total reportable segment liabilities | <b>163,963</b>                                     | 164,118                                   |
| Deferred tax liabilities             | <b>50</b>  | 50  |
|                                      | <hr/>  | <hr/>                                     |
| Consolidated total liabilities       | <b>164,013</b>                                     | 164,168                                   |
|                                      | <hr/> <hr/>  | <hr/> <hr/>                               |

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than financial assets at FVTPL and financial assets at FVTOCI.
- all liabilities are allocated to reportable segments other than deferred tax liabilities.

## 4. OTHER INCOME, GAINS AND LOSSES

|  | <b>Six months ended</b>                            |   |
|--|--|---|
|  | <b>30.9.2023</b><br><i>HK\$'000</i><br>(unaudited) | 30.9.2022<br><i>HK\$'000</i><br>(unaudited) |
| Gain on disposal of financial assets at FVTOCI | <b>447</b>   | –   |
| Loss on disposal of investment property        | <b>(890)</b>                                       | –   |
| Government subsidies ( <i>Note</i> )           | <b>52</b>  | 1,498                                       |
| Bank interest income                           | <b>304</b>   | 4   |
| Dividend income                                | <b>1,378</b>                                       | 1,378                                       |
| Net exchange loss                              | <b>(1)</b>   | (1)   |
|  | <hr/>  | <hr/>                                       |
|  | <b>1,290</b>                                       | 2,879                                       |
|  | <hr/> <hr/>  | <hr/> <hr/>                                 |

*Note:*

During the six months ended 30 September, 2023, the Group recognised government subsidies of HK\$52,000 from Singapore government.

During the six months ended 30 September, 2022, the Group recognised government subsidies of HK\$1,498,000, of which an amount of HK\$1,490,000 is related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region under the Anti-Epidemic Fund. The remaining HK\$8,000 is related to other subsidy scheme from Singapore government.

There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidiaries.

## 5. FINANCE COSTS

|                               | <b>Six months ended</b> |                 |
|-------------------------------|-------------------------|-----------------|
|                               | <b>30.9.2023</b>        | 30.9.2022       |
|                               | <i>HK\$'000</i>         | <i>HK\$'000</i> |
|                               | (unaudited)             | (unaudited)     |
| Interest on bank borrowings   | 5,615                   | 1,141           |
| Interest on lease liabilities | 8                       | 5               |
|                               | <u>5,623</u>            | <u>1,146</u>    |
| Total interest expenses       | 5,623                   | 1,146           |
| Bank charges                  | 287                     | 99              |
|                               | <u>5,910</u>            | <u>1,245</u>    |

## 6. (LOSS) PROFIT BEFORE TAXATION

|   | <b>Six months ended</b> |                 |
|---|-------------------------|-----------------|
|   | <b>30.9.2023</b>        | 30.9.2022       |
|   | <i>HK\$'000</i>         | <i>HK\$'000</i> |
|   | (unaudited)             | (unaudited)     |
| (Loss) profit before taxation has been arrived at after charging: |                         |                 |
| Depreciation on   |                         |                 |
| – property, plant and equipment                                   | 304                     | 447             |
| – right-of-use assets   | 151                     | 116             |
|   | <u>455</u>              | <u>563</u>      |
| Employee benefits expenses (including directors' remuneration)    |                         |                 |
| – salaries, allowances and benefits in kind                       | 7,062                   | 6,844           |
| – retirement benefit scheme contributions                         | 1,838                   | 1,010           |
|   | <u>8,900</u>            | <u>7,854</u>    |
| Total staff costs   | 8,900                   | 7,854           |
| Reversal of impairment on trade receivables                       | (573)                   | (560)           |
| Impairment loss on contract assets                                | –                       | 345             |
|   | <u>(573)</u>            | <u>(215)</u>    |

## 7. TAXATION

|                       | Six months ended |                 |
|-----------------------|------------------|-----------------|
|                       | 30.9.2023        | 30.9.2022       |
|                       | <i>HK\$'000</i>  | <i>HK\$'000</i> |
|                       | (unaudited)      | (unaudited)     |
| Hong Kong Profits Tax | —                | 38              |

Hong Kong Profits Tax is provided under the two-tiered tax rate at 8.25% on the first HK\$2 million and 16.5% of estimated assessable profits above HK\$2 million for the period.

## 8. (LOSS) EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic and diluted (loss) earnings per share is based on the loss attributable to equity holders of the Company of HK\$648,000 (2022: profit of HK\$794,000) and on the number of shares of 1,245,331,256 (2022: 1,245,331,256) in issue during the period.

As a result of the Group's net loss for the period ended 30 September, 2023, share options outstanding were excluded from the calculation of diluted loss per share as their inclusion would have been anti-dilutive.

The number of shares for the purpose of basic and diluted (loss) earnings per share are the same as the Company has no potential ordinary shares in both periods.

## 9. DIVIDEND

The directors do not recommend the payment of any interim dividend for the six months ended 30 September, 2023 (2022: Nil).

## 10. CONTRACT ASSETS

|                                   | 30.9.2023       | 31.3.2023       |
|-----------------------------------|-----------------|-----------------|
|                                   | <i>HK\$'000</i> | <i>HK\$'000</i> |
|                                   | (unaudited)     | (audited)       |
| Smart system construction service | 127,690         | 79,083          |
| Less: Loss allowance              | (739)           | (739)           |
|                                   | <u>126,951</u>  | <u>78,344</u>   |

## 11. TRADE RECEIVABLES

The Group allows an average credit periods ranging from seven days to one month to its customers. For certain customers with long-established relationship and have good credit worthiness, a longer period may be granted.

|                      | <b>30.9.2023</b><br><i>HK\$'000</i><br>(unaudited) | 31.3.2023<br><i>HK\$'000</i><br>(audited) |
|----------------------|--|---|
| Trade debtors        | <b>11,909</b>                                      | 22,196                                    |
| Less: Loss allowance | <b>(2,348)</b>                                     | (2,921)                                   |
|                      | <b>9,561</b>                                       | 19,275                                    |

The following is an aged analysis of trade receivables presented based on the invoice date:

|                | <b>30.9.2023</b><br><i>HK\$'000</i><br>(unaudited) | 31.3.2023<br><i>HK\$'000</i><br>(audited) |
|----------------|--|---|
| Within 30 days | <b>3,316</b>                                       | 11,497                                    |
| 31 - 60 days   | <b>2,257</b>                                       | 4,857                                     |
| 61 - 90 days   | <b>581</b>   | 435                                       |
| 91 - 180 days  | <b>1,167</b>                                       | 1,024                                     |
| 181 - 365 days | <b>536</b>   | 525                                       |
| Over 365 days  | <b>4,052</b>                                       | 3,858                                     |
|                | <b>11,909</b>                                      | 22,196                                    |

## 12. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

|                             | <b>30.9.2023</b><br><i>HK\$'000</i><br>(unaudited) | 31.3.2023<br><i>HK\$'000</i><br>(audited) |
|-----------------------------|--|---|
| Trade payables              | 2,023  | 4,164                                     |
| Accruals and other payables | <u>2,663</u>                                       | <u>7,237</u>                              |
|                             | <b><u>4,686</u></b>                                | <b><u>11,401</u></b>                      |

The following is an aged analysis of trade payables presented based on the invoice date:

|              | <b>30.9.2023</b><br><i>HK\$'000</i><br>(unaudited) | 31.3.2023<br><i>HK\$'000</i><br>(audited) |
|--------------|--|---|
| 0 - 30 days  | 947  | 3,360                                     |
| 31 - 60 days | 86   | 3   |
| 61 - 90 days | 86   | 32  |
| Over 90 days | <u>904</u>   | <u>769</u>                                |
|              | <b><u>2,023</u></b>                                | <b><u>4,164</u></b>                       |

The trade payables were due according to the terms stated in the relevant contracts. The average credit period ranged from 30 days to 60 days.

## 13. RELATED PARTY TRANSACTIONS

### Key management personnel compensation

The remuneration of directors of the Company (who are also the key management) during the period were as follows:

|                          | <b>Six months ended</b>                            |   |
|--------------------------|--|---|
|                          | <b>30.9.2023</b><br><i>HK\$'000</i><br>(unaudited) | 30.9.2022<br><i>HK\$'000</i><br>(unaudited) |
| Short-term benefits      | 2,043  | 2,027                                       |
| Post-employment benefits | <u>36</u>  | <u>41</u>                                   |
|                          | <b><u>2,079</u></b>                                | <b><u>2,068</u></b>                         |

The remuneration of directors of the Company is determined by the remuneration committee having regard to the performance of individual and market trends.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

For the six months ended 30 September, 2023, the Group's revenue was HK\$102 million which represented an increase of approximately 5% as compared with the HK\$97 million recorded for the corresponding period last year. The loss attributable to equity holders of the Company was HK\$0.6 million as compared to the profit of HK\$0.8 million for the six months ended 30 September, 2022. The turnaround from profit to loss was mainly attributable to the increase in finance costs associated with funding the projects' loans.

### **Sales of mobile phones**

During the period under review, the revenue was HK\$19 million, representing a decrease of 35% compared to the same period last year (2022: HK\$30 million) due to the weak demand. The division recorded loss of HK\$0.9 million (2022: profit of HK\$0.3 million).

### **Sales of IOT solutions**

During the period under review, the turnover was HK\$82 million (2022: HK\$66 million). The division recorded profit of HK\$1.7 million (2022: 0.6 million).

### **Property investment**

During the period under review, the rental income decreased by HK\$0.5 million to HK\$0.5 million (2022: HK\$1.0 million) due to disposal of an investment property in Singapore and an increase in vacancy. The division recorded loss of HK\$1.2 million (2022: profit of HK\$0.1 million).

## **PROSPECTS**

Regarding the mobile phone business, we are the authorised distributors of both Nokia and vivo brands. In view of the weak demand in the foreseeable future, we will decrease our investment in this segment to minimize losses.

For IOT solutions segment, we expect that the turnover will be increased due to the implementation of new projects.

Regarding the property investment segment, the weak demand of the leasing market still impact both rental level and occupancy rate.

Amid the uncertain economy and the retail environment, we will continue to strengthen our cost control and develop additional products to meet market demand and to mitigate the negative impact upon our business.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September, 2023, the Group's cash and bank balances amounted to approximately HK\$21 million (31 March, 2023: HK\$35 million) while the bank borrowings were HK\$153 million (31 March, 2023: HK\$140 million).

The Board believes that the Group has sufficient cash balances and banking facilities to satisfy its commitment and working capital requirements. The gearing ratio was 58% (31 March, 2023: 53%) which is expressed as a percentage of total borrowings to total equity.

## **EMPLOYEES**

As at 30 September, 2023, the total number of employees of the Group was approximately 100 (31 March, 2023: 99) and the aggregate remuneration of employees (excluding directors' emoluments) amounted to HK\$7 million (2022: HK\$6 million). The remuneration and bonus packages of the employees are based on the individual merits and performance and are reviewed at least annually. The Group maintains a good relationship with its employees.

## **SHARE OPTION SCHEME**

The Company's share option scheme (the "Scheme"), was adopted pursuant to a resolution passed on 26 August 2022 for the primary purpose of providing incentives to directors and eligible employees, and will expire on 26 August 2032. Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company.

At 30 September, 2023, the number of shares in respect of which options had been granted and remained outstanding under the Scheme was 88,280,000 (30 September, 2022: nil), representing 7% (30 September, 2022 : nil) of the shares of the Company in issue at that date.

## **PLEDGE OF ASSETS**

As at 30 September, 2023, the Group's general banking facilities were secured by (1) first legal charge on certain leasehold land and buildings with total carrying value of HK\$48,846,000 (31 March, 2023: HK\$48,846,000); (2) first legal charge on certain investment properties with total fair value of HK\$182,400,000 (31 March, 2023: HK\$182,400,000); (3) bank deposits of HK\$2,760,000 (31 March, 2023: HK\$2,667,000) and (4) financial assets at FVTPL with total fair value of HK\$9,145,000 (31 March, 2023: HK\$9,145,000).

## **CONTINGENT LIABILITIES**

As at 30 September, 2023, the Company had provided corporate guarantees of HK\$118 million (31 March, 2023: HK\$118 million) to secure the banking facilities granted to subsidiaries.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES**

During the six months ended 30 September, 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE OF THE LISTING RULES**

In the opinion of the directors, the Company has complied with the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules throughout the six months ended 30 September, 2023, except the following provisions:

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not segregate the roles of chairman and chief executive officer and Mr. Chan Chung Yee, Hubert currently holds both positions. The Board believes that vesting the roles of chairman and chief executive officer in the same person provides the Group with strong and consistent leadership in the development and execution of long-term business strategies. The Board will continuously review and improve the corporate governance practices and standards of the Company to ensure that business activities and decision making processes are regulated in a proper and prudent manner.

Code provision A.6.7 stipulates, among other things, that the independent non-executive directors and other non-executive directors should attend general meetings. Mr. Chiu Ngar Wing and Dr. Chu Chor Lup were unable to attend the annual general meeting of the Company held on 25 August, 2023 due to their other commitments.

## **COMPLIANCE WITH THE MODEL CODE SET OUT IN APPENDIX 10 TO THE LISTING RULES**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, all directors confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30 September, 2023.

## **AUDIT COMMITTEE**

The audit committee has reviewed with management the accounting policies adopted by the Group and discussed internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 30 September, 2023.

## **APPRECIATION**

The Board of the Company would like to extend its sincere gratitude to the Company's shareholders, business counterparts and all management and the staff members of the Group for their contribution and continued support during the period.



## **PUBLICATION AND DESPATCH OF INTERIM REPORT**

The interim report of the Company for the six months ended 30 September, 2023 containing all the information required by the Listing Rules will be dispatched to shareholders of the Company and will be published on the Company's website at "www.hkc.com.hk" and the website of The Hong Kong Exchange and Clearing Limited at "www.hkexnews.hk" in due course.

On behalf of the Board  
**Chan Chung Yee, Hubert**  
*Chairman*

Hong Kong, 24 November, 2023

*As at the date of this announcement, the Board comprises Mr. Chan Chung Yee, Hubert, Mr. Chan Chung Yin, Roy, Mr. Chan Ming Him, Denny, Mr. Wu Kwok Lam, Mr. Ip Man Hon and Mr. Lam Man Hau as executive directors and Mr. Chiu Ngar Wing, Dr. Chu Chor Lup, Dr. Law Ka Hung and Mr. Wong Kwok Leung as independent non-executive directors.*