

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**KUANGCHI SCIENCE LIMITED**

**光啟科學有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 439)**

**ANNOUNCEMENT OF INTERIM RESULTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

The board of directors (the “**Board**”) of KuangChi Science Limited (the “**Company**”) announces the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2024 (the “**Period**”) together with the comparative figures for the same period in 2023 (the “**Comparative Period**”) as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2024**

		<b>Six months ended 30 June</b>	
		<b>2024</b>	<b>2023</b>
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<b>(unaudited)</b>	<b>(unaudited)</b>
			<b>(Restated)</b>
Revenue	6	<b>32,028</b>	33,461
Cost of sales		<b>(24,489)</b>	(28,788)
<b>Gross profit</b>		<b>7,539</b>	4,673
Other income	7	<b>1,534</b>	892
Other gains/(losses), net	8	<b>12,247</b>	(2,908)
Impairment loss on other receivables		–	(54)
Impairment loss on trade receivables		<b>(4,887)</b>	(351)
Reversal of impairment loss/ (impairment loss) on contract assets		<b>450</b>	(190)
Selling and distribution expenses		<b>(1,666)</b>	(1,329)
Research and development expenses		<b>(3,904)</b>	(2,192)
Administrative expenses		<b>(14,116)</b>	(8,619)
<b>Operating loss</b>	9	<b>(2,803)</b>	(10,078)
Finance income		<b>5,292</b>	1,093
Finance costs		<b>(147)</b>	(114)
Finance income, net		<b>5,145</b>	979
<b>Profit/(loss) before tax</b>		<b>2,342</b>	(9,099)
Income tax expense	10	<b>(7,568)</b>	–
<b>Loss for the period</b>		<b>(5,226)</b>	(9,099)
Loss for the period attributable to:			
Owners of the Company		<b>(5,226)</b>	(9,099)
Non-controlling interests		–	–
		<b>(5,226)</b>	(9,099)
<b>Loss per share</b>			
Basic (HK cents per share)	12	<b>(0.85)</b>	(1.48)
Diluted (HK cents per share)	12	<b>(0.85)</b>	(1.48)

The above condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2024**

	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Loss for the period</b>	<b>(5,226)</b>	<b>(9,099)</b>
<b>Other comprehensive income/(loss)</b>		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	<b>(34,210)</b>	<b>(66,718)</b>
<i>Items that will not be subsequently reclassified to profit or loss:</i>		
Changes in fair value of financial assets at fair value through other comprehensive income, net of deferred tax	<b>105,395</b>	<b>(75,461)</b>
Other comprehensive income/(loss), net of tax	<b>71,185</b>	<b>(142,179)</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>65,959</b>	<b>(151,278)</b>
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	<b>65,959</b>	<b>(151,278)</b>
Non-controlling interests	<b>–</b>	<b>–</b>
	<b>65,959</b>	<b>(151,278)</b>

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	<i>HK\$'000</i> (unaudited)	<i>HK\$'000</i> (audited)
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>13</i>	437,616	443,124
Investment properties		107,403	61,809
Right-of-use assets		66,375	69,082
Intangible assets		6	69
Financial assets at fair value through other comprehensive income	<i>14</i>	829,715	724,119
Investment in an associate	<i>15</i>	48,150	–
Other non-current assets	<i>15</i>	–	79,672
		1,489,265	1,377,875
Total non-current assets			
<b>CURRENT ASSETS</b>			
Inventories		15,002	12,667
Contract assets		2,739	21,398
Trade and other receivables	<i>15</i>	185,369	106,305
Financial assets at fair value through profit or loss	<i>16</i>	5,350	5,481
Loan receivables		–	–
Pledged bank deposits		848	868
Bank and cash balances		132,907	258,065
		342,215	404,784
Assets classified as held for sale	<i>17</i>	–	45,591
		342,215	450,375
Total current assets			
<b>Total assets</b>		<b>1,831,480</b>	<b>1,828,250</b>

		<b>30 June</b>	31 December
		<b>2024</b>	2023
	<i>Notes</i>	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
		<b>(unaudited)</b>	(audited)
<b>EQUITY</b>			
Share capital	18	<b>61,569</b>	61,569
Other reserves		<b>2,170,353</b>	2,099,093
Accumulated losses		<b>(672,041)</b>	(666,815)
<b>Total equity</b>		<b><u>1,559,881</u></b>	<b><u>1,493,847</u></b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings	19	<b>80,639</b>	93,575
Deferred tax liabilities		<b>94,372</b>	77,795
<b>Total non-current liabilities</b>		<b><u>175,011</u></b>	<b><u>171,370</u></b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	20	<b>63,991</b>	121,827
Contract liabilities		<b>170</b>	–
Deferred government grants		<b>6,945</b>	7,115
Current tax payable		<b>4,082</b>	12,167
Bank borrowings	19	<b>21,400</b>	21,924
<b>Total current liabilities</b>		<b><u>96,588</u></b>	<b><u>163,033</u></b>
<b>Total liabilities</b>		<b><u>271,599</u></b>	<b><u>334,403</u></b>
<b>Total equity and liabilities</b>		<b><u>1,831,480</u></b>	<b><u>1,828,250</u></b>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 JUNE 2024

## 1 GENERAL INFORMATION

KuangChi Science Limited (the “**Company**”) is a limited company incorporated in Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of its registered office of the Company is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of its business is located at Unit 1104, 11/F, Leighton Centre, 77 Leighton Road, Causeway Bay, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (together the “**Group**”) are mainly engaged in the development and manufacturing of AI technology and related innovative products based on a big data analysis platform and the provision of AI-empowered terminal products and integrated technical services and solutions in various vertical fields (“**AI Business**”).

The interim condensed consolidated financial information is presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated.

The interim condensed consolidated financial information has been approved for issue by the Board on 30 August 2024. The interim condensed consolidated financial information has not been audited or reviewed by the external auditor.

## 2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has 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**”) as well as with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

This interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by HKICPA.

The interim condensed consolidated financial information has been prepared on the historical cost basis, except for financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss which are measured at fair values.

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the interim condensed consolidated financial information for the six months ended 30 June 2024 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2023.

#### (a) New and amended standards adopted by the Group

In the period, the Group has applied the following new standards and amendments to HKFRSs for the first time for their reporting period commencing 1 January 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements
	– Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The adoption of these amendments to standards did not result in a significant impact on the Group's financial position and results.

#### (b) Impact of standards issued but not yet applied by the Group

The following new standards and amendment to standards and interpretations have been issued but are not mandatory for the financial period beginning 1 January 2024 and have not been early adopted:

Amendments to HKAS 21	Lack of Exchangeability <sup>(1)</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>(2)</sup>

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

<sup>(2)</sup> Effective date to be determined.

Management is assessing the impact of the above amendments to standards and interpretations, which have been issued but are not yet effective for 2024, on the operations of the Group, and is yet to be in the position to conclude the impact.

There are no other HKFRSs or HK (IFRIC) interpretations that are effective for the first time for this period that could be expected to have a material impact on the Group.

## **4 ESTIMATES**

The preparation of the interim condensed consolidated financial information 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 the interim condensed consolidated financial information, the significant judgements made by management in applying the accounting policies of the Group and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2023.

## **5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS**

### **5.1 Financial risk factors**

The activities of the Group expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2023.

### **5.2 Fair value estimation**

#### *(a) Fair value hierarchy*

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows the underneath table.



The following table presents the financial assets and financial liabilities of the Group which are measured and recognised at fair value at 30 June 2024 and 31 December 2023 on a recurring basis:

	<b>Level 1</b> <i>HK\$'000</i>	<b>Level 2</b> <i>HK\$'000</i>	<b>Level 3</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>At 30 June 2024</b>				
<b>Financial assets</b>				
Financial assets at fair value through other comprehensive income				
– Listed equity security	829,715	–	–	829,715
Financial assets at fair value through profit or loss				
– Unlisted equity securities	–	–	5,350	5,350
	<u>829,715</u>	<u>–</u>	<u>5,350</u>	<u>835,065</u>
<b>At 31 December 2023</b>				
<b>Financial assets</b>				
Financial assets at fair value through other comprehensive income				
– Listed equity security	724,119	–	–	724,119
Financial assets at fair value through profit or loss				
– Unlisted equity securities	–	–	5,481	5,481
	<u>724,119</u>	<u>–</u>	<u>5,481</u>	<u>729,600</u>

The policy of the Group is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(b) *Valuation processes*

The finance department of the Group includes a team that performs the valuation of financial asset required for financial reporting purposes, including Level 3 fair values. This team reports directly to the Chief Financial Officer (“CFO”) and the Audit Committee (“AC”). Discussion of valuation processes and results are held between the CFO, AC and the valuation team.

## 6 REVENUE AND SEGMENT INFORMATION

The financial information provided to the chief operating decision-maker (“CODM”) does not contain profit or loss information of each product line or each market segment and the CODM review the operating results of the Group on a consolidated basis. Therefore, the operation of the Group constitutes one single reportable segment and no further analysis of segments is presented.

(a) An analysis of the Group’s revenue for the period is as follows:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major products or service lines		
– Sale of artificial intelligent coverage system and related products	2,506	32,183
– Sale of wearable smart helmets	256	399
– Sale of metal component products	<u>29,266</u>	<u>879</u>
	<b><u>32,028</u></b>	<b><u>33,461</u></b>

(b) Geographical information

The Group operates in two principal geographical areas – the PRC and Hong Kong.

Information about the revenue from operations of the Group from external customers is presented based on the location of the goods or services delivered. Information about the non-current assets of the Group is presented based on the geographical locations of the assets.

	<b>Revenue from</b>		<b>Non-current assets*</b>	
	<b>external customers</b>		<b>30 June</b>	<b>31 December</b>
	<b>Six months ended 30 June</b>		<b>2024</b>	<b>2023</b>
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>HK\$’000</b>	<b>HK\$’000</b>	<b>HK\$’000</b>	<b>HK\$’000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(audited)</b>
PRC	<b><u>32,028</u></b>	<u>33,461</u>	<b><u>611,400</u></b>	<u>653,756</u>

\* Non-current assets exclude financial assets at fair value through other comprehensive income and investment in an associate.

**7 OTHER INCOME**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Government grants	<b>39</b>	58
Rental income from investment properties	<b>927</b>	759
Sundry income	<b>568</b>	75
	<u><b>1,534</b></u>	<u>892</u>

**8 OTHER GAINS/(LOSSES), NET**

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Exchange gains/(losses), net	<b>453</b>	(2,432)
Gain on disposal of property, plant and equipment	–	125
Gain on disposal of investment property	<b>11,809</b>	–
Fair value losses on financial assets at fair value through profit or loss ( <i>note</i> )	–	(564)
Written off of property, plant and equipment	<b>(15)</b>	(37)
	<u><b>12,247</b></u>	<u>(2,908)</u>

*Note:* As at 30 June 2023, the Group held 402,799 Irisity AB shares, which were measured at fair value of approximately HK\$1,452,000. For the six months ended 30 June 2023, a fair value loss of approximately HK\$564,000 was recognised in profit or loss. During the year ended 31 December 2023, the investments were fully disposed of.

## 9 OPERATING LOSS

Operating loss has been arrived at after charging/(crediting):

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Cost of sales	24,489	28,788
Salaries, wages and other benefits	7,368	5,808
Amortisation of intangible assets	62	76
Depreciation of property, plant and equipment	7	32
Amortisation of right-of-use assets	1,066	1,323
Directors' emoluments	500	375
Operating lease expenses for office premises and warehouses relating to short-term leases	75	38
Impairment loss on other receivables	–	54
Impairment loss on trade receivables	4,887	351
(Reversal of impairment loss)/impairment loss on contract assets	(450)	190

## 10 INCOME TAX EXPENSE

	Notes	Unaudited	
		Six months ended 30 June	
		2024	2023
		HK\$'000	HK\$'000
Current income tax expenses			
Hong Kong profits tax	(i)	–	–
PRC Corporate Income Tax	(ii)	7,568	–
		<u>7,568</u>	<u>–</u>

Notes:

- (i) During the six months ended 30 June 2024 and 2023, Hong Kong profits tax is calculated at the rate of 16.5% on the estimated assessable profit for each reporting period. No Hong Kong profits tax has been provided for the six months ended 30 June 2024 and 2023 as the Group has no assessable profits derived in Hong Kong.
- (ii) The PRC Corporate Income Tax represents taxation charged on assessable profits for the period at the rates of taxation prevailing in the cities in the PRC in which the Group operates.

The tax rate applicable to subsidiaries in the PRC is 25% (2023: 25%), except for the PRC subsidiaries established in Qianhai and a PRC subsidiary that was approved as High and New Technology Enterprise which is subject to PRC Corporate Income Tax at a rate of 15% for 3 years from 2022 to 2025 (2023: 15%).

## 11 DIVIDEND

No dividend was paid, declared or proposed by the Company during the six months ended 30 June 2024 and 2023.

## 12 LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Loss for the purpose of computing basic and diluted loss per share	<u>(5,226)</u>	<u>(9,099)</u>
	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2024</b>	<b>2023</b>
	<b>'000</b>	<b>'000</b>
<b>Number of shares</b>		(Restated)
Weighted average number of ordinary shares for the purpose of computing basic loss per share and adjusted for share consolidation	<b>615,693</b>	615,693
Effect of dilutive potential ordinary shares:		
– Share options of the Company	<u>–</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of computing diluted loss per share and adjusted for share consolidation	<u><b>615,693</b></u>	<u>615,693</u>

For the six months ended 30 June 2024 and 2023, the computation of diluted loss per share does not assume the exercise of the outstanding share options issued because the exercise price of these options was higher than the average market price of the Company's shares.

### *Note:*

Pursuant to the special general meeting held by the Company on 29 January 2024, an ordinary resolution was passed to approve the share consolidation (“**Share Consolidation**”) where every ten (10) issued and unissued ordinary shares with a par value of HK\$0.01 each in the share capital of the Company be consolidated into one (1) ordinary share with a par value of HK\$0.10 each. The Share Consolidation took effect on 31 January 2024. Details please refer to the Company's announcements dated 21 December 2023 and 29 January 2024, and circular dated 12 January 2024.

As a result of the Share Consolidation, the basic and diluted earnings per share had been restated to be consistent with the current period's presentation.

## 13 PROPERTY, PLANT AND EQUIPMENT

	Plant and machinery <i>HK\$'000</i>	Furniture and fixture <i>HK\$'000</i>	Office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>COST</b>						
At 1 January 2023	8,465	210	7,692	2,702	437,400	456,469
Additions	–	–	–	–	18,166	18,166
Disposal/written-off	(3,888)	–	(1,676)	(618)	–	(6,182)
Currency translation differences	(214)	(5)	(207)	(62)	(12,487)	(12,975)
<b>At 31 December 2023 and 1 January 2024</b>	<b>4,363</b>	<b>205</b>	<b>5,809</b>	<b>2,022</b>	<b>443,079</b>	<b>455,478</b>
Additions	–	–	66	–	5,100	5,166
Disposal	(142)	–	(186)	–	–	(328)
Written-off	–	–	–	(282)	–	(282)
Currency translation differences	(103)	(4)	(138)	(37)	(10,635)	(10,917)
<b>At 30 June 2024</b>	<b>4,118</b>	<b>201</b>	<b>5,551</b>	<b>1,703</b>	<b>437,544</b>	<b>449,117</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>						
At 31 December 2022 and						
1 January 2023	8,353	210	7,645	2,661	–	18,869
Depreciation	14	–	5	26	–	45
Disposal/written-off	(3,804)	–	(1,656)	(618)	–	(6,078)
Currency translation differences	(211)	(5)	(205)	(61)	–	(482)
<b>At 31 December 2023 and 1 January 2024</b>	<b>4,352</b>	<b>205</b>	<b>5,789</b>	<b>2,008</b>	<b>–</b>	<b>12,354</b>
Depreciation	1	–	6	–	–	7
Disposal	(135)	–	(176)	–	–	(311)
Written-off	–	–	–	(268)	–	(268)
Currency translation differences	(103)	(4)	(137)	(37)	–	(281)
<b>At 30 June 2024</b>	<b>4,115</b>	<b>201</b>	<b>5,482</b>	<b>1,703</b>	<b>–</b>	<b>11,501</b>
<b>CARRYING AMOUNTS</b>						
<b>At 30 June 2024</b>	<b>3</b>	<b>–</b>	<b>69</b>	<b>–</b>	<b>437,544</b>	<b>437,616</b>
At 31 December 2023	11	–	20	14	443,079	443,124

**14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2024</b>	2023
	<b>HK\$'000</b>	<b>HK\$'000</b>
Listed security:		
– Equity security (note)	<b><u>829,715</u></b>	<b><u>724,119</u></b>

Note: As at 30 June 2024, the Group hold 44,693,660 (31 December 2023: 44,693,660) ordinary shares of Kuang-Chi Technologies Co., Ltd. (“**KCT**”), representing 2.07% (31 December 2023: 2.07%) of the issued ordinary shares of KCT. Dr. Liu Ruopeng is the controlling shareholder of Shenzhen Kuang-Chi Hezhong Technology Limited and holds more than 5% shareholding of KCT. KCT is a company listed on the Shenzhen Stock Exchange. These investments are not held for trading, instead, they are held for long-term strategic purposes. The Directors of the Company have elected to designate these investments in financial assets at FVOCI as they believe that recognising short-term fluctuations in these investments in profit or loss would not be consistent with the Group’s strategy of holding these investments for long-term purposes and realising their performance potential in the long run.

## 15 TRADE AND OTHER RECEIVABLES

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2024</b>	2023
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade receivables		<b>145,297</b>	143,040
Less: allowance for expected credit loss	<i>(b)</i>	<b>(62,594)</b>	(59,164)
Trade receivables, net	<i>(a), (d)</i>	<b>82,703</b>	83,876
Deposits and other receivables	<i>(c), (d)</i>	<b>1,540</b>	81,827
Consideration receivable		<b>8</b>	8
Prepayment to suppliers		<b>84,195</b>	2,932
Value-added tax and other tax recoverable		<b>16,923</b>	17,334
		<b>185,369</b>	185,977

### Notes:

- (a) The following is an ageing analysis of trade receivables presented based on date of revenue recognition and net of allowance as at 30 June 2024 and 31 December 2023:

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2024</b>	2023
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 to 90 days	<b>49,067</b>	72,289
91 to 180 days	<b>191</b>	788
181 to 365 days	<b>29,130</b>	5,552
1 to 2 years	<b>4,238</b>	5,137
Over 2 years	<b>77</b>	110
	<b>82,703</b>	83,876



- (b) Movements in the loss allowance account for the trade receivables and contract assets are as follows:

	<b>Trade receivables</b> <i>HK\$'000</i>	<b>Contract assets</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
At 1 January 2023	54,786	10,629	65,415
Provision for impairment loss	5,872	530	6,402
Currency translation differences	(1,494)	(397)	(1,891)
	<u>59,164</u>	<u>10,762</u>	<u>69,926</u>
At 31 December 2023 and 1 January 2024	<b>59,164</b>	<b>10,762</b>	<b>69,926</b>
Provision for impairment loss/(reversal of impairment loss)	4,887	(450)	4,437
Currency translation differences	(1,457)	(253)	(1,710)
	<u>4,887</u>	<u>(450)</u>	<u>4,437</u>
At 30 June 2024	<b>62,594</b>	<b>10,059</b>	<b>72,653</b>
	<u>62,594</u>	<u>10,059</u>	<u>72,653</u>

- (c) Included in deposit and other receivables, the other non-current assets comprised of deposits for acquiring the following assets:

	<b>Unaudited 30 June 2024</b> <i>HK\$'000</i>	Audited 31 December 2023 <i>HK\$'000</i>
An associate	–	49,329
An investment property	–	30,343
	<u>–</u>	<u>79,672</u>

In August 2023, the Group has entered into an agreement with 中誠欣信息諮詢(深圳)有限公司 (“**Zhong Chengxin**”), a company incorporated in the PRC, to allot 30% interests of the enlarged capital of Zhong Chengxin upon the completion of allotment, at a consideration of RMB45.0 million. Zhong Chengxin is engaged in provision for software development, data analysis and artificial intelligence solutions. As of 31 December 2023, the Group had paid the deposit for the subscription of HK\$49.3 million in advance.

During the six months ended 30 June 2024, the allotment of the shares in Zhong Chengxin was completed and the Group has significant influence over Zhong Chengxin. As a result, the balance was recorded as an investment in associate as at 30 June 2024.

- (d) The carrying amounts of the Group’s trade receivables are all denominated in RMB, while the carrying amounts of the Group’s deposits and other receivables are mainly denominated in RMB.

**16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2024</b>	2023
	<b>HK\$'000</b>	<b>HK\$'000</b>
Equity securities:		
Unlisted outside Hong Kong	<u>5,350</u>	<u>5,481</u>

The carrying amounts of the above financial assets are mandatorily measured at fair value through profit or loss in accordance with HKFRS 9. The fair values of listed equity securities are based on current bid prices.

During the year ended 31 December 2023, the Group invested in an unlisted entity at a cash consideration of RMB5,000,000, with a buy-back clause stipulating that the seller will repurchase the shares held by the Group if the investee fails to meet the revenue target by 10 May 2024.

As at 30 June 2024, the investee failed to meet the above revenue target. The Group is currently liaising the buy-back arrangement with the investee.

**17 ASSET CLASSIFIED AS HELD FOR SALE**

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2024</b>	2023
	<b>HK\$'000</b>	<b>HK\$'000</b>
Non-current asset held for sale – Investment property	<u>–</u>	<u>45,591</u>

On 16 December 2023, the directors decided to sell an investment property located in PRC which was originally acquired for earning rental income. On the same date, the Company has entered into an agreement with an unrelated buyer and agreed to sell the investment property at a consideration of HK\$60.3 million. As at 31 December 2023, an advance of this consideration of HK\$30.1 million was received by the Group (note 20). The disposal was completed in January 2024. Investment property classified as held for sale as at 31 December 2023 was measured at the lower of its carrying amount and fair value less costs to sell at the time of the reclassification. As at 31 December 2023, the fair value of the investment property was determined by reference to the sale consideration within level 2 measurement.

## 18 SHARE CAPITAL

Ordinary shares	30 June 2024		31 December 2023	
	Number of shares	Equivalent to HK\$'000	Number of shares	Equivalent to HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each at 31 December 2023 and HK\$0.1 each at 30 June 2024	<b>731,666,666</b>	<b>73,167</b>	7,316,666,668	73,167
Issued and fully paid:				
Ordinary shares of HK\$0.01 each at 31 December 2023 and HK\$0.1 each at 30 June 2024	<b>615,692,886</b>	<b>61,569</b>	6,156,928,860	61,569

*Note:*

Pursuant to the special general meeting held by the Company on 29 January 2024, an ordinary resolution was passed to approve the Share Consolidation where every ten (10) issued and unissued ordinary shares with a par value of HK\$0.01 each in the share capital of the Company be consolidated into one (1) ordinary share with a par value of HK\$0.10 each. The Share Consolidation took effect on 31 January 2024. Details please refer to the Company's announcements dated 21 December 2023 and 29 January 2024, and circular dated 12 January 2024.

## 19 BANK BORROWINGS

	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
Bank borrowings		
– Within 1 year	21,400	21,924
– Between 1 and 2 years	80,639	31,192
– Between 2 and 5 years	–	62,383
Total bank borrowings	<b>102,039</b>	115,499

Bank borrowings were obtained for the sole purpose of construction in progress in the past.

As at 30 June 2024, the bank borrowings carried interest of approximately 6.00% to 7.00% p.a. (31 December 2023: 6.25% to 7.00% p.a.) which were secured by the right-of-use assets and the construction-in-progress, amounting to HK\$66,375,000 (31 December 2023: HK\$69,082,000) and HK\$437,544,000 (31 December 2023: HK\$443,079,000) respectively, and were guaranteed by the Company and a company which is controlled by Dr. Liu Ruopeng.

As at 30 June 2024 and 31 December 2023, the carrying amounts of bank borrowings are all denominated in RMB.

## 20 TRADE AND OTHER PAYABLES

		<b>Unaudited</b>	Audited
		<b>30 June</b>	31 December
		<b>2024</b>	2023
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
Trade payables	<i>(a), (b)</i>	<b>34,637</b>	54,724
Accrued employee benefits		<b>2,948</b>	2,676
Receipt in advance from disposal of asset classified as held for sale	<i>17</i>	–	30,146
Value-added tax and other tax payable		<b>5,166</b>	9,579
Other payables and accruals		<b>7,576</b>	10,704
Accrued construction costs		<b>13,664</b>	13,998
		<b>63,991</b>	121,827

- (a) The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period.

	<b>Unaudited</b>	Audited
	<b>30 June</b>	31 December
	<b>2024</b>	2023
	<b>HK\$'000</b>	<b>HK\$'000</b>
0 – 90 days	<b>7,786</b>	21,338
91-365 days	<b>10,325</b>	8,474
Over 1 year	<b>16,526</b>	24,912
	<b>34,637</b>	54,724

- (b) The carrying amounts of the Group's trade payables are all denominated in RMB, while the carrying amounts of the Group's other payables and accruals are mainly denominated in RMB.

## 21 SUBSEQUENT EVENT

Save as disclosed above and elsewhere in this condensed consolidated interim financial information, there were no other material events occurred after the period ended 30 June 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PERFORMANCE REVIEW AND PROSPECTS

The Company and its subsidiaries (collectively, the “**Group**”) are mainly engaged in the provision of AI-empowered terminal products and integrated technical services and solutions in various vertical fields (“**AI Business**”) as well as the design, production and manufacturing of high-end industrial metal components (“**High-end Industrial Business**”). For the six months ended 30 June 2024 (the “**Period**”), the Group recorded a sale revenue of approximately HK\$32.0 million, representing a year-on-year slight decrease of 4.3%, and a net loss of approximately HK\$5.2 million, representing a year-on-year decrease of 42.6%. It was mainly because while the Company’s new core business of industrial metal components was developing and improving healthily, the Group recognized respective revenue of approximately HK\$11.8 million through the sale of investment property held by the Group.

#### **Enhance the expansion and application of core business**

As of 30 June 2024, the Group continued to strengthen its capability in terms of market expansion, product design as well as upgrading and iteration in its existing core business segments. We provide tailor-made designs and optimize manufacturing processes according to the needs of customers, so as to further enhance the overall operational efficiency of our core business, namely the new High-end Industrial Business, significantly. At the same time, we optimize AI fundamentals and algorithms and big data platform based on the feedbacks of applications from customers in related industries, so as to offer products and integrated solutions that can be well integrated into customers’ business processes and meet industry standards.

The Group regards its High-end Industrial Business as the expansion direction of its new core business. With the focus on channels and human resources accumulated in the fields of historical aircraft and aerostats, this business has now formed a team and equipment with considerable scale and possesses preliminary manufacturing capabilities of mass production. At the same time, with the further enrichment and expansion of the Group’s AI products and integrated solutions in application scenarios of public security, industrial production and inspection and other industry segments, we will focus more on the upgrades and iteration of existing products and solutions. With the accumulation of data, we will offer services with more dimensions and intensity for its customers and further expand new customer sources in the same industry, of which the smart industrial testing business is a focused direction of expansion.

At the same time, during the Period, the Group carried out a series of functional optimisation of smart police helmets and met the demands of the industry and customers for customization in various scenarios through continuous delivery, and such product was recognised by local public security departments in regular use. On the other hand, at present, potential customers have been developed for the smart firefighting helmets, which, through on-site product testing, have received unanimous favourable comments from firefighting units in various regions. In view of their necessity in scenario applications, we believe such product and business will have huge potential in the future.

With the solid development of the Group's core business and the continuous expansion of the application scenarios of its products and solutions in various sectors, the Group will continue to accelerate the establishment of new quality productivity driven by high-end industrial design and AI algorithms, and the in-depth fusion of AI algorithms and big models with the manufacturing enterprises, so as to facilitate the digital transformation of the industry. The Group will continue to implement robust strategic approaches, innovate unceasingly and divest the customer-focused and quality-based principles, so as to further strengthen the optimization measures of internal governance. At the same time, the Group will increase its marketing efforts and continue to offer high-quality products and outstanding services as well as solutions with higher quality and efficiency for its customers by way of improving the competitiveness and market share of the enterprise continuously.

## **EMPLOYEE INFORMATION AND REMUNERATION POLICIES**

The emolument policy of the employees of the Group is set up by the management on the basis of their merits, qualifications and competence.

As of 30 June 2024, the Group had an aggregate of 147 employees (as of 31 December 2023: 128 employees). The Group will recruit highly skilled talents in AI algorithms, big data, electronic information, industrial design, intelligent manufacturing engineering and other areas from all over the world, and promote individual persons according to their strengths and development potential. The Group determined the remuneration packages of all employees including the Directors with reference to individual performance and prevailing market salary scale.

The Group is dedicated to the training and development of its employees. The Group leverages its research and development capabilities and other resources to ensure that each employee maintains a current skill-set through continuous training. The Group provides introductory training and orientation for all new employees, as well as on-the job training to continually improve its employees' technical, professional and management skills. The Company has also adopted share option scheme for the purpose of providing incentives and rewards to eligible participants, including the employees of the Group, who contributes to the success of the Group's operations.

## **INTERIM DIVIDEND**

The Board resolved not to declare any interim dividend for the Period (2023: nil).

## **CAPITAL STRUCTURE**

Pursuant to the special general meeting held by the Company on 29 January 2024, an ordinary resolution was passed to approve the Share Consolidation where every ten (10) issued and unissued ordinary shares with a par value of HK\$0.01 each in the share capital of the Company be consolidated into one (1) ordinary share with a par value of HK\$0.10 each. The Share Consolidation took effect on 31 January 2024. Details please refer to the Company's announcements dated 21 December 2023 and 29 January 2024, and circular dated 12 January 2024.

As at 30 June 2024, the Company has issued 615,692,886 ordinary shares. The Group finances its working capital requirements mainly through funds generated from disposal of financial assets at fair value through other comprehensive income. The Group had bank and cash balances of HK\$132.9 million as at 30 June 2024, a decrease of HK\$125.2 million as compared to 31 December 2023.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 June 2024, the Group's total shareholders' funds amounted to approximately HK\$1,560 million (31 December 2023: HK\$1,494 million). Total assets were approximately HK\$1,831 million (31 December 2023: HK\$1,828 million) and total liabilities were approximately HK\$272 million (31 December 2023: HK\$334 million).

As at 30 June 2024, the Group had bank and cash balances of approximately HK\$132.9 million (31 December 2023: HK\$258.0 million) and pledged bank deposits of approximately HK\$848,000 (31 December 2023: HK\$868,000). The gearing ratio as of 30 June 2024, is calculated as net debt divided by total capital, which is defined as the percentage of the total interest-bearing debt, including bank and other borrowings of approximately HK\$102.0 million (31 December 2023: HK\$115.5 million) to total capital, was not applicable (31 December 2023: nil) due to net cash.

As at 30 June 2024, the Group's total bank borrowings of approximately HK\$102.0 million (31 December 2023: HK\$115.5 million), of which approximately HK\$21.4 million (31 December 2023: HK\$21.9 million) and HK\$80.6 million (31 December 2023: HK\$93.6 million) will be repayable within one year and after one year respectively, carried interest rate at the floating rates from 6.00% to 7.00% (31 December 2023: 6.25% to 7.00%) per annum.

Most of the assets, liabilities and transactions of the Group are primarily denominated in HK\$, RMB and USD. The Group has not entered into any instruments on the foreign exchange exposure. The Group will closely monitor exchange rate movement and will take appropriate activities to reduce the exchange risk.

Particulars of bank borrowings of the Group as at 30 June 2024 are set out in note 19 to the condensed consolidated financial information.

## **PLEDGE OF ASSETS**

As at 30 June 2024, the right-of-use assets amounted to HK\$66.4 million (31 December 2023: HK\$69.1 million) and construction-in-progress amounted to HK\$437.5 million (31 December 2023: HK\$443.1 million) were pledged for the Group's bank borrowings. The bank deposits amounted to HK\$848,000 as at 30 June 2024 (31 December 2023: HK\$868,000) were pledged for the construction work and service contracts.

## **CONTINGENT LIABILITIES**

As at 30 June 2024, the Group had no significant contingent liabilities.



## **RISK MANAGEMENT**

During the Period under review, the Group regularly reviewed the risk and credit control systems in order to improve the overall controlling system and mitigate credit risk. This also ensures that the Group is capable of effectively conducting business operations and facilitates further development. There have been no significant changes in the Group's risk management policy since the year-end date last year.

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSALS**

### **KC Subscription in Kuang-Chi Technologies Co., Ltd. (“KCT”)**

KCT, a company established in the PRC and listed on the Shenzhen Stock Exchange (stock code: 002625), is principally engaged in developing innovative advanced technology and its core business is in metamaterial intelligent structure and equipment research, as well as the manufacture of seat function components for automobiles.

On 25 March 2015, the Group entered into a subscription agreement with KCT, pursuant to which KCT conditionally agreed to issue, and the Group conditionally agreed to subscribe for 42,075,736 new shares of KCT at the consideration of RMB300.0 million (equivalent to approximately HK\$345.0 million). On 11 November 2016, the Group obtained the approval from the China Securities Regulatory Commission for the subscription and certain conditions of the subscription agreement have been satisfied. The subscription right is a derivative that measured at fair value through profit or loss. During the year ended 31 December 2016, the Group recognised a gain of HK\$1,021.1 million on the initial recognition of the subscription right of such shares and a loss from changes in fair value of HK\$229.9 million. The subscription has been completed and the new shares was listed on the Shenzhen Stock Exchange on 13 February 2017 and was recognised as available-for-sale financial assets (“AFS”) on the same day. As at 13 February 2017, the fair value of the derivatives right of shares of KCT amounted to approximately HK\$1,419.7 million and hence the Group recognised a fair value gain of HK\$616.4 million upon the conversion of derivative in the consolidated statement of profit or loss. Subsequent to the completion of subscription on 13 February 2017, the Group held approximately 3.2% of the ordinary shares of KCT issued. The Board considers the Company has no significant influence over KCT and no right to appoint any director, and hence classified the investment in KCT as AFS investment at HK\$1,419.7 million which is the fair value of KCT as at 13 February 2017.

The Group disposed of a total of 15,245,891 KCT shares (“**KCT Disposal**”) on the open market through a series of transactions during the period from 20 January 2021 to 8 February 2021, at the aggregate consideration of approximately RMB385,718,000. The average selling price of disposal of KCT shares was approximately RMB25.30. After the KCT Disposal, the sale proceeds were approximately HK\$442,970,000, the Group recognised a fair value gain of approximately HK\$57,527,000 for the KCT Disposal in other comprehensive income for the year ended 31 December 2021.

KCT declared dividend of RMB1.35 per every 10 KCT shares on 23 November 2022 and the Company received approximately RMB7,598,000 (equivalent to HK\$8,819,000) on 23 December 2022.

The Group disposed of a total of 11,589,200 KCT shares (“**KCT Disposal in 2023**”) on the open market through a series of transactions during the period from 9 February 2023 to 24 July 2023, at the aggregate consideration of approximately RMB202,625,000. The average selling price of KCT Disposal in 2023 was approximately RMB17.48. After the KCT Disposal in 2023, the net sale proceeds were approximately HK\$213,956,000, the Group recognised a fair value gain of approximately HK\$5,933,000 for the KCT Disposal in 2023 in other comprehensive income for the year ended 31 December 2023.

As at 30 June 2024, the Group held 44,693,660 ordinary shares of KCT, which represented approximately 2.07% of the KCT issued shares. As at 30 June 2024, the carrying amount of the share of KCT is approximately HK\$829,715,000 (31 December 2023: HK\$724,119,000), which represented 45.3% (31 December 2023: 39.6%) of the total assets of the Group.

Save as disclosed above, the Group did not have any other significant investments and there are no other material acquisition or disposal of subsidiaries and associated company during the Period.

## **EVENT AFTER THE REPORTING PERIOD**

There was no significant event which would cause material impact on the Group from the end of the Period to the date of this announcement.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS**

The Group has no plan for any material investments or additions of capital assets as at the date of this announcement.

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

### **Corporate Governance Practices**

The Board of Directors acknowledges the importance of a high standard of corporate governance as the Board believes that effective corporate governance practices are fundamental to enhance the shareholders' value and safeguard the interests of the shareholders. Accordingly, the Company has adopted sound corporate governance principles that emphasize an effective internal control and accountability to all shareholders.

The Board is responsible for performing the corporate governance functions in accordance with the applicable code provisions of the Corporate Governance Code (“**CG Code**”) as set out in Part 2 of Appendix C1 to the Listing Rules. The Board is committed to complying with the code provisions as stated in the CG Code to the extent that the Directors consider it is applicable and practical to the Company.

During the Period, the Company has complied with all the code provisions in the CG Code.

### **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “**Model Code**”) as its code of conduct regarding securities transactions by the Directors. All Directors have confirmed, following specific enquiry procedures by the Company, that they had complied with the requirements as set out in the Model Code throughout the Period.

### **CHANGE OF DIRECTORS' INFORMATION**

Save as disclosed below, during the six months ended 30 June 2024 and up to the date of this announcement, there has been no changes to the information of Directors and chief executives of the Company which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

- Dr. Liu Ruopeng has resigned as the Chairman of the Board and has ceased to be the chairman of the nomination committee of the Company with effect from 11 August 2024. Dr. Liu Ruopeng will continue to act as an executive Director of the Company.
- Dr. Zhang Yangyang, an executive Director, has been appointed as the Chairman of the Board and has been appointed as the chairman of the nomination committee of the Company with effect from 11 August 2024.

- Dr. Zhang Yangyang has resigned as the director of Kuang-Chi Technologies Co., Ltd. (the shares were listed in Shenzhen Stock Exchange Limited, the stock code: 002625.SZ) with effect from 9 August 2024.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares). As at 30 June 2024, the Company did not hold any of treasury shares.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company has maintained sufficient public float as required under the Listing Rules.

## **REVIEW OF INTERIM RESULTS**

The Audit Committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and the interim results of the Group for the six months ended 30 June 2024. The Audit Committee is satisfied with the review and the Board is also satisfied with the Audit Committee's report.

On behalf of the Board  
**KuangChi Science Limited**  
**Dr. Zhang Yangyang**  
*Chairman and Executive Director*

Shenzhen, the PRC, 30 August 2024

*As at the date of this announcement, the Board comprises four executive Directors, namely Dr. Zhang Yangyang, Dr. Liu Ruopeng, Dr. Luan Lin and Dr. Ji Chunlin; one non-executive Director namely Mr. Li Chiu Ho; and three independent non-executive Directors, namely Dr. Wong Kai Kit, Mr. Choi Wing Koon and Dr. Wu Zhili.*