

KUANGCHI SCIENCE LIMITED

Incorporated in Bermuda with limited liability

Stock Code: 439



2024
Interim Report

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Dr. Zhang Yangyang

(appointed as Chairman on 11 August 2024)

Dr. Liu Ruopeng

(resigned as Chairman on 11 August 2024)

Dr. Luan Lin

Dr. Ji Chunlin

Non-executive Director

Mr. Li Chiu Ho

Independent Non-executive Directors

Dr. Wong Kai Kit

Mr. Choi Wing Koon

Dr. Wu Zhili

AUDIT COMMITTEE

Mr. Choi Wing Koon *(Chairman)*

Dr. Wong Kai Kit

Dr. Wu Zhili

REMUNERATION COMMITTEE

Dr. Wong Kai Kit *(Chairman)*

Dr. Zhang Yangyang

Dr. Wu Zhili

NOMINATION COMMITTEE

Dr. Zhang Yangyang

(appointed as Chairman on 11 August 2024)

Dr. Wong Kai Kit

Dr. Wu Zhili

Dr. Liu Ruopeng

(resigned on 11 August 2024)

COMPANY SECRETARY

Mr. Cheng Chi Chung Kevin

AUDITOR

RSM Hong Kong

Certified Public Accountants

29th Floor

Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong

REGISTERED OFFICE

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CORPORATE INFORMATION

REGISTRARS

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16 Harcourt Road
Hong Kong

Bermuda

Conyers Corporate Services (Bermuda) Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank
PingAn Bank Co., Ltd.

STOCK CODE

439

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 24 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 report.

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 report.

MANAGEMENT DISCUSSION AND ANALYSIS

SHARE OPTION SCHEME

The Company maintains a share option scheme of the Company (“**Share Option Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the operations of the Group. Details about the terms of the Share Option Scheme were disclosed in note 26 to the condensed consolidated financial statements.

Movement of options granted under the Share Option Scheme is as follows:

Category of participant	Date of Grant	Exercise price (HK\$) ⁽³⁾	Exercisable period ⁽¹⁾	Closing price immediately prior to date of grant (HK\$) ⁽²⁾	Outstanding as at 1 January 2024	Adjustments due to Share Consolidation ⁽³⁾	Granted during the Period	Exercised during the Period	Weighted average closing price immediately prior to date of exercise of options (HK\$)	Lapsed during the Period	Cancelled during the Period	Outstanding as at 30 June 2024
Employees	22.4.2021	2.290	22.4.2022-21.4.2026 ⁽²⁾	0.229	18,750,000	(16,875,000)	-	-	N/A	(69,000)	-	1,806,000

- 1) Vesting of the share options is conditional upon the achievement of certain performance targets as set out in respective offer letters.
- 2) Commencing from the first, second and third anniversaries of the date of grant of the options, the relevant grantee may exercise up to 33%, 33% and 34% respectively of the options granted.
- 3) The Share Consolidation took effect from 31 January 2024, the above adjustments were made to the exercise price of the outstanding share options and the number of Consolidated Shares falling to be issued upon the exercise of the outstanding Share Options.

No further options were granted under the Share Option Scheme on or after 31 July 2022 as the right to do so terminated on the same day.

Save as disclosed above, no share options were granted, exercised or forfeited during the Period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As at 30 June 2024, the following Directors or chief executives of the Company or his associates had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations, as notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the “SFO”), or as recorded in the register to be kept under Section 352 of the SFO or as notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”).

Name of Director/ Chief executive	Number of shares held		Number of underlying shares held Personal interest	Total	Approximate percentage of total issued shares
	Personal interest	Corporate interests			
Dr. Liu Ruopeng (“Dr. Liu”)	-	261,850,000 (L) (note 2)	-	261,850,000 (L)	42.53%
Dr. Liu Weiwen (“Dr. Liu W”)	-	-	120,000 (L) (note 3)	120,000 (L)	0.019%

Notes:

1. “L” represents long position in shares/underlying shares and “S” represents short position in shares.
2. This represents the interests in 261,850,000 shares of the Company directly held by three companies: (1) 60,786,205 shares held by New Horizon Wireless Technology Limited (“New Horizon Wireless”), being a wholly-owned subsidiary of Wireless Connection Innovative Technology Limited, which is owned as to 51% by Shenzhen Dapeng Kuang-Chi Investment Consulting Co., Ltd. and as to 49% by Shenzhen Kuang-Chi Hezhong Technology Limited, of which Dr. Liu is the controlling shareholder of both Shenzhen Kuang-Chi Hezhong Technology Limited and Shenzhen Dapeng Kuang-Chi Investment Consulting Co., Ltd.; (2) 201,013,795 shares held by New Horizon Wireless Communication Limited (“New Horizon Communication”), being a wholly-owned subsidiary of Innovative Power Group Limited, which is wholly owned by Shenzhen Dapeng Kuang-Chi Investment Consulting Co., Ltd., of which Dr. Liu is the controlling shareholder; and (3) 50,000 Shares held by Sky Asia Holdings Limited (“Sky Asia”), being a wholly-owned subsidiary of Shenzhen KuangChiYoulu Technology Co., Ltd, which is wholly owned by Shenzhen Kuang-Chi Hezhong Technology Limited, and as mentioned above, Dr. Liu is the controlling shareholder. Accordingly, Dr. Liu is deemed to be interested in the same number of shares of the Company held by New Horizon Wireless, New Horizon Communication and Sky Asia respectively within the meaning of Part XV of the SFO.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

3. This represents interests in the share options of the Company held by Dr. Liu W.
4. As of 30 June 2024, the issued shares of the company were 615,692,886.

Save as disclosed above, as at 30 June 2024, no interests or short positions were held or deemed or taken to be held under Part XV of the SFO by any Director or chief executive of the Company or their respective associates 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 notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2024, the following shareholders had interests, directly or indirectly, or short positions in the shares and underlying shares of the Company would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Substantial Shareholder	Capacity	Number of shares held	Approximate percentage of total issued shares
Ms. Huang Weizi	Interest of spouse	261,850,000 (L) (note 2)	42.53%
New Horizon Wireless	Beneficial owner	60,786,205 (L)	9.87%
Wireless Connection Innovative Technology Limited	Interest of controlled corporation	60,786,205 (L)	9.87%
New Horizon Communication	Beneficial owner	201,013,795 (L)	32.65%
Innovative Power Group Limited	Interest of controlled corporation	201,013,795 (L)	32.65%
深圳光啟合眾科技有限公司 (*Shenzhen Kuang-Chi Hezhong Technology Limited)	Interest of controlled corporation	60,836,205 (L)	9.88%
深圳大鵬光啟投資諮詢有限責任公司 (*Shenzhen Dapeng Kuang-Chi Investment Consulting Co., Ltd.)	Interest of controlled corporation	261,800,000 (L)	42.52%
Central Faith International Ltd.	Beneficial owner and Interest of controlled corporation	97,298,101 (L)	15.80%

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

Name of Substantial Shareholder	Capacity	Number of shares held	Approximate percentage of total issued shares
World Treasure Global Limited (note 3)	Beneficial owner	61,898,101 (L)	10.05%
Ye Cheng (note 4)	Interest of controlled corporation	34,747,198 (L)	5.64%

* For identification purpose only

Notes:

1. “L” represents long position in shares/underlying shares and “S” represents short position in shares.
2. This represents the interest in the shares of the Company held by (i) New Horizon Wireless; (ii) New Horizon Communication; and (iii) Sky Asia. Ms. Huang Weizi (“**Ms. Huang**”), being the spouse of Dr. Liu, is deemed to be interested in the same number of shares held by (i) New Horizon Wireless; (ii) New Horizon Communication; and (iii) Sky Asia.
3. World Treasure Global Limited is a wholly owned subsidiary of Central Faith International Ltd.
4. Based on the disclosure of interests’ forms submitted by the substantial shareholders respectively as of 30 June 2024.
5. As of 30 June 2024, the issued shares of the Company were 615,692,886.

Save as disclosed above, as at 30 June 2024, the Company was not aware of any other person (other than the Directors or chief executives of the Company) who had an interest, directly or indirectly, or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company under Section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The board (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 emphasis 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 report, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 report, the Company has maintained sufficient public float as required under the Listing Rules.

MAJOR LITIGATION AND ARBITRATION PROCEEDINGS

The Group had no major litigation or arbitration proceedings during the Period.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

The Group had no significant investment, disposals and acquisition of subsidiaries, associates or joint ventures during the Period.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Directors confirmed that as at the date of this report, there are no current plans to acquire any material investment or capital assets.

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

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

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
Loss for the period	(5,226)	(9,099)
Other comprehensive income/(loss)		
<i>Items that may be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(34,210)	(66,718)
<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	105,395	(75,461)
Other comprehensive income/(loss), net of tax	71,185	(142,179)
Total comprehensive income/(loss) for the period	65,959	(151,278)
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	65,959	(151,278)
Non-controlling interests	–	–
	65,959	(151,278)

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

	Notes	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	13	437,616	443,124
Investment properties	14	107,403	61,809
Right-of-use assets	15	66,375	69,082
Intangible assets	16	6	69
Financial assets at fair value through other comprehensive income	17	829,715	724,119
Investment in an associate	18	48,150	–
Other non-current assets	18	–	79,672
Total non-current assets		1,489,265	1,377,875
CURRENT ASSETS			
Inventories		15,002	12,667
Contract assets		2,739	21,398
Trade and other receivables	18	185,369	106,305
Financial assets at fair value through profit or loss	19	5,350	5,481
Loan receivables	20	–	–
Pledged bank deposits		848	868
Bank and cash balances		132,907	258,065
Total current assets		342,215	404,784
Assets classified as held for sale	21	–	45,591
Total current assets		342,215	450,375
Total assets		1,831,480	1,828,250

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

	Notes	30 June 2024 HK\$'000 (unaudited)	31 December 2023 HK\$'000 (audited)
EQUITY			
Share capital	22	61,569	61,569
Other reserves	23	2,170,353	2,099,093
Accumulated losses		(672,041)	(666,815)
Total equity		1,559,881	1,493,847
LIABILITIES			
NON-CURRENT LIABILITIES			
Bank borrowings	24	80,639	93,575
Deferred tax liabilities		94,372	77,795
Total non-current liabilities		175,011	171,370
CURRENT LIABILITIES			
Trade and other payables	25	63,991	121,827
Contract liabilities		170	–
Deferred government grants		6,945	7,115
Current tax payable		4,082	12,167
Bank borrowings	24	21,400	21,924
Total current liabilities		96,588	163,033
Total liabilities		271,599	334,403
Total equity and liabilities		1,831,480	1,828,250

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Share capital HK\$'000 (Note 22)	Other reserves HK\$'000 (Note 23)	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2024	61,569	2,099,093	(666,815)	1,493,847
Loss for the period	–	–	(5,226)	(5,226)
Other comprehensive income/(loss) for the period:				
– Currency translation differences	–	(34,210)	–	(34,210)
– Changes in fair value of financial assets at fair value through other comprehensive income, net of deferred tax	–	105,395	–	105,395
Total comprehensive income/(loss) for the period	–	71,185	(5,226)	65,959
– Recognition of share-based payments	–	75	–	75
At 30 June 2024 (unaudited)	61,569	2,170,353	(672,041)	1,559,881

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Share capital HK\$'000 (Note 22)	Other reserves HK\$'000 (Note 23)	Accumulated losses HK\$'000	Subtotal HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 January 2023	61,569	2,059,659	(504,231)	1,616,997	–	1,616,997
Loss for the period	–	–	(9,099)	(9,099)	–	(9,099)
Other comprehensive loss for the period:						
– Currency translation differences	–	(66,718)	–	(66,718)	–	(66,718)
– Changes in fair value of financial assets at fair value through other comprehensive income, net of deferred tax	–	(75,461)	–	(75,461)	–	(75,461)
Total comprehensive loss for the period	–	(142,179)	(9,099)	(151,278)	–	(151,278)
– Transfer upon disposal of financial assets at fair value through other comprehensive income	–	47,581	(47,581)	–	–	–
– Recognition of share-based payments	–	360	–	360	–	360
At 30 June 2023 (unaudited)	61,569	1,965,421	(560,911)	1,466,079	–	1,466,079

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	Six months ended 30 June	
	2024 HK\$'000 (unaudited)	2023 HK\$'000 (unaudited)
CASH FLOW FROM OPERATING ACTIVITIES		
NET CASH USED IN OPERATING ACTIVITIES	(95,545)	(26,121)
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(5,166)	(11,755)
Interest received	5,292	1,093
Proceeds from disposal of financial assets at fair value through other comprehensive income	–	195,004
Proceeds from disposal of plant and equipment	16	–
Payment for acquiring investment property	(18,933)	–
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(18,791)	184,342
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of bank borrowings	(10,000)	(6,231)
Repayments of lease liabilities	–	(238)
NET CASH USED IN FINANCING ACTIVITIES	(10,000)	(6,469)
NET (DECREASE)/INCREASE IN BANK AND CASH BALANCES	(124,336)	151,752
BANK AND CASH BALANCES AT THE BEGINNING OF THE PERIOD	258,065	162,948
Effect of foreign exchange rate changes	(822)	6,429
BANK AND CASH BALANCES AT THE END OF THE PERIOD	132,907	321,129
ANALYSIS OF BANK AND CASH BALANCES		
Cash and cash equivalents	18,957	93,229
Time deposits with maturity over three months	113,950	227,900
	132,907	321,129

The above condensed consolidated statement of cash flows 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 ⁽¹⁾
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽²⁾

⁽¹⁾ Effective for the Group for annual period beginning on 1 January 2025.

⁽²⁾ Effective date to be determined.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

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

(Continued)

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.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.2 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

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:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 30 June 2024				
Financial assets				
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
	829,715	–	5,350	835,065
At 31 December 2023				
Financial assets				
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
	724,119	–	5,481	729,600

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.

5 FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS (Continued)

5.2 Fair value estimation (Continued)

(a) Fair value hierarchy (Continued)

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:

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$’000	HK\$’000
Revenue from contracts with customers within the scope of HKFRS 15		
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	29,266	879
	32,028	33,461

6 REVENUE AND SEGMENT INFORMATION (Continued)

(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.

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

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

7 OTHER INCOME

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

8 OTHER GAINS/(LOSSES), NET

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

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	–
		7,568	–

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:

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Loss for the purpose of computing basic and diluted loss per share	(5,226)	(9,099)

	Unaudited	
	Six months ended 30 June	
	2024	2023
Number of shares	'000	'000
		(Restated)
Weighted average number of ordinary shares for the purpose of computing basic loss per share and adjusted for share consolidation	615,693	615,693
Effect of dilutive potential ordinary shares: – Share options of the Company	–	–
Weighted average number of ordinary shares for the purpose of computing diluted loss per share and adjusted for share consolidation	615,693	615,693

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	Furniture and fixture	Office equipment	Motor vehicles	Construction in progress	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
COST						
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)
At 31 December 2023 and 1 January 2024	4,363	205	5,809	2,022	443,079	455,478
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)
At 30 June 2024	4,118	201	5,551	1,703	437,544	449,117
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
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)
At 31 December 2023 and 1 January 2024	4,352	205	5,789	2,008	-	12,354
Depreciation	1	-	6	-	-	7
Disposal	(135)	-	(176)	-	-	(311)
Written-off	-	-	-	(268)	-	(268)
Currency translation differences	(103)	(4)	(137)	(37)	-	(281)
At 30 June 2024	4,115	201	5,482	1,703	-	11,501
CARRYING AMOUNTS						
At 30 June 2024	3	-	69	-	437,544	437,616
At 31 December 2023	11	-	20	14	443,079	443,124

14 INVESTMENT PROPERTIES

The Group leases out properties under operating leases with rentals payable monthly. The leases typically run for an initial period of one year.

The Group is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in the respective functional currencies of group entities. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	Note	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
COST			
At 1 January		72,558	127,137
Addition		49,276	–
Reclassified as held for sale	21	–	(50,984)
Currency translation differences		(1,734)	(3,595)
At 30 June/31 December		120,100	72,558
ACCUMULATED DEPRECIATION			
At 1 January		10,749	11,828
Charge for the year		2,224	4,679
Reclassified as held for sale	21	–	(5,393)
Currency translation differences		(276)	(365)
At 30 June/31 December		12,697	10,749
CARRYING AMOUNTS			
At 30 June/31 December		107,403	61,809

The investment properties are held under leases by the Group as a right-of-use asset to earn rentals.

15 LEASES

(a) Right-of-use assets

	Leasehold land	Total
	HK\$'000	HK\$'000
Balance as at 1 January 2024	69,082	69,082
Amortisation charge	(1,066)	(1,066)
Exchange translation	(1,641)	(1,641)
Balance as at 30 June 2024 (unaudited)	66,375	66,375

(b) Amounts recognised in the condensed consolidated statement of profit or loss

	Unaudited	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Amortisation of right-of-use assets	1,066	1,323
Interest on lease liabilities	–	8
Expense relating to short-term leases	75	38
	1,141	1,369

16 INTANGIBLE ASSETS

	Technical knowhow and patents HK\$'000
COST	
At 1 January 2023	15,713
Disposal	(109)
Currency translation differences	(444)
At 31 December 2023 and 1 January 2024	15,160
Currency translation differences	(362)
At 30 June 2024	14,798
ACCUMULATED AMORTISATION AND IMPAIRMENT	
At 1 January 2023	15,488
Amortisation	150
Disposal	(109)
Currency translation differences	(438)
At 31 December 2023 and 1 January 2024	15,091
Amortisation	62
Currency translation differences	(361)
At 30 June 2024	14,792
CARRYING AMOUNTS	
At 30 June 2024	6
At 31 December 2023	69

17 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

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.

18 TRADE AND OTHER RECEIVABLES

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

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

18 TRADE AND OTHER RECEIVABLES (Continued)

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

	Trade receivables	Contract assets	Total
	HK\$'000	HK\$'000	HK\$'000
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)
At 31 December 2023 and 1 January 2024	59,164	10,762	69,926
Provision for impairment loss/ (reversal of impairment loss)	4,887	(450)	4,437
Currency translation differences	(1,457)	(253)	(1,710)
At 30 June 2024	62,594	10,059	72,653

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

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

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.

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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.

20 LOAN RECEIVABLES

	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
Loan to a third party	2,368	2,368
Less: provision for impairment of loan receivables	(2,368)	(2,368)
	—	—

As at 30 June 2024 and 31 December 2023, the balance represented a loan to Beyond Verbal of HK\$2,368,000, which is unsecured, bearing interest at 6% per annum and mature on 31 March 2018. The loan was fully impaired in 2017 as management considered the recoverability of the loan is remote. No repayment was made by Beyond Verbal during the period.

21 ASSET CLASSIFIED AS HELD FOR SALE

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

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 25). 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.

22 SHARE CAPITAL

	30 June 2024		31 December 2023	
	Number of shares	Equivalent to HK\$'000	Number of shares	Equivalent to HK\$'000
Ordinary shares				
Authorised:				
Ordinary shares of HK\$0.01 each at 31 December 2023 and HK\$0.1 each at 30 June 2024	731,666,666	73,167	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	615,692,886	61,569	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.

23 OTHER RESERVES

	Share premium HK\$'000	Financial assets at FVOCI reserve HK\$'000	Capital reserve HK\$'000 (Note a)	Contributed surplus HK\$'000 (Note b)	Share-based payment reserve HK\$'000 (Note c)	Exchange translation HK\$'000	Total HK\$'000
At 1 January 2024	2,339,550	(172,544)	17,900	103,941	1,909	(191,663)	2,099,093
Currency translation differences	-	-	-	-	-	(34,210)	(34,210)
Fair value changes of financial assets at FVOCI, net of deferred tax	-	105,395	-	-	-	-	105,395
Other comprehensive income/(loss) for the period	-	105,395	-	-	-	(34,210)	71,185
Recognition of share-based payments	-	-	-	-	75	-	75
At 30 June 2024 (unaudited)	2,339,550	(67,149)	17,900	103,941	1,984	(225,873)	2,170,353

	Share premium HK\$'000	Financial assets at FVOCI reserve HK\$'000	Capital reserve HK\$'000 (Note a)	Contributed surplus HK\$'000 (Note b)	Share-based payment reserve HK\$'000 (Note c)	Exchange translation HK\$'000	Total HK\$'000
At 1 January 2023	2,339,550	(255,465)	17,900	103,941	1,558	(147,825)	2,059,659
Currency translation differences	-	-	-	-	-	(66,718)	(66,718)
Fair value changes of financial assets at FVOCI, net of deferred tax	-	(75,461)	-	-	-	-	(75,461)
Other comprehensive loss for the period	-	(75,461)	-	-	-	(66,718)	(142,179)
Transfer upon disposal of financial assets at FVOCI	-	47,581	-	-	-	-	47,581
Recognition of share-based payments	-	-	-	-	360	-	360
At 30 June 2023 (unaudited)	2,339,550	(283,345)	17,900	103,941	1,918	(214,543)	1,965,421

23 OTHER RESERVES (Continued)

Notes:

- (a) The balance of capital reserve represents the capital reserve arising from the Group's restructuring which took place in 1992.
- (b) The balance of contributed surplus arose as a result of the Company's capital reduction exercises which took place in the financial years of 2003 and 2006.
- (c) The balance of share-based payment reserve represents share options granted on 22 April 2021.

24 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	102,039	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.

25 TRADE AND OTHER PAYABLES

	Notes	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
Trade payables	(a),(b)	34,637	54,724
Accrued employee benefits		2,948	2,676
Receipt in advance from disposal of asset classified as held for sale	21	–	30,146
Value-added tax and other tax payable		5,166	9,579
Other payables and accruals		7,576	10,704
Accrued construction costs		13,664	13,998
		63,991	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.

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

26 SHARE-BASED PAYMENT TRANSACTIONS

Pursuant to an ordinary resolution passed at the special general meeting of the Company held on 31 July 2012, a share option scheme (the “Scheme”) was adopted by the Company. The purpose of the Scheme is to enable the Company to provide incentive to participants in recognition of their contribution to the Group. The directors of the Company may offer to grant any employee or director of the Company or any adviser, consultant, agent, contractor, customers and supplier of any member of the Group or whom the Board in its sole discretion considers eligible for the Scheme on the basis of his or her contribution to the Group.

On 22 April 2021, a total of 27,000,000 share options under the Scheme were granted (the “Share Options”). The exercise price was HK\$0.229. The details of the Share Options are summarised as follows:

	% of the total shares	Share Options	
		Vesting period	Exercisable period
Tranche 1	33%	22 April 2021 to 22 April 2022	22 April 2022 to 21 April 2026
Tranche 2	33%	22 April 2021 to 22 April 2023	22 April 2023 to 21 April 2026
Tranche 3	34%	22 April 2021 to 22 April 2024	22 April 2024 to 21 April 2026
Share Option			
Recognised as expenses for the six months period ended 30 June 2021 (HK\$)			309,000
Number of Share Options granted to employees of the Company			27,000,000
Exercise price (HK\$)			0.229
Grant date			22 April 2021
Fair value on grant date (HK\$)			2,808,000

26 SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The following table lists the inputs to the fair value as at 22 April 2021 of the Share Options:

	Share Options
Share price at the date of grant (HK\$)	0.229
Exercise price (HK\$)	0.229
Expected volatility	71%
Expected life (no. of years)	5
Risk-free interest rate	0.602%
Exercise multiple	1.6
Expected dividend yield	Nil

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.

The following table discloses movements of the Company's share options held by employees during the period:

	Number of share options	30 June 2024 weighted average exercise price (HK\$)
Outstanding at 1 January 2024	18,750,000	0.229
Adjusted for share consolidation	(16,875,000)	N/A
Lapsed during the period	(69,000)	2.290
Outstanding at 30 June 2024	1,806,000	2.290

The Group recognised an expense of approximately HK\$75,000 for the six months period ended 30 June 2024 in relation to Share Options granted by the Company.

During the six months ended 30 June 2024, no share option was granted, exercised or cancelled (2023: Nil).

27 CAPITAL COMMITMENTS

Capital expenditure contracted for at the end of the period/year but not yet incurred is as follows:

	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
Contracted for		
Property, plant and equipment	24,922	25,453
Investment property	–	18,684
	24,922	44,137

28 RELATED PARTY TRANSACTIONS

(a) Related party balances

	Unaudited 30 June 2024 HK\$'000	Audited 31 December 2023 HK\$'000
Trade receivables (net of allowance)		
– 佛山順德光啟尖端裝備有限公司 (「佛山順德光啟」)(Note (i))	54,954	28,640
– 深圳光啟尖端技術有限責任公司 (「光啟尖端技術」)(Note (i))	10	295
– 深圳光啟高等理工研究院(Note (ii))	–	1,396

(b) Related party transactions

Name of parties	Nature of transactions	Unaudited Six months ended 30 June	
		2024 HK\$'000	2023 HK\$'000
深圳光啟創新技術有限公司	Purchase of materials	–	6
深圳光啟超材料技術有限公司 (「深圳光啟超材料」)	Sale of motor vehicle	–	125
佛山順德光啟	Sale of artificial intelligent system and related product	2,506	2,804
佛山順德光啟	Sale of metal component products	29,266	879
佛山順德光啟	Lease of property	187	–

28 RELATED PARTY TRANSACTIONS (Continued)

(b) Related party transactions (Continued)

Note:

- (i) The Director and controlling shareholder of the Company, Dr. Liu Ruopeng, is a controlling shareholder of 佛山順德光啟, 深圳光啟超材料, 深圳光啟創新技術有限公司 and 光啟尖端技術. The above transactions were conducted in the normal course of the business of the Company and charged at terms mutually agreed by the parties concerned or in accordance with the terms of the underlying agreements, where appropriate.
- (ii) The director and controlling shareholder of the Company, Dr. Liu Ruopeng, has beneficial interests in 深圳光啟高等理工研究院.
- (iii) As at 30 June 2024, a company which is controlled by Dr. Liu Ruopeng provided a guarantee to a bank for the Group's banking facilities amounted to HK\$302,746,000 (31 December 2023: HK\$310,159,000), of which HK\$102,039,000 (31 December 2023: HK\$115,499,000) were utilised as at 30 June 2024.

Saved as disclosed above and elsewhere in the interim condensed consolidated financial information, there was no other related party transaction during the periods ended 30 June 2024 and 2023.

29 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.