

**CEC-COILS® 759 阿信屋®**

**CEC國際控股有限公司**  
**CEC INTERNATIONAL HOLDINGS LIMITED**

*(Incorporated in Bermuda with limited liability)*  
*(於百慕達註冊成立之有限公司)*

**(Stock Code 股份代號: 759)**

**INTERIM REPORT 中期報告**  
**2023/2024**

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# Corporate Information

## DIRECTORS

### Executive Directors

Ms. Tang Fung Kwan  
(Chairman and Managing Director)  
Mr. Lam Kwok Chung  
(Deputy Managing Director)  
Mr. Ho Man Lee

### Independent Non-executive Directors

Mr. Goh Gen Cheung  
Mr. Chan Chiu Ying  
Ms. Tsui Mei Ling, May

## AUDIT COMMITTEE

Mr. Chan Chiu Ying (Chairman)  
Mr. Goh Gen Cheung  
Ms. Tsui Mei Ling, May

## REMUNERATION COMMITTEE

Mr. Goh Gen Cheung (Chairman)  
Ms. Tang Fung Kwan  
Mr. Chan Chiu Ying  
Ms. Tsui Mei Ling, May

## NOMINATION COMMITTEE

Ms. Tang Fung Kwan (Chairman)  
Mr. Goh Gen Cheung  
Mr. Chan Chiu Ying  
Ms. Tsui Mei Ling, May

## COMPANY SECRETARY

Ms. Ho Wing Yi

## PRINCIPAL BANKERS

The Hongkong and Shanghai  
Banking Corporation Limited  
Bank of China (Hong Kong) Limited

## REGISTERED OFFICE

Victoria Place, 5th Floor  
31 Victoria Street  
Hamilton HM 10  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

2nd Floor, Hing Win Factory Building  
110 How Ming Street  
Kwun Tong, Kowloon  
Hong Kong

## HEADQUARTERS IN MAINLAND CHINA

Li Xin Jie, Yong An Lu  
Dong Feng Zhen  
Zhongshan  
Guangdong  
China

## AUDITOR

PricewaterhouseCoopers  
Certified Public Accountants  
Registered Public Interest Entity Auditor

## LEGAL ADVISERS

Grandall Zimmern Law Firm  
Appleby

## SHARE REGISTRARS AND TRANSFER OFFICES

**Bermuda Principal Share Registrar**  
MUGF Fund Services  
(Bermuda) Limited  
4th Floor North Cedar House  
41 Cedar Avenue  
Hamilton HM 12  
Bermuda

**Hong Kong Branch Share Registrar**  
Computershare Hong Kong Investor  
Services Limited  
Shops 1712-1716  
17th Floor  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

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Listed on The Stock Exchange  
of Hong Kong Limited  
Stock Code: 759

## 2023/2024 Interim Results

The Board of Directors (the “Board”) of CEC International Holdings Limited (the “Company”) would like to present the unaudited condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 October 2023 and the unaudited condensed consolidated statement of financial position of the Group as at 31 October 2023.

### Condensed Consolidated Income Statement

	Note	Six months ended 31 October	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	3	750,947	888,738
Cost of sales		(448,593)	(563,444)
Gross profit		302,354	325,294
Other income	4	–	19,127
Other gains, net		223	–
Selling and distribution expenses		(234,413)	(237,182)
General and administrative expenses		(60,381)	(61,539)
Operating profit	5	7,783	45,700
Finance income		1,100	283
Finance costs		(7,336)	(8,256)
Finance costs, net	6	(6,236)	(7,973)
Profit before income tax		1,547	37,727
Income tax expense	7	(1,217)	(3,933)
Profit attributable to equity holders of the Company for the period		330	33,794
Earnings per share, basic and diluted, attributable to equity holders of the Company	8	HK0.05 cent	HK5.07 cents

## Condensed Consolidated Statement of Comprehensive Income

	Six months ended 31 October	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Profit for the period	330	33,794
Other comprehensive (loss)/income		
– items that may be reclassified to profit or loss		
Currency translation differences	(7,949)	(18,074)
– item that will not be reclassified to profit or loss		
Change in fair value of financial assets at fair value through other comprehensive income	(37)	(22)
<b>Total comprehensive (loss)/income for the period</b>	<b>(7,656)</b>	<b>15,698</b>

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## Condensed Consolidated Statement of Financial Position

	Note	As at 31 October 2023 HK\$'000 (Unaudited)	As at 30 April 2023 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	307,942	315,582
Right-of-use assets		243,980	234,991
Investment properties		19,566	19,910
Financial assets at fair value through other comprehensive income		67	106
Deposits paid for acquisition of property, plant and equipment		–	1,039
Rental deposits		35,679	34,389
Deferred tax assets		5,727	5,727
		<b>612,961</b>	<b>611,744</b>
<b>Current assets</b>			
Inventories		160,242	144,282
Accounts receivable	11	10,606	14,447
Deposits, prepayments and other receivables		42,534	39,138
Tax recoverable		–	18
Pledged bank balances		21,440	21,440
Cash and cash equivalents		75,564	86,022
		<b>310,386</b>	<b>305,347</b>
<b>Total assets</b>		<b>923,347</b>	<b>917,091</b>
<b>EQUITY</b>			
Share capital	12	66,619	66,619
Reserves		452,606	466,924
<b>Total equity</b>		<b>519,225</b>	<b>533,543</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		98,159	92,930
Deferred tax liabilities		7,684	7,484
Accruals and other payables		10,356	9,801
Borrowings		2,078	2,554
		<b>118,277</b>	<b>112,769</b>
<b>Current liabilities</b>			
Lease liabilities		136,714	135,190
Borrowings		11,547	963
Accounts payables	13	73,388	70,752
Accruals and other payables		56,646	56,390
Taxation payable		888	7,484
Dividend payable		6,662	–
		<b>285,845</b>	<b>270,779</b>
<b>Total liabilities</b>		<b>404,122</b>	<b>383,548</b>
<b>Total equity and liabilities</b>		<b>923,347</b>	<b>917,091</b>

## Condensed Consolidated Statement of Changes in Equity

	Unaudited									
	Share Capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Statutory reserves HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 May 2023	66,619	25,075	13,934	5,042	(32)	7,450	19,632	78,333	317,490	533,543
Profit for the period	-	-	-	-	-	-	-	-	330	330
<b>Other comprehensive income/</b>										
<b>(loss):</b>										
Currency translation differences	-	-	-	-	-	-	-	(7,949)	-	(7,949)
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(37)	-	-	-	-	(37)
<b>Total comprehensive income</b>	-	-	-	-	(37)	-	-	(7,949)	330	(7,656)
2022/2023 final dividend	-	-	-	-	-	-	-	-	(6,662)	(6,662)
Balance at 31 October 2023	66,619	25,075	13,934	5,042	(69)	7,450	19,632	70,384	311,158	519,225
Balance at 1 May 2022	66,619	25,075	13,934	5,042	26	7,450	19,632	87,288	274,587	499,653
Profit for the period	-	-	-	-	-	-	-	-	33,794	33,794
<b>Other comprehensive loss:</b>										
Currency translation differences	-	-	-	-	-	-	-	(18,074)	-	(18,074)
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(22)	-	-	-	-	(22)
<b>Total comprehensive income</b>	-	-	-	-	(22)	-	-	(18,074)	33,794	15,698
2021/2022 final dividend	-	-	-	-	-	-	-	-	(6,662)	(6,662)
Balance at 31 October 2022	66,619	25,075	13,934	5,042	4	7,450	19,632	69,214	301,719	508,689

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## Condensed Consolidated Statement of Cash Flows

	Six months ended	
	31 October	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from operations	85,918	129,818
Overseas tax paid	(143)	(60)
Hong Kong tax paid	(7,470)	(21,846)
Hong Kong tax refund	18	–
Net cash generated from operating activities	78,323	107,912
Cash flows from investing activities		
Purchase of property, plant and equipment	(6,466)	(7,891)
Net cash used in investing activities	(6,466)	(7,891)
Cash flows from financing activities		
Proceeds from borrowings	10,572	26,751
Repayments of borrowings	(464)	(32,247)
Interest received	485	182
Interest paid	(411)	(502)
Payment of lease liabilities	(91,630)	(84,773)
Net cash used in financing activities	(81,448)	(90,589)
(Decrease)/increase in cash and cash equivalents	(9,591)	9,432
Exchange difference	(867)	(979)
Cash and cash equivalents at the beginning of the period	86,022	78,731
Cash and cash equivalents at the end of the period	75,564	87,184

# Notes to the Condensed Consolidated Interim Financial Statements

## 1. General information

The Group is principally engaged in (i) retail of food and beverage, household and personal care products (“retail business”), (ii) design, development, manufacture and sale of a wide range of coils, ferrite powder and other electronic components (“electronic components manufacturing”), and (iii) investment property holdings.

The Company is incorporated as an exempted company in Bermuda with limited liability. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The Company’s shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 1999. Its immediate holding company and ultimate holding company are Ka Yan China Development (Holding) Company Limited and Ka Yan China Investments Limited, respectively, both incorporated in the British Virgin Islands. The Company is ultimately controlled by Mr. Lam Kwok Chung, an executive director of the Company.

This condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 20 December 2023.

This unaudited condensed consolidated interim financial information has not been audited.

## 2. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 30 April 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

The preparation of the Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these Interim Financial Statements, the significant judgements made by management in applying the group’s accounting policies and key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 30 April 2023.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 April 2023, as described in those annual financial statements. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

## Notes to the Condensed Consolidated Interim Financial Statements

### 2. Basis of preparation and accounting policies *(continued)*

#### I) New and amended standards adopted by the Group

The following new and amended standards are mandatory for the financial year beginning on 1 May 2023.

HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of accounting policies
HKAS 8 (Amendments)	Definition of accounting estimates
HKAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction
HKAS 12 (Amendments)	International Tax Reform – Pillar Two Model Rules
HKFRS 17	Insurance Contracts
HKFRS 17 (Amendments)	Amendments to HKFRS 17
HKFRS 17 (Amendments)	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information

The adoption of these new and amended standards did not have any significant impact on the preparation of these condensed consolidated interim financial information.

#### II) Amended standards and interpretation (together refer as “Amendments”) that have been issued but not yet effective

The following Amendments have been issued but are not effective for the financial year beginning on or after 1 May 2023 and have not been early adopted by the Group.

HKAS 1 (Amendments)	Classification of liabilities as current or non-current <sup>(1)</sup>
HKAS 1 (Amendments)	Non-current liabilities with covenants <sup>(1)</sup>
HKAS 16 (Amendments)	Lease liabilities in a sale and leaseback <sup>(1)</sup>
HK-Interpretation 5 (Revised)	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause <sup>(1)</sup>
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements <sup>(1)</sup>
HKAS 21 (Amendments)	Lack of Exchangeability <sup>(2)</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture <sup>(3)</sup>

<sup>(1)</sup> Effective for the Group for annual period beginning on 1 May 2024.

<sup>(2)</sup> Effective for the Group for annual period beginning on 1 May 2025.

<sup>(3)</sup> Effective date to be determined.

The Group has commenced an assessment of the impact of these amended standards and interpretation, but is yet in a position to state whether they would have significant impacts on its results of operations and financial position.

## Notes to the Condensed Consolidated Interim Financial Statements

### 3. Segment information

The Executive Directors of the Group (“Management”) review the Group’s internal reports periodically in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group has three reportable segments, namely (i) retail business, (ii) electronic components manufacturing, and (iii) investment property holdings. Segment information provided to Management for decision-making is measured in a manner consistent with that in the Interim Financial Statements.

	Retail business		Electronic components manufacturing		Investment property holdings		Eliminations		Total	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	31 October		31 October		31 October		31 October		31 October	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue										
External sales	726,750	851,063	23,703	37,123	494	552	-	-	750,947	888,738
Intersegment sales	-	-	-	-	792	792	(792)	(792)	-	-
	<u>726,750</u>	<u>851,063</u>	<u>23,703</u>	<u>37,123</u>	<u>1,286</u>	<u>1,344</u>	<u>(792)</u>	<u>(792)</u>	<u>750,947</u>	<u>888,738</u>
Segment results										
Operating profit/(loss)	20,456	51,814	(4,411)	1,721	(282)	(229)			15,763	53,306
Corporate expenses									(7,980)	(7,606)
Finance costs, net									(6,236)	(7,973)
Profit before income tax									1,547	37,727
Income tax expense									(1,217)	(3,933)
Profit for the period									<u>330</u>	<u>33,794</u>
Depreciation and amortisation	93,627	92,642	935	1,105	-	-			94,562	93,747
Total distribution costs and administrative expenses	<u>278,842</u>	<u>287,184</u>	<u>7,196</u>	<u>3,150</u>	<u>776</u>	<u>781</u>			<u>286,814</u>	<u>291,115</u>

## Notes to the Condensed Consolidated Interim Financial Statements

## 3. Segment information (continued)

	Retail business		Electronic component manufacturing		Investment property holdings		Eliminations		Total	
	As at	As at	As at	As at	As at	As at	As at	As at	As at	
	31/10/2023	30/04/2023	31/10/2023	30/4/2023	31/10/2023	30/4/2023	31/10/2023	30/4/2023	31/10/2023	30/4/2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	778,832	772,273	113,581	120,593	20,832	20,918	(2,465)	(2,581)	910,780	911,203
Unallocated assets										
– Deferred income tax									5,727	5,727
– Corporate assets									6,840	143
– Tax recoverable									–	18
<b>Total assets</b>									<b>923,347</b>	<b>917,091</b>
Segment liabilities	363,153	355,642	6,183	7,587	2,127	2,273	(2,465)	(2,581)	368,998	362,921
Borrowings									13,625	3,517
Unallocated liabilities										
– Deferred income tax									7,684	7,484
– Taxation payable									888	7,484
– Corporate liabilities									6,265	2,142
– Dividend payable									6,662	–
<b>Total liabilities</b>									<b>404,122</b>	<b>383,548</b>

## Geographical information

	Revenue		Non-current assets	
	Six months ended		As at	
	31 October		As at	
	2023	2022	31/10/2023	30/4/2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The PRC (including the Hong Kong Special Administrative Region)	743,845	877,641	612,620	611,249
Other countries/regions	7,102	11,097	341	495
	<b>750,947</b>	<b>888,738</b>	<b>612,961</b>	<b>611,744</b>

Revenue by geographical location is determined on the basis of the destination of shipment or place of sales to the customers.

Non-current assets by geographical location are determined based on the location of the relevant assets.

## Notes to the Condensed Consolidated Interim Financial Statements

## 4. Other income

During the six months ended 31 October 2022, other income primarily represented government subsidies in relation to the COVID-19 pandemic which included subsidies of HK\$18,842,000 granted under the Anti-Epidemic Fund of the Government of the Hong Kong Special Administrative Region. No such subsidy was received for the six months ended 31 October 2023.

## 5. Operating profit

Operating profit is stated after charging/(crediting) the following:

	Six months ended	
	31 October	
	2023	2022
	HK\$'000	HK\$'000
Cost of inventories recognised as expenses included in cost of sales	420,332	528,568
Depreciation of property, plant and equipment	12,299	15,253
Depreciation of right-of-use assets	82,263	78,494
Employee benefit expenses (including directors' emoluments)	129,097	137,768
Net reversal of impairment loss on financial assets	(259)	(215)
Provision for impairment of property, plant and equipment	349	–
Provision for impairment for right-of-use assets	592	–

## 6. Finance costs, net

	Six months ended	
	31 October	
	2023	2022
	HK\$'000	HK\$'000
<i>Finance income: –</i>		
Interest income from bank deposits	(485)	(182)
Others	(615)	(101)
	(1,100)	(283)
<i>Finance cost: –</i>		
Interest expense on bank borrowings	411	502
Interest expense on lease liabilities	6,925	6,032
Others	–	1,722
	7,336	8,256
	6,236	7,973

## Notes to the Condensed Consolidated Interim Financial Statements

### 7. Income tax expense

Income tax expense is recognised based on the Management's estimate of the annual income tax rate expected for the full financial year. The Company is incorporated in Bermuda and is exempted from taxation in Bermuda until 2035. Hong Kong profits tax has been provided at the rate of 8.25% on the first HK\$2 million of estimated assessable profits and 16.5% on the estimated assessable profit above HK\$2 million for the period (2022: same). Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax rate at the estimated rate of 25% (2022: 25%) on their taxable income determined according to Mainland China tax laws. Other overseas taxation has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

The amount of taxation charged to the condensed consolidated income statement represents:

	Six months ended	
	31 October	
	2023	2022
	HK\$'000	HK\$'000
Hong Kong taxation – current tax	888	3,550
– under-provision in prior years	21	–
Overseas taxation including Mainland China – current tax	108	73
Deferred taxation	200	310
	<b>1,217</b>	<b>3,933</b>

### 8. Earnings per share

The calculation of basic earnings per share for the six months ended 31 October 2023 is based on the consolidated profit for the period of approximately HK\$330,000 (2022: HK\$33,794,000) and the weighted average number of 666,190,798 (2022: 666,190,798) shares in issue during the period.

For the six months ended 31 October 2023 and 31 October 2022, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

### 9. Dividend

The Board resolved not to declare any interim dividend in respect of the six months ended 31 October 2023 (2022: Nil).

## Notes to the Condensed Consolidated Interim Financial Statements

## 10. Movements in property, plant and equipment

	<i>HK\$'000</i>
At 1 May 2023	315,582
Exchange differences	(2,497)
Additions	7,505
Depreciation	(12,299)
Impairment loss	(349)
	<hr/>
At 31 October 2023	<u>307,942</u>

## 11. Accounts receivable

The ageing analysis of accounts receivable, based on invoice date, is as follows:

	<b>As at 31 October 2023</b>	<b>As at 30 April 2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0-30 days	5,293	7,648
31-60 days	2,337	3,733
61-90 days	1,139	1,588
91-120 days	863	628
Over 120 days	5,964	6,267
	<hr/>	<hr/>
Less: loss allowance	15,596 (4,990)	19,864 (5,417)
	<hr/>	<hr/>
	<b>10,606</b>	<b>14,447</b>

The Group offers an average credit period ranging from 30 to 120 days to its non-retail business customers.

## Notes to the Condensed Consolidated Interim Financial Statements

## 12. Share capital

	As at 31 October 2023 HK\$'000	As at 30 April 2023 HK\$'000
Authorised:		
1,000,000,000 (As at 30 April 2023: 1,000,000,000) shares of HK\$0.10 each	100,000	100,000
Issued and fully paid:		
666,190,798 (As at 30 April 2023: 666,190,798) shares of HK\$0.10 each	66,619	66,619

## 13. Accounts payable

The ageing analysis of accounts payable, based on invoice date, is as follows:

	As at 31 October 2023 HK\$'000	As at 30 April 2023 HK\$'000
0-30 days	65,466	60,069
31-60 days	7,387	9,857
61-90 days	212	556
91-120 days	37	21
Over 120 days	286	249
	73,388	70,752

## Notes to the Condensed Consolidated Interim Financial Statements

## 14. Related party transactions

		Six months ended	
		31 October	
		2023	2022
		HK\$'000	HK\$'000
(a)	Rental expenses paid to a related company which is owned by directors of the Company	342	342
	Rental expenses paid to a director of the Company	147	147
(b)	Key management compensation		
	Salaries, allowances and other benefits in kind	5,216	5,219
	Pension costs – defined contribution plans	245	245
		5,461	5,464

## Management Discussion and Analysis

In the period under review, namely from May to October 2023, various challenges arose in Hong Kong economy. Though COVID-19 pandemic had finally receded and daily lives of Hong Kong citizens returned to normal, Hong Kong economy did not strongly rebound, not able to improve Hong Kong business environment as expected when COVID-19 pandemic went to its end. On the contrary, Hong Kong retail industry had faced the following challenges:

- As the number of local residents that travel abroad soared, flow of people in Hong Kong streets, especially in evening times or public holidays, decreased. Meanwhile, the number of visitor arrivals was lower than expected.
- In addition to the adjustments in Hong Kong stock market and property market, Hong Kong dollar interest rates increased for few times in 2023 that obviously weakened the consumer sentiment.
- The demand for staple and frozen foods sharply dropped since the lives of people returned to normal.

Bothered by the abovesaid factors, in the period under review, namely in the 6 months ended on 31 October 2023, consolidated revenue of the Group recorded HK\$750,947,000 (2022: HK\$888,738,000), representing a decrease of 15.5% as compared to that of the same period last year. Consolidated gross profit dropped to HK\$302,354,000 (2022: HK\$325,294,000) in line with the decline in revenue. During the same period, profit attributable to equity holders recorded HK\$330,000 (2022: HK\$33,794,000), representing a decrease of 99%. Reflecting on the period, the Group did not receive any government subsidies, whereas in the same period last year, the Group received approximately HK\$18,842,000 in COVID-19 pandemic subsidies from the Hong Kong government.

# Management Discussion and Analysis

## BUSINESS REVIEW

### Retail Business

For the six months ended 31 October 2023, the Group's retail business recorded a segment revenue of HK\$726,750,000 (2022: HK\$851,063,000), representing a decrease of 14.6% as compared to that of the same period last year which accounted for approximately 97% (2022: 96%) of the total revenue. The management had anticipated an adjustment in the segment revenue of the retail business, mainly because during the pandemic, there was a significant increase in demand for rice, eggs, and frozen food categories, which even led to several rounds of panic buying. However, the decline in demand for food following the complete lifting of all social distancing measures and the reopening of borders was beyond expected. On top of that, the flow of foot traffic in streets on weekday evening times and public holiday periods was low as compared to that before COVID-pandemic. The segment gross profit of the retail business in the period decreased to HK\$299,075,000 (2022: HK\$320,156,000) in line with the decline in revenue, representing a decrease of 6.6% as compared to that of the same period last year, and the segment gross profit margin was 41.2% (2022: 37.6%), representing an increase of 3.6 percentage points as compared to that of the same period last year. The increase in gross profit margin was mainly due to the change in retail product mix. As the pandemic completely retreated, the demand for frozen foods, rice and eggs with lower gross profit margins decreased significantly. In light of that, 759 STORE shifted its product mix much towards snacks, leisure foods and drinks categories during the period, increasing the numbers of items in such categories to reach better balance in the overall product mix that the segment gross profit margin for the review period was significantly improved.

Regarding product supply of the retail business, nearly 90% of its products were imported on its own where its procurement network covered approximately 60 countries and regions over the globe. Wide range of products were imported, including snacks and leisure food, drinks, rice, noodle, dairy product, frozen food, cooking oil, alcohol, sanitary paper product and detergent. As the demand drop for products in staple food categories grew bigger, it affected in some extent the performance of sales that the total inventory value of retail business increased to HK\$143,605,000 (30 April 2023: HK\$127,399,000) as compared with that as at the end date of previous financial year. Accordingly, the Group in the period properly adjusted the procurement weighting among different product categories, expecting that the product turnover rate in whole would improve.

During the period under review, the Group maintained the size of its shop network. Decisions to renew leases were made by management following a careful evaluation of the performance of each shop, as well as the current market rental rates. In the period, 5 shops were closed and 7 shops were newly opened in alternative sites. As at 31 October 2023, the Group operated 168 shops (30 April 2023: 166), with an increase of 2 shops in total. As at the same date, the total gross floor area of shops in operation was 341,000 square feet (30 April 2023: 332,000 square feet), with average floor area per shop of 2,030 square feet (30 April 2023: 2,000 square feet). The shop network of 759 STORE is mainly distributed in residential areas, including shopping malls and shop units in public and private housing estates. For frontline staff, 759 STORE always offered competitive remuneration to its staff under which they have demonstrated ideal work efficiency and that a low average headcount of about 4 people per shop could be maintained over the long term.

# Management Discussion and Analysis

## BUSINESS REVIEW *(continued)*

### Retail Business *(continued)*

In the period under review, drop of foot traffic flow and low consumer sentiment of citizens affected the retail industry that its revenue was not satisfactory. The Group implemented strict measures to control its operating costs, so that the segment selling and distribution expenses and the segment administrative expenses of the retail business decreased to HK\$234,111,000 (2022: HK\$236,848,000) and HK\$44,731,000 (2022: HK\$50,336,000) respectively, reducing by 1.2% and 11.1% as compared to those for the same period last year respectively. The Group's segment profit of retail business decreased by 60.5% to HK\$20,456,000 (2022: HK\$51,814,000) along with the decline in revenue during the period under review. In the period, the Group did not receive any government subsidy. If COVID-19 pandemic subsidy, about HK\$18,842,000, received from the Hong Kong government in the same period of previous year was not taken into account, the segment profit of retail business would record a decrease for about 38%.

### Electronic Component Manufacturing Business

Electronic component manufacturing business was constrained by the downturn in global economy, where Hong Kong export was weak and as at September 2023 total exports in merchandise trade index numbers had already decreased for 17 consecutive months. During the period, the Group's electronic component manufacturing business recorded segment revenue of HK\$23,703,000 (2022: HK\$37,123,000), representing a decrease of 36.2% as compared to that of the same period last year. Segment gross profit declined to HK\$2,785,000 (2022: HK\$4,586,000), with the segment gross profit margin of 11.7% (2022: 12.4%). An unrealised exchange gain of HK\$3,986,000 (2022: HK\$9,258,000) was recorded for the period as Renminbi exchange rate on 31 October 2023 was lower than that at the last financial year end, though this unrealised exchange gain would not have any effect on cash flows. In the period under review, the Group's electronic component manufacturing business recorded a segment operating loss of HK\$4,411,000 (2022: segment operating profit of HK\$1,721,000).

### Investment Properties

Rental income of the Group for the year amounted to HK\$494,000 (2022: HK\$552,000). In the period under review, no fair value loss at investment properties was recorded for the Group (2022: nil).

# Management Discussion and Analysis

## FINANCIAL REVIEW

### Fund Surplus and Liabilities

As at 31 October 2023, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK\$97,004,000 (30 April 2023: HK\$107,462,000). As at the same date, the Group's aggregate banking facilities amounted to HK\$383,353,000 (30 April 2023: HK\$383,817,000), which included overdrafts, loans, trade financing, etc. Unused facilities amounted to approximately HK\$369,728,000 (30 April 2023: HK\$380,300,000). As at 31 October 2023, utilised banking facilities amounted to HK\$13,625,000 (30 April 2023: HK\$3,517,000), representing an increase of HK\$10,108,000 as compared to that at the last financial year end. The above banking facilities were secured by charges on the Group's certain buildings, investment properties, bank deposits and inventories held under trade financing. In addition, the Group is also required to comply with certain restrictive financial covenants with major financing banks, and the Group could comply with such financial covenants as at 31 October 2023. As at 31 October 2023, its debt to equity ratio\* was 0.03 (30 April 2023: 0.01). Besides, the Group at the same date did not have any contingent liabilities (30 April 2023: Nil).

### Assets

As at 31 October 2023, the Group's inventories amounted to HK\$160,242,000 (30 April 2023: HK\$144,282,000), representing an increase of 11.1% in inventories as compared with the last financial year end, mainly due to market demand being lower than expected. The Group will adjust, as appropriate, the inventory level based on the data. The Group's total prepayments, deposits and other receivables (including rental deposits for retail shops) as at 31 October 2023 amounted to HK\$78,213,000 (30 April 2023: HK\$73,527,000).

### Lease Liabilities

At 31 October 2023, the long-term lease liabilities of the Group amounted to HK\$98,159,000 (30 April 2023: HK\$92,930,000) while the current lease liabilities amounted to HK\$136,714,000 (30 April 2023: HK\$135,190,000).

### Interest Expenses

The Group's finance costs for the period was HK\$7,336,000 (2022: HK\$8,256,000), representing a decrease of 11.1% as compared to the same period last year. After deducting the interest expenses of lease liabilities and other finance costs, the actual bank interest expense for the period was HK\$411,000 (2022: HK\$502,000).

(\* The ratio of total borrowings over total equity)

# Management Discussion and Analysis

## FINANCIAL REVIEW *(continued)*

### Financial Resources and Capital Structure

Net cash outflow of the Group was HK\$9,591,000 (2022: inflow of HK\$9,432,000) for the six months ended 31 October 2023. Net cash inflow from operating activities was HK\$78,323,000 (2022: HK\$107,912,000), representing a decrease of 27.4% as compared with that of the same period last year. The management was of the opinion that the cash inflow from operating activities in the period under review was still highly satisfactory. The decrease in net cash inflow from operating activities was mainly attributable to the decrease in the Group's revenue during the period. Net cash outflow from investing activities in the period was HK\$6,466,000 (2022: HK\$7,891,000), which was mainly attributable to renovation for new shops, revamp of existing shops and purchase of office equipment as appropriate during the period. The Group did not purchase or sell investment properties during the period under review. During the period, the Group continued to record net cash outflow from financing activities of HK\$81,448,000 (2022: HK\$90,589,000).

<i>Cash Flow Summary</i>	<b>For the six months ended 31 October</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Net cash inflow from operating activities	<b>78,323</b>	107,912
Net cash outflow from investing activities	<b>(6,466)</b>	(7,891)
Net cash outflow from financing activities <sup>#</sup>	<b>(81,448)</b>	(90,589)
(Decrease)/increase in cash and cash equivalents	<b>(9,591)</b>	9,432

<sup>#</sup> This net amount included lease payment of HK\$91,630,000 (2022: HK\$84,773,000).

As at 31 October 2023, the net current assets of the Group was HK\$24,541,000 (30 April 2023: HK\$34,568,000) and the current ratio was 1.09 (30 April 2023: 1.13). During the period under review, the Group maintained good liquidity despite the deteriorating operating environment.

### Charges on Assets

As at 31 October 2023, certain assets of the Group with an aggregate carrying value of approximately HK\$253,777,000 (30 April 2023: HK\$258,497,000) were pledged to secure banking facilities of the Group.

# Management Discussion and Analysis

## FINANCIAL REVIEW *(continued)*

### Exchange Risks

The Group's business is mainly conducted in Hong Kong, Mainland China and South-east Asia. The major revenue currencies are denominated in Hong Kong dollar, Renminbi and United States dollar; whilst the major currencies for costs are denominated in Japanese Yen, United States dollar, Euro, Hong Kong dollar and Renminbi. The Group will do its best to pay close attention on price fluctuation in exchange market, actively adjusting the combination of the places of origins for our import products to offset the impact that currency fluctuation brought. At the moment, the business model, of which most of the products are directly brought in from overseas, will be much affected, in case United States dollar greatly depreciate and Japanese Yen and Euro greatly appreciate. In light of this, the Group will pay close attention to the fluctuations of Japanese Yen and Euro.

### Employees

As at 31 October 2023, the Group employed approximately 1,400 staff (30 April 2023: 1,400) in total. The remuneration of employees was set, most importantly according to market standard, with reference to individual performance, academic qualification and work experience, which were taken into account for promotion when required. Other agreed employee benefits included pension scheme, on-job training, education subsidy and other social insurances and paid leaves as required under the laws and regulation at the place of employment.

### Social Responsibilities

The Group made use of diversified channels to actively fulfill its corporate social responsibility. Not only encouraging its staff to care for the community, improving their mental and physical health as well as their balanced development, the Group is also committed to actively reaching out to all walks of life including non-profit organizations of various disadvantaged communities, religious groups and educational institutions.

## FUTURE PLAN AND OUTLOOK

Currently there are still full of uncertainties in global market. Negative expectations in general hover around the markets in external and local economies that local retail sales very likely needs relatively long time to pick its strength, away from the downtrend. The management will continue to apply consistent and prudent operating policy, strictly controlling operating expenses, doing best to avoid any unnecessary waste or loss. The retail network, product supply mix and financial resources of the Group are at a satisfactory level at this moment. Even in a market environment full of uncertainties, the management has confidence to lead all employees to concentrate on improving workflow efficiency and service standards, enhancing the market competitiveness of "759 STORE" so as to provide vast number of customers much better shopping and leisure experience and much more new product options. For retail network, the management considers that the risk is relatively high in market at this moment, not a good timing to expand its business that there is no large investment plan in the meantime.

## Other Information

### INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 October 2023, the interests of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

#### (a) Shares of the Company

Name of director	Number of shares of HK\$0.10 each held			Percentage of issued share capital
	Personal interests (Note 2)	Trusts interests	Total interests	
Ms. Tang Fung Kwan	4,194,611	–	4,194,611	0.63%
Mr. Ho Man Lee	30,000	–	30,000	0.0045%
Mr. Lam Kwok Chung	–	442,295,660 (Note 3)	442,295,660 (Note 3)	66.39%

#### Notes:

- All the above interests in the shares of the Company were long positions.
- Personal interests were interests held by the relevant directors as beneficial owners.
- The 442,295,660 shares were held by Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by HSBC International Trustee Limited as trustee of a discretionary trust (the “Trust”) founded by the late Mr. Lam Wai Chun, the founding chairman of the Company and a former director of the Company. In the capacity as a discretionary beneficiary of the Trust, Mr. Lam Kwok Chung was deemed to be interested in all the shares held by Ka Yan China Development (Holding) Company Limited for the purpose of the SFO.

## Other Information

### INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES *(continued)*

#### (b) Shares of associated corporation(s) of the Company

*Coils Electronic Co., Limited*

Name of director	Number of non-voting deferred shares of HK\$1.00 each held	Percentage of issued non-voting deferred shares
	Trusts interests	
Mr. Lam Kwok Chung <i>(Notes 4 and 5)</i>	6,000,000	42.86%

*Notes:*

4. 6,000,000 non-voting deferred shares were held by Ka Yan China Development (Holding) Company Limited, representing approximately 42.86% of the 14,000,000 non-voting deferred shares in the share capital of Coils Electronic Co., Limited, in which Coils International Holdings Limited, a direct wholly-owned subsidiary of the Company, held the entire issued ordinary share capital. Mr. Lam Kwok Chung was deemed to be interested in all these shares under the SFO by virtue of the reason set out in Note 3 to sub-paragraph (a) above.
5. All the above interests in the non-voting deferred shares of Coils Electronic Co., Limited held or deemed to be held by Mr. Lam Kwok Chung were long positions.

Save as disclosed above, as at 31 October 2023, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered into the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

Save as disclosed above, as at 31 October 2023, neither the directors or chief executive of the Company nor their spouses or children under the age of 18 had been granted any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised such rights.

## Other Information

### INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 October 2023, according to the register kept by the Company under section 336 of the SFO, the following persons, other than the directors or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

#### Shares of the Company

*Substantial shareholders (as defined in the Listing Rules)*

Name	Number of shares of HK\$0.10 each held				Total interests	Percentage of issued share capital
	Beneficial owner	Family interests	Corporate interests	Trusts interests		
Ms. Law Ching Yee	-	29,955,188 (Note 2)	-	442,295,660 (Notes 2)	472,250,848 (Notes 2)	70.89%
Ka Yan China Development (Holding) Company Limited	442,295,660 (Notes 2 and 3)	-	-	-	442,295,660 (Notes 2 and 3)	66.39%
Ka Yan China Investments Limited	-	-	442,295,660 (Notes 2 and 3)	-	442,295,660 (Notes 2 and 3)	66.39%
HSBC International Trustee Limited	-	-	-	442,295,660 (Notes 2 and 3)	442,295,660 (Notes 2 and 3)	66.39%

#### Notes:

- All the above interests in the shares of the Company were long positions.
- The 442,295,660 shares were held by Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by the Trust. In the capacity as a discretionary beneficiary of the Trust, Ms. Law Ching Yee was deemed to be interested in all the shares held by Ka Yan China Development (Holding) Company Limited for the purpose of the SFO. The 29,955,188 shares were held by the late Mr. Lam Wai Chun, the founding chairman of the Company and a former director of the Company, as beneficial owner. Ms. Law Ching Yee, being the spouse of the late Mr. Lam Wai Chun, was deemed to be interested in all the shares held by her spouse, for the purpose of the SFO.
- The interests in 442,295,660 shares held by Ka Yan China Investments Limited, the ultimate holding company of the Company, and HSBC International Trustee Limited refer to the same shares and duplicated with each other. Such shares formed the shares in which Ka Yan China Development (Holding) Company Limited was interested. As at 31 October 2023, the actual number of shares held by Ka Yan China Investments Limited, Ka Yan China Development (Holding) Company Limited and HSBC International Trustee Limited in the Company which duplicated with one another was 442,295,660 shares.

## Other Information

### INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO *(continued)*

Save as disclosed above, the Company had not been notified of any other person (other than a director or a chief executive of the Company) who had an interest (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to section 336 of the SFO as at 31 October 2023.

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

The Company had not redeemed any of its listed shares during the six months ended 31 October 2023. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares during the six months ended 31 October 2023.

### CORPORATE GOVERNANCE CODE

The Company has adopted the principles and complied with the applicable code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules for the six months ended 31 October 2023, except for the following deviation:

1. Under code provision C.2.1 of the Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Since 29 September 2009, the roles of the Chairman of the Board and the chief executive officer of the Company (the "CEO") were performed by the late Mr. Lam Wai Chun, the founding Chairman of the Company. After the pass away of Mr. Lam Wai Chun, Ms. Tang Fung Kwan has been appointed as the Chairman of the Board and the Managing Director of the Company with effect from 19 August 2018 and has carried out the responsibilities of the Chairman and CEO since then. This constitutes a deviation from the code provision C.2.1 of the Code which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Ms. Tang Fung Kwan has been the key management of the Group for over 25 years and has devoted herself and contributed greatly to the Group's development. She has been the executive director of the Company since its listing on the Stock Exchange in November 1999 and has engaged in directing the corporate strategies and operations of the Group. She possesses substantial and valuable experience in the industry and in the Group's operation. The Board believes that vesting the roles of the Chairman of the Board and the CEO in the same person will provide the Company with strong and consistent leadership and promote effective and efficient formulation and implementation of business decisions and strategies and considers that such structure is currently in the best interests of the Company and its shareholders at this stage.

## Other Information

### AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”) currently comprises three independent non-executive directors, namely Mr. Chan Chiu Ying (chairman of the Audit Committee), Mr. Goh Gen Cheung and Ms. Tsui Mei Ling, May.

Regular meetings have been held by the Audit Committee since its establishment and it meets at least twice each financial year. The Audit Committee has reviewed the accounting principles and practices adopted by the Group, the internal control and risk management of the Group and the Interim Report for the six months ended 31 October 2023.

### REMUNERATION COMMITTEE

The Company established the Remuneration Committee (the “Remuneration Committee”) for the purpose of making recommendations to the Board on the Company’s policy and structure for all directors’ and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy. The Remuneration Committee also has the delegated responsibility to make recommendations to the Board on (i) the remuneration packages of individual executive directors and senior management including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment and (ii) the remuneration of non-executive directors.

The Remuneration Committee currently comprises four members including one executive director, namely Ms. Tang Fung Kwan, and three independent non-executive directors, namely Mr. Goh Gen Cheung (chairman of the Remuneration Committee), Mr. Chan Chiu Ying and Ms. Tsui Mei Ling, May.

## Other Information

### NOMINATION COMMITTEE

The Company established the Nomination Committee (the “Nomination Committee”) to review the structure, size, composition and diversity (including the skills, knowledge, experience and gender) of the Board, to make recommendations on any proposed changes to the Board to complement the Company’s corporate strategy and to assess the independence of independent non-executive directors of the Company. The Nomination Committee currently comprises four members including one executive director, namely Ms. Tang Fung Kwan (chairman of the Nomination Committee), and three independent non-executive directors, namely Mr. Goh Gen Cheung, Mr. Chan Chiu Ying and Ms. Tsui Mei Ling, May.

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions for the six months ended 31 October 2023. Following specific enquiry by the Company, all of the directors of the Company confirmed compliance with the required standard set out in the Model Code throughout the six months ended 31 October 2023. The Model Code also applies to the relevant employees of the Group.

By Order of the Board

**Tang Fung Kwan**

*Chairman*

Hong Kong, 20 December 2023

