

i-CONTROL

i-Control Holdings Limited

超智能控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1402

INTERIM REPORT 2023



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The board (the “**Board**”) of directors (the “**Directors**”) of i-Control Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 September 2023, together with the comparative unaudited figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2023

	<i>Notes</i>	Six months ended 30 September	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	3	75,684	73,560
Cost of sales		(50,618)	(47,271)
Staff cost		(19,673)	(17,748)
Depreciation and amortisation		(2,461)	(1,972)
Other income and net (loss) gain	3	(824)	234
Other operating expenses		(4,219)	(4,115)
Finance costs	5	(507)	(235)
(Loss) profit before taxation		(2,618)	2,453
Income tax expenses	6	(405)	(418)
(Loss) profit for the period		(3,023)	2,035
Other comprehensive expenses			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating foreign operations		(774)	(1,682)
Total comprehensive (expenses) income for the period		(3,797)	353

		Six months ended 30 September	
		2023	2022
<i>Notes</i>		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
(Loss) profit for the period			
attributable to:			
	Equity shareholders of the Company	(2,719)	2,378
	Non-controlling interests	(304)	(343)
		(3,023)	2,035
Other comprehensive expenses for the period attributable to:			
	Equity shareholders of the Company	(695)	(1,573)
	Non-controlling interests	(79)	(109)
		(774)	(1,682)
Total comprehensive (expenses) income for the period attributable to:			
	Equity shareholders of the Company	(3,414)	805
	Non-controlling interests	(383)	(452)
		(3,797)	353
(Loss) earnings per share (in Hong Kong cents)			
	Basic	8 (0.26)	0.23
	Diluted	8 (0.26)	0.23

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 September 2023

	<i>Notes</i>	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Non-current assets			
Property and equipment	9	80,619	80,727
Intangible assets	9	10,236	11,523
Financial assets at fair value through other comprehensive income ("FVTOCI")		13,710	13,710
Deferred tax assets		448	477
		105,013	106,437
Current assets			
Inventories		16,670	19,820
Trade receivables and contract assets	10	49,072	49,616
Prepayments, deposits and other receivables		2,856	2,847
Loan to an investee		7,518	8,001
Bank balances and cash		31,158	49,437
		107,274	129,721
Current liabilities			
Trade payables	11	15,678	15,347
Other payables and accruals		17,819	19,766
Lease liabilities	12	672	333
Bank borrowings	13	16,383	18,431
Tax payables		450	322
		51,002	54,199
Net current assets			
		56,272	75,522
Total assets less current liabilities			
		161,285	181,959
Non-current liabilities			
Deferred tax liabilities		1,394	1,339
Lease liabilities	12	971	125
		2,365	1,464
Net assets			
		158,920	180,495
Capital and reserves			
Share capital	15	10,505	10,505
Reserves		147,746	168,938
Total equity attributable to equity shareholders of the Company			
		158,251	179,443
Non-controlling interests		669	1,052
Total equity			
		158,920	180,495

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2023

	Attributable to the owners of the Company											
	Shares held under		Share premium	Merger reserve	Employee share-based compensation reserve	Translation reserve	Statutory surplus reserve	Investment revaluation reserve	Retained profits	Total	Non-controlling interests	Total Equity
	Share capital	share award scheme										
At 1 April 2022 (audited)	10,505	(126)	47,781	10,817	426	270	208	-	104,423	174,304	784	175,088
Profit (loss) for the period	-	-	-	-	-	-	-	-	2,378	2,378	(343)	2,035
Other comprehensive expenses for the period:												
Exchange differences arising on translating foreign operations	-	-	-	-	-	(1,573)	-	-	-	(1,573)	(109)	(1,682)
Total comprehensive (expenses) income for the period	-	-	-	-	-	(1,573)	-	-	2,378	805	(452)	353
Capital injection by non-controlling interests	-	-	-	-	-	-	-	-	-	-	830	830
Equity-settled share-based payment transactions (note 14)	-	42	-	-	126	-	-	-	-	168	-	168
2022 final dividend paid (note 7)	-	-	(5,253)	-	-	-	-	-	-	(5,253)	-	(5,253)
At 30 September 2022 (unaudited)	10,505	(84)	42,528	10,817	552	(1,303)	208	-	106,801	170,024	1,162	171,186
At 1 April 2023 (audited)	10,505	(43)	42,528	10,817	678	(536)	208	5,124	110,162	179,443	1,052	180,495
Loss for the period	-	-	-	-	-	-	-	-	(2,719)	(2,719)	(304)	(3,023)
Other comprehensive expenses for the period:												
Exchange differences arising on translating foreign operations	-	-	-	-	-	(695)	-	-	-	(695)	(79)	(774)
Total comprehensive expenses for the period	-	-	-	-	-	(695)	-	-	(2,719)	(3,414)	(383)	(3,797)
Equity-settled share-based payment transactions (note 14)	-	20	-	-	61	-	-	-	-	81	-	81
2023 final dividend and special dividend paid (note 7)	-	-	(17,859)	-	-	-	-	-	-	(17,859)	-	(17,859)
At 30 September 2023 (unaudited)	10,505	(23)	24,669	10,817	739	(1,231)	208	5,124	107,443	158,251	669	158,920

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2023

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Net cash generated from (used in) operating activities	3,114	(2,126)
Investing activities		
Development cost paid for intangible assets	–	(8,298)
Acquisition of property and equipment	(364)	(453)
Bank interest received	20	6
Net cash used in investing activities	(344)	(8,745)
Financing activities		
Dividend paid	(17,859)	(5,253)
Repayment of bank borrowings	(2,048)	(2,048)
Interest paid	(487)	(234)
Capital element of repayment of lease liabilities	(232)	–
Interest element of repayment of lease liabilities	(20)	(1)
Capital injection by non-controlling interest	–	830
Government grant received	–	648
Net cash used in financing activities	(20,646)	(6,058)
Net decrease in cash and cash equivalents	(17,876)	(16,929)
Cash and cash equivalents at the beginning of the period	49,437	71,034
Effect of foreign exchange rate changes	(403)	(984)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	31,158	53,121

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2023

1. CORPORATE INFORMATION AND BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Company was incorporated in the Cayman Islands on 21 August 2014 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The registered office of the Company is Ocorian Trust (Cayman) Limited, Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and its headquarters and principal place of business in Hong Kong is Units A&B, 12/F, MG Tower, 133 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong. The Company's shares ("**Shares**") are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The directors of the Company consider that the immediate and ultimate holding company is Phoenix Time Holdings Limited, which is incorporated in the British Virgin Islands. Its ultimate controlling party is Mr. Zhong Naixiong.

The Company is engaged in investment holding while its principal subsidiaries are principally engaged in provision of video conferencing and multimedia audiovisual ("**VCMA**") solution and maintenance services and cloud-based Information Technology and Operational Technology ("**IT+OT**") managed services.

The condensed consolidated financial statements are presented in Hong Kong dollars ("**HK\$**"), which is the Company's functional and presentation currency. Other than the subsidiaries established in the People's Republic of China (the "**PRC**") and Singapore whose functional currency is Renminbi and Singapore dollar respectively, the functional currency of the Company and other subsidiaries is HK\$.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements of the Group for the year ended 31 March 2023, except as described below.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2023

Application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants 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 HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Return-Pillar Two Model Rules

The application of the new and 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 AND OTHER INCOME AND NET (LOSS) GAIN

Revenue represents the amounts received and receivable for services rendered in the normal course of business, net of discounts and sales related taxes. Analysis of the Group’s revenue and other income and net (loss) gain is as follows:

	Six months ended 30 September	
	2023	2022
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Revenue from contract customers within the scope of HKFRS 15		
Disaggregated by major products or service line:		
Provision of VCMA solution and maintenance services:		
– VCMA solution services	61,059	56,420
– VCMA maintenance services	8,743	10,268
Provision of cloud-based IT+OT managed services:		
– Artificial Intelligence of Things (“AIoT”) operation and other services	–	5,586
– Security services	5,882	1,286
	75,684	73,560

Disaggregation of revenue by timing of recognition

	Six months ended 30 September	
	2023	2022
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Timing of revenue recognition		
At a point in time	66,941	63,292
Over time	8,743	10,268
Total revenue from contracts with customers	75,684	73,560

	Six months ended 30 September	
	2023	2022
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Other income and net (loss) gain		
Government grants (<i>note</i>)	–	648
Bank interest income	20	6
Net exchange loss	(844)	(414)
Others	–	(6)
	(824)	234

Note: During the six months ended 30 September 2022, the Group recognised government grants of approximately HK\$590,000 (2023: nil) and approximately HK\$58,000 (2023: nil) in respect of COVID-19-related subsidies related to Employment Support Scheme under the Anti-epidemic Fund and SME Financing Guarantee Scheme provided by the Government of the Hong Kong Special Administrative Region, respectively. There are no unfulfilled conditions and other contingencies attached to the receipts of those subsidies.

4. SEGMENT INFORMATION

The Directors consider that there are two operating and reportable business segments for the Group, being the provision of VCMA solution and maintenance services and cloud-based IT+OT managed services. The Group's operating segments are reported in a manner consistent with the information reported to the Board, being the chief operating decision maker (the "CODM"), for the purposes of resources allocation and performance assessment.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2023

The Directors have chosen to organise the Group around differences in products and services.

Specifically, the Group's reportable segments are as follows:

1. Provision of VCMA solution and maintenance services
2. Provision of cloud-based IT+OT managed services

(a) Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

	Provision of VCMA solution and maintenance services		Provision of cloud-based IT+OT managed services		Total	
	2023	2022	2023	2022	2023	2022
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
For the six months ended 30 September						
Segment revenue – external customers	69,802	66,688	5,882	6,872	75,684	73,560
Segment results	6,829	11,095	(2,030)	(2,333)	4,799	8,762
Unallocated other income and net loss					(852)	(215)
Unallocated expenses					(6,565)	(6,094)
(Loss) profit before tax					(2,618)	2,453

Segment results represents the result from each segment without allocation of Directors' emoluments, other income and net (loss) gain, certain items of other operating expenses and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2023

(b) Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	Provision of VCMA solution and maintenance services		Provision of cloud-based IT+OT managed services		Total	
	30 September 2023	31 March 2023	30 September 2023	31 March 2023	30 September 2023	31 March 2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Audited)	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Segment assets	66,156	72,221	16,526	17,290	82,682	89,511
Unallocated assets					129,605	146,647
Total assets					212,287	236,158
Segment liabilities	(28,976)	(29,417)	(4,353)	(2,298)	(33,329)	(31,715)
Unallocated liabilities					(20,038)	(23,948)
Total liabilities					(53,367)	(55,663)

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

- all assets are allocated to reportable segments other than certain property and equipment, financial assets at FVTOCI, deferred tax assets, certain prepayments, deposits and other receivables, loan to an investee, and bank balances and cash which are unable to allocate to reportable segments; and
- all liabilities are allocated to reportable segments other than certain other payables and accruals, bank borrowings, tax payables and deferred tax liabilities.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2023

(c) Geographical information

The Group's operations are located in Hong Kong (place of domicile), the PRC and Singapore. The Group's customers are mainly located in Hong Kong, the PRC and Macau.

An analysis of the Group's revenue from external customers is presented based on the location of customers as below:

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Hong Kong (place of domicile)	67,027	64,762
The PRC (other than Hong Kong and Macau)	6,934	8,231
Macau	1,633	567
Singapore	90	–
	75,684	73,560

The Group's information about its non-current assets is presented based on location of the assets as below:

	30 September	31 March
	2023	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong (place of domicile)	78,927	80,223
The PRC (other than Hong Kong and Macau)	11,928	12,027
	90,855	92,250

Note: Non-current assets excluded deferred tax assets and financial assets at FVTOCI.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2023

5. FINANCE COSTS

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest expenses on bank borrowings	487	234
Interest on lease liabilities	20	1
	507	235

6. INCOME TAX EXPENSES

	Six months ended 30 September	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
– Hong Kong Profits Tax	320	750
– PRC Enterprise Income Tax	–	(44)
Deferred taxation	85	(288)
Total income tax expenses for the period	405	418

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2 million of profits of qualifying corporation will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. For the six months ended 30 September 2023 and 2022, Hong Kong Profits Tax of the qualified entity of the Group is calculated in accordance with the two-tiered profits tax rates regime. The profits of other Group entities in Hong Kong not qualifying for the two-tiered profits tax rates regime continue to be taxed at the flat rate of 16.5%.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, PRC Enterprise Income Tax is calculated at 25% (2022: 25%) of the estimated assessable profits for the six months ended 30 September 2023 and 2022.

The Singapore subsidiary is in loss-making position for the six months ended 30 September 2023 and 2022 and accordingly does not have any provision for Singapore Corporate Tax at 17%.

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2023

7. DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2023 (2022: nil).

The payment of a final dividend of HK0.50 cents and a special dividend of HK1.20 cents per share amounted to approximately HK\$17,859,000 in total for the year ended 31 March 2023 (2022: final dividend of HK0.50 cents per share amounted to HK\$5,253,000) was resolved and declared at the annual general meeting of the Company held on 8 August 2023.

8. (LOSS) EARNINGS PER SHARE

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
(Loss) earnings		
(Loss) earnings for the purpose of basic and diluted (loss) earnings per share	(2,719)	2,378
	Six months ended 30 September	
	2023 '000	2022 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted (loss) earnings per share	1,050,500	1,050,500

The computation of diluted (loss) earnings per share does not assume the exercise of the Company's outstanding share options because the exercise price of those options was higher than the average market price for shares for the six months ended 30 September 2023 and 2022.

9. MOVEMENTS IN PROPERTY AND EQUIPMENT AND INTANGIBLE ASSETS

During the six months ended 30 September 2023, the Group acquired approximately HK\$1,781,000 (2022: HK\$453,000) of property and equipment included approximately HK\$1,417,000 (2022: nil) of right-of-use asset on a new lease agreement for its office property and approximately HK\$1,861,000 (2022: HK\$1,548,000) of depreciation was recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

During the six months ended 30 September 2023, no intangible assets has been recognised (2022: HK\$12,174,000) and approximately HK\$600,000 (2022: HK\$424,000) of amortisation was recognised in the condensed consolidated statement of profit or loss and other comprehensive income.

10. TRADE RECEIVABLES AND CONTRACT ASSETS

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Trade receivables	46,750	49,153
Contract assets	2,322	463
	49,072	49,616

The Group generally allows credit periods ranged from 30 days to 180 days to the customers. The following is an ageing analysis of trade receivables, presented based on date of acknowledgement of receipt of goods by customers, which approximated the respective revenue recognition dates, at the end of each reporting period.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2023

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
0 to 30 days	19,661	17,357
31 to 60 days	3,831	12,395
61 to 120 days	2,791	3,115
121 to 365 days	12,856	8,319
Over 365 days	7,611	7,967
	46,750	49,153

The Group measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime expected credit losses. The expected credit losses on trade receivables and contract assets are estimated using a provision matrix by reference to past default experience and creditworthiness of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The expected credit losses on contract assets are estimated based on past default experience on amounts not yet past due.

As at 30 September 2023, gross amount of trade receivables and contract assets amounting to approximately HK\$49,072,000 (31 March 2023: HK\$49,616,000) arose from contracts with customers. No loss allowance has been made on trade receivables and contract assets as the amount involved is insignificant.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2023

11. TRADE PAYABLES

An ageing analysis of trade payables presented based on the date of recognition at the end of the reporting period is as follows:

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
0 to 60 days	5,502	5,626
61 to 90 days	856	823
Over 90 days	9,320	8,898
	15,678	15,347

The general credit periods on purchase of goods ranged from 30 days to 180 days. The Group has financial risk management policies or plans for its payables with respect to the credit timeframe.

12. LEASE LIABILITIES

During the period ended 30 September 2023, the Group entered into a new lease agreement in respect of office property and recognised lease liability of approximately HK\$1,417,000 (2022: nil).

As at 30 September 2023, the carrying amount of lease liabilities were approximately HK\$1,643,000 (31 March 2023: HK\$458,000).

Amounts recognised in profit or loss:

	Six months ended 30 September 2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Interest expenses on lease liabilities	20	1
Expenses relating to short-term leases	41	291

For the six months ended 30 September 2023, the total cash outflow for leases amount to approximately HK\$293,000 (2022: HK\$292,000).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2023

13. BANK BORROWINGS

	30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Secured mortgage loans	16,383	18,431
Carrying amount repayable (based on scheduled repayment dates set out in the loan agreements):		
Within one year	4,096	4,096
More than one year but not exceeding two years	4,096	4,096
More than two years but not exceeding five years	8,191	10,239
	16,383	18,431
Carrying amount of bank loans that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities)	12,287	14,335
Carrying amount repayable within one year	4,096	4,096
Amounts shown under current liabilities	16,383	18,431

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2023

Borrowings comprise:

	Maturity date	Effective interest rate	Carrying amount	
			30 September 2023 HK\$'000 (Unaudited)	31 March 2023 HK\$'000 (Audited)
Floating-rate borrowings:				
- HKD mortgage loans ⁽¹⁾	25/9/2027	5.56% (31 March 2023: 3.37%)	12,517	14,082
- HKD mortgage loans ⁽²⁾	25/9/2027	5.56% (31 March 2023: 3.37%)	3,866	4,349
			16,383	18,431

⁽¹⁾ The floating rate is Hong Kong Interbank Offered Rate ("HIBOR") plus 1.4%. Repayable in 155 monthly installments commencing from drawdown of the borrowings.

⁽²⁾ The floating rate is HIBOR plus 1.4%. Repayable in 146 monthly installments commencing from drawdown of the borrowings.

Notes:

- (a) The bank borrowings are all denominated in HK\$.
- (b) All borrowings were guaranteed by the Company and its certain subsidiaries in Hong Kong for both periods.
- (c) As at 30 September 2023, bank borrowings of approximately HK\$16,383,000 (31 March 2023: HK\$18,431,000) were secured by land and buildings of the Group with carrying amounts of approximately HK\$76,208,000 (31 March 2023: HK\$77,524,000).

14. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

(a) Share Option Scheme

On 20 April 2021, the Company granted share options (the “**Options**”) under the share option scheme of the Company (the “**Share Option Scheme**”) to Mr. Wang Yanghao (“**Mr. Wang**”), a senior management of the Company, to subscribe for a total of 3,000,000 Shares as disclosed in the announcement of the Company dated 20 April 2021. The 3,000,000 Options granted to Mr. Wang are exercisable at the subscription price of HK\$0.54 per Share, which is equivalent to the closing price of the Shares on the date immediately before the date of grant, from the respective dates set out below until 20 April 2028 (the “**Option Period**”):

- (i) as to 900,000 Options, exercisable at any time commencing from the date falling between the first anniversary of the date of grant up to and including the last day of the Option Period;
- (ii) as to 900,000 Options, exercisable at any time commencing from the date falling between the second anniversary of the date of grant up to and including the last day of the Option Period; and
- (iii) as to 1,200,000 Options, exercisable at any time commencing from the date falling on the third anniversary of the date of grant up to and including the last day of the Option Period.

The subscription price of HK\$0.54 per Share was determined in accordance with the scheme rules of the Share Option Scheme, being the highest of:

- (i) the closing price of HK\$0.54 per Share as quoted in the Stock Exchange’s daily quotation sheet on the date of grant;
- (ii) the average closing price of HK\$0.536 per Share as quoted in the Stock Exchange’s daily quotation sheet for the five (5) business days immediately preceding the date of grant; and
- (iii) the nominal value of HK\$0.01 per Share.

The following table discloses movements of the Company’s Options held by Mr. Wang.

Date of grant	Exercise period	Exercise price HK\$	Balance as at 30 September 2023 and 31 March 2023
20 April 2021	20 April 2022–20 April 2028	0.54	900,000
	20 April 2023–20 April 2028	0.54	900,000
	20 April 2024–20 April 2028	0.54	1,200,000
			3,000,000

As at 30 September 2023 and up to the date of this report, 1,800,000 Options are exercisable at any time during the Option Period, subject to the terms and conditions of the Share Option Scheme, and the remaining 1,200,000 Options are not yet exercisable. All of the 3,000,000 Options have not been exercised. Other than disclosed above, there were no Options granted, exercised, cancelled or lapsed under the Share Option Scheme during the period ended 30 September 2023.

The fair value on the date of grant is estimated using a binomial pricing model, taking into account the terms and conditions upon which the Options were granted. The contractual life of the Options granted is 7 years. There is no cash settlement of the Options. The fair value of Options on the date of grant was HK\$808,000 which was estimated using the following assumptions:

Dividend yield:	3.03%
Expected volatility:	70%
Risk-free interest rate:	0.86%

For the six months ended 30 September 2023, the Company has recognised approximately HK\$61,000 (2022: HK\$126,000) of equity-settled share-based payment expenses in respect of the Options in the condensed consolidated statement of profit or loss and other comprehensive income.

(b) Share Award Scheme

The Company adopted a share award scheme (the “**Share Award Scheme**”) on 3 February 2021 (“**Adoption Date**”) and shall expire on 2 February 2031, being the business day immediately prior to the tenth anniversary of the Adoption Date. The remaining life of the Share Award Scheme is approximately seven years, subject to any termination as may be determined by the Board pursuant to the terms of the Share Award Scheme. The purpose of the Share Award Scheme is to recognise the contributions by certain employees and persons to the Group, 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2023

On 20 April 2021, the Company granted an award of 500,000 Shares (the “**Awarded Shares**”) to Mr. Wang under the Share Award Scheme. Subject to the lock-up condition as set out below and the scheme rules of the Share Award Scheme, the Awarded Shares shall vest in Mr. Wang and Mr. Wang shall have the right to receive the Awarded Shares in accordance with the following vesting schedule:

- (i) as to 150,000 Awarded Shares, representing 30% of the Awarded Shares, on the first anniversary of the date of grant;
- (ii) as to 150,000 Awarded Shares, representing 30% of the Awarded Shares, on the second anniversary of the date of grant; and
- (iii) as to 200,000 Awarded Shares, representing 40% of the Awarded Shares, on the third anniversary of the date of grant.

The vested Awarded Shares (and the vesting of the remaining Awarded Shares) are subject to the condition that Mr. Wang will not dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of the relevant vested Awarded Shares during a period of six (6) months commencing on the vesting date of the relevant Awarded Shares (the “**Lock-Up Condition**”).

On 7 May 2021, the 500,000 new Shares in respect of the said award were issued and allotted to the trustee under the Share Award Scheme at nominal value under the general mandate granted to the Directors at the annual general meeting of the Company held on 7 August 2020.

On 20 April 2022, 150,000 Awarded Shares became vested in Mr. Wang and were transferred to him from the trustee under the Share Award Scheme, subject to the Lock-up Condition.

On 20 April 2023, an additional 150,000 Awarded Shares became vested in Mr. Wang and transferred to him from the trustee under the Share Award Scheme, subject to the Lock-up Condition.

The number of Awarded Shares unvested as at 30 September 2023 was 200,000.

For the six months ended 30 September 2023, the Company has recognised approximately HK\$20,000 (2022: HK\$42,000) of equity-settled share-based payment expenses in respect of the Awarded Shares in the condensed consolidated statement of profit or loss and other comprehensive income.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2023

Details of Awarded Shares granted under the Share Award Scheme are as follows:

Name of Participant	Date of grant (note i)	Number of Awarded Shares granted on date of grant (note ii)	Number of Awarded Shares unvested as at 1 April 2023	Number of Awarded Shares vested during the period (note iii)	Lapsed/ cancelled during the period (note iv)	Number of Awarded Shares unvested as at 30 September 2023
Mr. Wang	20 April 2021	500,000	350,000	(150,000)	-	200,000

Notes:

- (i) No Awarded Share was granted under Share Award Scheme during the period ended 30 September 2023 and up to the date of this report.
- (ii) The Awarded Shares granted to the participant were satisfied by way of the issue and allotment of new Shares at the par value thereof under general mandate and no purchase price was payable by the Company or the participant to purchase the Awarded Shares under the Share Award Scheme.
- (iii) The weighted average closing price of the Shares immediately before the date on which the Awarded Shares were vested during the period was HK\$0.315.
- (iv) No Awarded Shares granted were cancelled, lapsed or forfeited in accordance with the terms of the Share Award Scheme during the period ended 30 September 2023.

15. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised		
At 1 April 2022, 31 March 2023, 1 April 2023 and 30 September 2023	2,000,000	20,000
Issued and fully paid		
At 1 April 2022, 31 March 2023, 1 April 2023 and 30 September 2023	1,050,500	10,505

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 September 2023

16. RELATED PARTY TRANSACTIONS

During the six months ended 30 September 2023 and 2022, the Group had the following material transactions and balances with related parties.

- (a) Save as disclosed elsewhere in the condensed consolidated financial statements, the Group had the following material transactions with related parties during the six months ended 30 September 2023 and 2022:

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Sales to related companies (<i>note i</i>)	–	532
Service fees to related companies (<i>note ii</i>)	–	96

Notes:

- (i) The sales were made on a mutually agreed basis. The related companies are controlled and substantially owned by Mr. Zhong Naixiong, a Director.
- (ii) The service fees were made on a mutually agreed basis. The related companies are controlled and beneficially owned by Mr. Yau Wing Keung, a Director or a close family member of Mr. Zhong Naixiong, a Director.

(b) Compensation of key management personnel

The remuneration of key management personnel during the six months ended 30 September 2023 and 2022 was as follows:

	Six months ended 30 September	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Short-term benefits	4,444	3,973
Equity-settled share-based payment expenses	81	168
Post-employment benefits	105	116
	4,630	4,257

The remuneration of the key management personnel is determined by the Board having regard to the performance of individuals and market trends.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period, the Group maintained its market position as one of the leading VCMA solution service providers in Hong Kong. The Group's revenue is primarily derived from the provision of (i) VCMA solution services and maintenance services and (ii) cloud-based IT+OT managed services.

Provision of VCMA solution and maintenance services

The outbreak of COVID-19 pandemic since early 2020 has adversely affected the global business environment, posing a short-term threat to the Group's VCMA solutions business. During the period under review, the VCMA business performance had seen rebound and recovery as normal business resumes after the COVID-19 pandemic. Although there is a decrease in the revenue from VCMA maintenance services, the demand for VCMA solution services gradually resumed and the revenue increased by approximately 8.2% compared to same period of last year.

Provision of cloud-based IT+OT managed services

The Group has strategically expanded into the PRC's ubiquitous Internet of Things (IoT) by offering integrated IT+OT managed services through its 85% owned subsidiary, Beijing National Greenfield Technology Co. Limited* (北京能興國雲信息科技有限公司) ("**Beijing National Greenfield**") in the PRC. In March 2023, Beijing National Greenfield made breakthroughs in solutions, products and service capabilities by combining its superior technologies including security and IoT, and completed the development and launch of its "Next Generation Intelligent Operation and Management Platform". With the new platform completed, the Group entered into contract with new international hospital customer for the platform products for the first time, and expect to complete the project in 2024.

During the period under review, Beijing National Greenfield continued to expand its business relating to security products of its own brand, secured an order from a well-known semiconductor brand in the PRC and completed the delivery of its products online, and secured the renewal of the contracts of its existing security product customers in previous years, which started to generate rolling revenue during the period under review.

In addition, based on the real-time energy management system function module in the existing "Next Generation Intelligent Operation and Management Platform", and combining security and IoT technologies, Beijing National Greenfield initiated the research and development of an independent "Intelligent Energy Saving Platform" product targeting for building the heating ventilation and air-conditioning system ("**HVAC System**") by analyzing the brand new and big operation data and controlling with artificial intelligence. In October 2023, the Group obtained the recognition of a well-known commercial complex customers, and carried out the installation and operation of relevant energy-saving products with good energy-saving effects. The "Intelligent Energy Saving Platform" product will be deployed for high energy consumption buildings including commercial complexes, offices, hotels, hospitals and schools, cultural and transportation buildings, under the premise of micro-renovation and rapid completion of online deployment, so as to carry out efficient energy saving for building the HVAC System, reduce building energy consumption and carbon emissions using security, IoT, big data and artificial intelligence technologies, and achieve better green development.

* English names for identification purposes only

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$2,124,000 or 2.9% from approximately HK\$73,560,000 for the six months ended 30 September 2022 to approximately HK\$75,684,000 for the six months ended 30 September 2023.

Revenue generated from VCMA solution services increased by approximately HK\$4,639,000 or 8.2% from approximately HK\$56,420,000 for the six months ended 30 September 2022 to approximately HK\$61,059,000 for the six months ended 30 September 2023. The increase was mainly attributable to the resumption of projects in offices after the ending of work from home arrangement commonly implemented during the COVID-19 pandemic.

Revenue generated from VCMA maintenance services decreased by approximately HK\$1,525,000 or 14.9% from approximately HK\$10,268,000 for the six months ended 30 September 2022 to approximately HK\$8,743,000 for the six months ended 30 September 2023, which was mainly due to decrease in total maintenance projects after the completion of related project of VCMA solution services.

Revenue generated from AIoT operation and other services decreased from approximately HK\$5,586,000 for the six months ended 30 September 2022 to nil for the six months ended 30 September 2023. The significant decrease was due to the delay in delivery of the project as a result of an unexpected prolonged period of time required for obtaining approval of an on-site fire-fighting system from the local government and hence the delay in the recognition in the relevant revenue. Revenue generated from security services increased significantly by approximately HK\$4,596,000 or 357.4% from approximately HK\$1,286,000 for the six months ended 30 September 2022 to approximately HK\$5,882,000 for the six months ended 30 September 2023. The increase was attributable to continuous expansion with increased demand from existing customers.

For details of the segment information, please refer to note 4 to the condensed consolidated financial statements in this report.

Gross operating profit and gross operating profit margin

Gross operating profit is calculated based on the revenue for the period minus cost of sales for the period. Gross operating profit margin is calculated based on the gross operating profit for the period divided by the revenue for the period and multiplied by 100%.

Gross operating profit decreased by approximately HK\$1,223,000 from approximately HK\$26,289,000 for the six months ended 30 September 2022 to approximately HK\$25,066,000 for the six months ended 30 September 2023 which is mainly due to reduction of gross profit margin of VCMA maintenance projects.

Gross operating profit margin slightly decreased from approximately 35.7% for the six months ended 30 September 2022 to approximately 33.1% for the six months ended 30 September 2023.

Staff cost

Staff cost increased by approximately HK\$1,925,000 or 10.8% from approximately HK\$17,748,000 for the six months ended 30 September 2022 to approximately HK\$19,673,000 for the six months ended 30 September 2023. It was mainly due to salary increment for some technical staffs.

Other operating expenses

Other operating expenses mainly comprised legal and professional fee, promotion and exhibition expenses, rent and rates, trip and travelling expenses and other office expenses. Other operating expenses increased by HK\$104,000 or 2.5% from approximately HK\$4,115,000 for the six months ended 30 September 2022 to approximately HK\$4,219,000 for the six months ended 30 September 2023, which was mainly due to additional promotion and exhibition expenses incurred during the six months ended 30 September 2023.

Income tax expenses

Income tax expenses remained stable at approximately HK\$405,000 for the six months ended 30 September 2023, which was due to combined impact of a decrease in taxable profit in Hong Kong arising from the decrease in gross profit and the impact of deferred tax.

(Loss) profit for the period

The financial results for the six months ended 30 September 2023 shifted from profit for the period of approximately HK\$2,035,000 to loss for the period of approximately HK\$3,023,000, which was mainly due to the decrease in gross operating profit and increase in staff cost and depreciation and amortisation.

OTHER INFORMATION

PROSPECTS

Looking ahead, the Group will continue to maintain and strengthen its position as one of Hong Kong's leading service providers of VCMA solutions and to further expand its market share in the cloud-based IT+OT managed services industry in the PRC. As Hong Kong's economy gradually recovers with the macro-economy rebounding, it is expected that demand for VCMA solution services will increase gradually. In the near future, the Group believes that more companies will expeditiously seek to transform their operations with smart devices and cloud-based technologies both in Hong Kong and across Asia. Given the Group's market-leading position in Hong Kong, this will create enormous business opportunities for the Group to provide integrated one-stop VCMA solutions as well as cloud-based IT+OT managed services.

In the coming financial years, Beijing National Greenfield will simultaneously seize the four aspects: 1) high-quality and timely delivery for existing customers' business; 2) renewal and expansion of existing customers; 3) expansion and execution of new customers; and 4) continuous research and development and market expansion of new products, including the "Next Generation Intelligent Operation and Management Platform" and the "Intelligent Energy Saving Platform", bringing stable development for Beijing National Greenfield's business in the coming financial years.

The Group would adopt a prudent yet proactive development strategy and continue to explore potential investment opportunities, seize every business opportunity and deliver satisfactory long-term returns to the shareholders of the Company.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's operation and investments were financed principally by cash generated from its own business operations, bank borrowings and proceeds from issue of new Shares. As at 30 September 2023, the Group had net current assets of approximately HK\$56,272,000 (31 March 2023: HK\$75,522,000) and cash and cash equivalents of approximately HK\$31,158,000 (31 March 2023: HK\$49,437,000). Current liabilities of the Group as at 30 September 2023 included carrying amount of approximately HK\$12,287,000 (31 March 2022: HK\$14,335,000) in bank borrowings that were not repayable within one year from the end of the reporting period but contained a repayment on demand clause.

GEARING RATIO

As at 30 September 2023, the gearing ratio (calculated on the basis of total debt divided by total assets at the end of the reporting period) of the Group was approximately 7.7% (31 March 2023: 7.8%).

FOREIGN CURRENCY RISK

The majority of the Group's business transactions are in Hong Kong and are denominated in HK\$. The Group currently does not have a foreign currency hedging policy. However, the Directors will continuously monitor the related foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CAPITAL COMMITMENT

As at 30 September 2023, the Group did not have any material capital commitment (31 March 2023: nil).

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 September 2023 (2022: nil).

CAPITAL STRUCTURE

The capital structure of the Group consists of net debt, which includes bank borrowings, net of cash and cash equivalents and equity attributable to the owners of the Company, comprising issued share capital and reserves. The Directors review the Group's capital structure regularly. As part of this review, the Directors have considered the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends, issuance of new Shares as well as the issue of new debts or convertible securities or through the repayment of borrowings. Details of bank borrowings of the Group are set out in note 13 to the condensed consolidated financial statements in this report.

USE OF PROCEEDS

The net proceeds from the placing of 50,000,000 new Shares to not less than six independent placees at the placing price of HK\$0.57 per placing share on 19 August 2021 (the "**Placing**"), after deduction of the placing commission and other costs and expenses relating to the Placing, amounted to approximately HK\$27,530,000 ("**Net Proceeds**").

On 30 December 2021, the Board has resolved to change the intended use of the unutilised Net Proceeds and updated timeline for utilisation of the Net Proceeds for more efficient use of the Group's financial resources.

OTHER INFORMATION

As disclosed in the announcements of the Company dated 14 April 2022 and 21 June 2023, the Board has further resolved to extend timeline for utilisation of the remaining part of Net Proceeds intended to be used for the enhancing the development of VCMA solution services business in the PRC to on or before 31 March 2024 in light of the continuing uncertainty brought about by the COVID-19 pandemic.

On 17 November 2023, the Board has further resolved to change the intended use and timeline of the unutilised Net Proceeds of HK\$3.79 million to development of IT+OT business in the PRC to be utilised on or before 30 September 2024 for more efficient use of the Group's financial resources.

The following table sets forth the use of the Net Proceeds:

	Planned use of Net Proceeds as stated in the announcement dated 11 August 2021 (HK\$' million)	Revised use of Net Proceeds as stated in the announcement dated 30 December 2021 (HK\$' million)	Actual use of Net Proceeds up to 30 September 2023 (HK\$' million)	Further revised use of Net Proceeds as stated in the announcement dated 17 November 2023 (HK\$' million)	Amount of remaining Net Proceeds as at 30 September 2023 (HK\$' million)	Updated expected timeline for utilising the remaining Net Proceeds
Enhancing the development of VCMA solution services business in the PRC	12.39	3.81	0.02	0.02	-	N/A
Development of IT+OT business in the PRC	12.39	12.39	12.39	16.18	3.79	on or before 30 September 2024
Working capital and general corporate purposes	2.75	2.75	2.75	2.75	-	N/A
Payment of the capital commitment by the Group in Changzhou Guoyun Green Data Technology Co., Limited	N/A	8.58	8.58	8.58	-	N/A
Total:	27.53	27.53	23.74	27.53	3.79	

The unused Net Proceeds amounting to approximately HK\$3.79 million were deposited in licensed banks in Hong Kong.

Further details of the Placing are set out in the Company's announcements dated 11 August 2021, 19 August 2021 and 21 June 2023.

CHARGE ON THE GROUP'S ASSETS

As at 30 September 2023, land and buildings of approximately HK\$76,208,000 (31 March 2023: HK\$77,524,000) were pledged to secure banking facilities granted to the Group.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 September 2023 (31 March 2023: nil).

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions or disposals of subsidiaries, associates and joint ventures during the period.

SIGNIFICANT INVESTMENTS HELD BY THE GROUP

As at 30 September 2023, the Group did not hold any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the section headed "Use of proceeds", the Group did not have other plans for material investments or capital assets as at 30 September 2023.

CHANGE IN INFORMATION OF DIRECTORS

During the six months ended 30 September 2023, there was no change in any of the information disclosed pursuant to the requirement under paragraphs (a) to (e) and (g) of rule 13.51(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2023, the Group employed 86 (31 March 2023: 84) full-time employees. The remuneration policy of the Group to reward its employees and executives is based on their performance, qualification, working experience, competence displayed with reference to selected comparable market remuneration data.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period, none of the Company or its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

The Share Option Scheme was adopted under the written resolutions of the shareholders of the Company passed on 11 May 2015. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives or rewards for their contribution to the Group.

Details of share options granted on 20 April 2021 are set out in note 14(a) to the condensed consolidated financial statements in this report.

The maximum number of Shares available for issue under the Share Option Scheme is 100,000,000, being 10.0% of the Company's shares in issue as at the date of approval of the scheme mandate limit. After deducting the total number of 3,000,000 options granted under the Share Option Scheme, the total number of Shares available for issue under the Share Option Scheme as at the date of this announcement is 97,000,000, representing approximately 9.2% of the existing issued share capital of the Company.

SHARE AWARD SCHEME

The Share Award Scheme was adopted by the Company on 3 February 2021. The purpose of the Share Award Scheme is to recognise the contributions by certain employees and persons to the Group, 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.

Details of the share award granted on 20 April 2021 are set out in note 14(b) to the condensed consolidated financial statements in this report.

The maximum number of Awarded Shares which may be granted pursuant to the Share Award Scheme is 150,000,000, being 15% of the issued share capital of the Company as at the Adoption Date (the "**Scheme Limit**"). As at 1 April 2023, 30 September 2023 and the date of this report, a total of 500,000 Awarded Shares were granted under the Share Award Scheme, leaving behind 149,500,000 Awarded Shares being available for grant under the Scheme Limit, representing approximately 14.2% of the total number of Shares in issue as at the date of this report.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors (the “**Model Code**”) on terms no less exacting than the required standard of dealings as set out in the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. The Company, having made specific enquiries of all Directors, was not aware of any non-compliance with the Model Code during the period.

DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or the associated corporations

As at 30 September 2023, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”) (i) as recorded in the register required to be kept under section 352 of the SFO; or (ii) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in the Model Code, were as follows:

Name	Capacity/Nature of interest	Number of Shares held <i>(Note 1)</i>	Percentage of issued Shares
Mr. Zhong Naixiong	Interest of controlled corporation <i>(Note 2)</i>	600,000,000	57.12%
Dr. Wong King Keung	Beneficial owner	150,000,000	14.28%

Notes:

- (1) All interests stated are long positions.
- (2) These Shares are held by Phoenix Time Holdings Limited, which is 100% owned by Mr. Zhong Naixiong. Pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Zhong Naixiong is deemed to have an interest in all Shares in which Phoenix Time Holdings Limited has, or deemed to have, an interest.

OTHER INFORMATION

Save as disclosed above, as at 30 September 2023, none of the Directors and the chief executive of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) as recorded in the register required to be kept under section 352 of the SFO or (ii) as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuer as referred to in the Model Code.

(b) Interests and short positions of the substantial shareholders in the shares and underlying shares

As at 30 September 2023, so far as is known to the Directors and the chief executive of the Company, the following corporations or persons (other than the Directors or the chief executive of the Company) had, or were deemed or taken to have interests or short positions in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

Name	Capacity/Nature of interest	Number of Shares <i>(Note 1)</i>	Percentage of issued Shares
Phoenix Time Holdings Limited	Beneficial owner	600,000,000	57.12%
Ms. Chen Minling <i>(Note 2)</i>	Interests of spouse	600,000,000	57.12%
Ms. Wong Lau Sau Yee Angeli <i>(Note 3)</i>	Interests of spouse	150,000,000	14.28%
Knight Sky Holdings Limited <i>(Note 4)</i>	Person having a security interest in shares	600,000,000	57.12%
Mr. Cheng Kai Ming, Charles <i>(Note 5)</i>	Interests of controlled corporation	600,000,000	57.12%
Ms. Chim Mei Hing <i>(Note 6)</i>	Interests of spouse	600,000,000	57.12%

Notes:

- (1) All interests stated are long positions.
- (2) Ms. Chen Minling is the spouse of Mr. Zhong Naixiong, a Director. Pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Chen Minling is deemed to have an interest in all Shares in which Mr. Zhong Naixiong has, or deemed to have, an interest.

- (3) Ms. Wong Lau Sau Yee Angeli is the spouse of Dr. Wong King Keung, a Director. Pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Wong Lau Sau Yee Angeli is deemed to have an interest in all Shares in which Dr. Wong King Keung has, or deemed to have, an interest.
- (4) These Shares were held by Knight Sky Holdings Limited as at 30 September 2023 by way of security interests.
- (5) These Shares are held by Knight Sky Holdings Limited, which is 100% owned by Mr. Cheng Kai Ming, Charles. Pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, Mr. Cheng Kai Ming, Charles is deemed to have an interest in all Shares in which Knight Sky Holdings Limited has, or deemed to have, an interest.
- (6) Ms. Chim Mei Hing is the spouse of Mr. Cheng Kai Ming, Charles, a beneficial owner of Knight Sky Holdings Limited. Pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Chim Mei Hing is deemed to have an interest in all Shares in which Mr. Cheng Kai Ming, Charles has, or deemed to have, an interest.

Save as disclosed above, as at 30 September 2023, the Directors and the chief executive of the Company are not aware of any other person, not being a Director or a chief executive of the Company, who had, or was deemed or taken to have an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' RIGHT TO ACQUIRE SHARES

Save as disclosed above, at no time during the period was the Company, or its holding company, its subsidiaries or its fellow subsidiaries a party to any arrangement to enable the Directors and the chief executives of the Company (including their spouses and children under 18 years of age) to hold any interests or short positions in the shares, underlying shares, or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at 30 September 2023, none of the Directors or their respective associates had any business or interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company maintains a high standard of corporate governance to safeguard the interests of the shareholders of the Company and enhance its corporate value. The Company's corporate governance practices are based on the principles and code provisions as set out in Part 2 of the Corporate Governance Code in Appendix 14 to the Listing Rules (the "**CG Code**"). To the best knowledge of the Board, the Company had complied with the CG Code during the period and up to the date of this report.

REVIEW OF RESULTS

The Company has established an audit committee (the "**Audit Committee**") in accordance with the Listing Rules and the requirements of the CG Code for the purpose of reviewing and providing supervision over the Group's financial reporting process, risk management and internal controls. The Audit Committee currently comprises four independent non-executive Directors, namely Mr. Fong Chi, Mr. Lum Pak Sum, Mr. Lai Kai Ming Ricky and Ms. Wu Hung Yu. Mr. Lum Pak Sum is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited consolidated results of the Group for the period and this report and is of the view that they have complied with the applicable accounting standards, the Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

SUFFICIENCY OF PUBLIC FLOAT

From the information publicly available to the Company and within the knowledge of the Directors, the Company has maintained the public float as required by the Listing Rules as at the date of this report.

EVENT AFTER REPORTING PERIOD

The Board is not aware of any material event after the end of the reporting period and up to the date of this report that requires disclosure.

By order of the Board
Zhong Naixiong
Chairman

Hong Kong, 17 November 2023

As at the date of this report, the executive Directors are Mr. Zhong Naixiong, Mr. Yau Wing Keung, Mr. Tong Sai Wong, Mr. Chan Wing Yiu and Mr. Chan Wing Lun; the non-executive Director is Dr. Wong King Keung; and the independent non-executive Directors are Mr. Fong Chi, Mr. Lum Pak Sum, Mr. Lai Kai Ming Ricky and Ms. Wu Hung Yu.