



香港通訊

HKC INTERNATIONAL HOLDINGS LIMITED

香港通訊國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code : 248

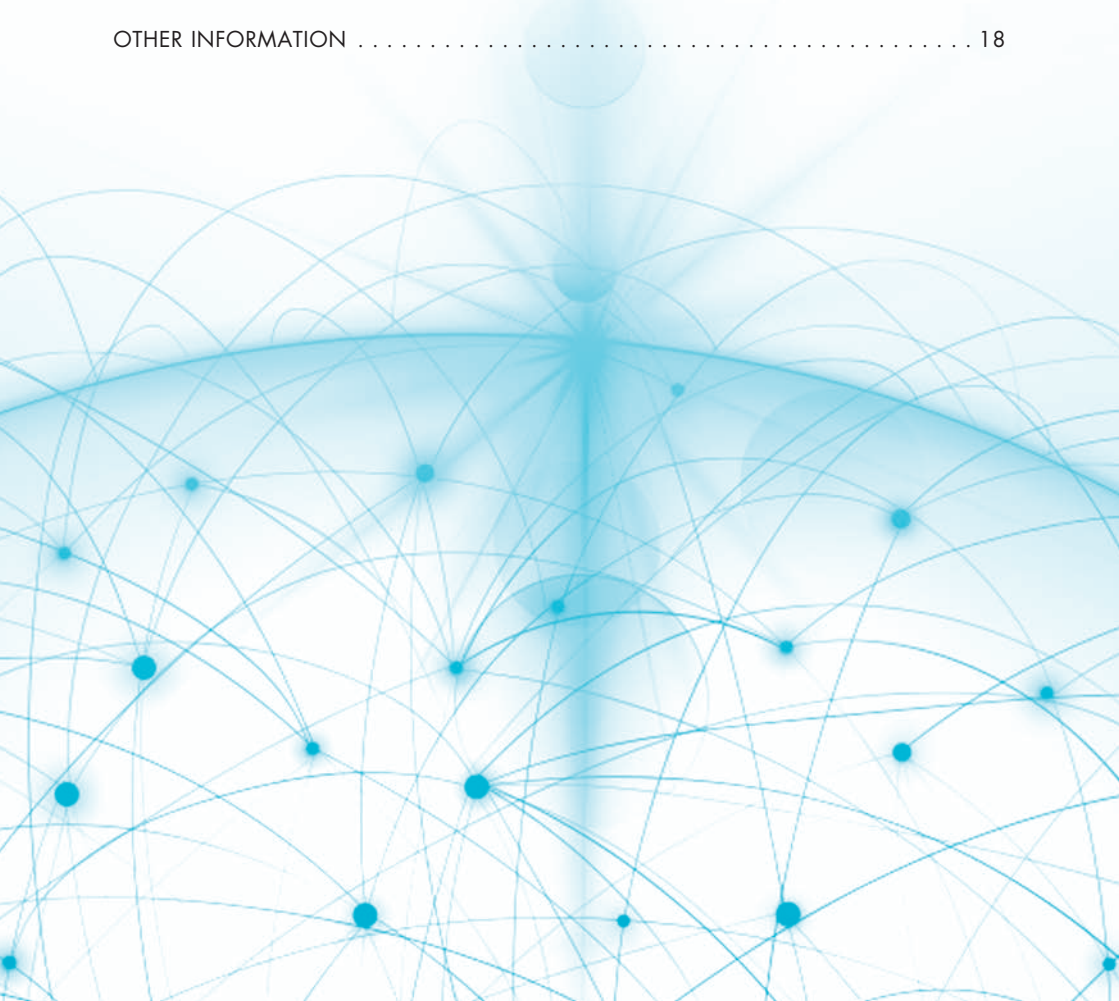
Interim Report

2023

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Chan Chung Yee, Hubert
(*Chairman & Chief Executive Officer*)
Chan Chung Yin, Roy
Chan Ming Him, Denny
Wu Kwok Lam CPA, FCCA
Ip Man Hon
Lam Man Hau

Independent Non-executive Directors

Chiu Ngar Wing FCCA, CPA (Practising)
Chu Chor Lup
Law Ka Hung
Wong Kwok Leung

COMPANY SECRETARY

Wu Kwok Lam CPA, FCCA

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands
British West Indies

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

14/F., Block B, Vita Tower
29 Wong Chuk Hang Road
Hong Kong

CAYMAN ISLANDS PRINCIPAL REGISTRAR

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands
British West Indies

HONG KONG BRANCH REGISTRAR

Pilare Limited
17/F., Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

AUDITORS

SHINEWING (HK) CPA Limited

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
China Construction Bank (Asia)

STOCK CODE

248

WEBSITE ADDRESS

<http://www.hkc.com.hk>

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2023

		Six months ended 30 September,	
	Notes	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	3	101,526	97,085
Cost of sales		(81,388)	(81,504)
Gross profit		20,138	15,581
Other income, gains and losses	4	1,290	2,879
Fair value loss on financial assets at fair value through profit and loss (“FVTPL”)		(123)	(47)
Reversal of impairment on trade receivables and contract assets, net		573	215
Selling and distribution expenses		(1,814)	(1,653)
Administrative and other operating expenses		(14,802)	(14,898)
Finance costs	5	(5,910)	(1,245)
(Loss) profit before taxation	6	(648)	832
Taxation	7	-	(38)
(Loss) profit for the period attributable to equity holders of the Company		(648)	794
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of overseas Operations		2,090	5,125
Total comprehensive income attributable to equity holders of the Company		1,442	5,919
(Loss) earnings per share - (HK cents)			
- basic and diluted	8	(0.05) cents	0.06 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER, 2023

	Notes	As at 30 September, 2023 HK\$'000 (unaudited)	As at 31 March, 2023 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		50,066	50,426
Investment properties		182,400	193,000
Financial assets at FVTPL		9,145	9,145
Financial assets at fair value through other comprehensive income ("FVTOCI")		-	9,854
		241,611	262,425
CURRENT ASSETS			
Inventories		15,836	15,906
Contract assets	10	126,951	78,344
Financial assets at FVTPL		473	596
Trade receivables	11	9,561	19,275
Prepayments, deposits and other receivables		10,239	12,644
Tax recoverable		176	176
Pledged bank deposits		2,760	2,667
Cash and bank balances		21,176	35,463
		187,172	165,071
CURRENT LIABILITIES			
Trade payables	12	2,023	4,164
Accruals and other payables	12	2,663	7,237
Contract liabilities		2,067	2,137
Amounts due to directors		4,000	10,000
Lease liabilities		8	72
Bank borrowings		153,202	140,478
Tax payable		-	30
		163,963	164,118
NET CURRENT ASSETS		23,209	953

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT 30 SEPTEMBER, 2023

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2023

	Attributable to equity holders of the Company								
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Property revaluation reserve HK\$'000	Translation reserve HK\$'000	Investment revaluation reserve HK\$'000	Share-based payment reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1 April, 2023	12,453	39,621	28,325	74,640	652	5,954	830	100,853	263,328
Loss for the period	-	-	-	-	-	-	-	(648)	(648)
Other comprehensive income for the period	-	-	-	-	2,090	-	-	-	2,090
Transferred to retained profits on disposal of financial assets at FVTOCI	-	-	-	-	-	(5,954)	-	5,954	-
Transferred to retained profits on disposal of investment property	-	-	-	(9,478)	-	-	-	9,478	-
Total comprehensive (expense) income for the period	-	-	-	(9,478)	2,090	(5,954)	-	14,784	1,442
At 30 September, 2023 (unaudited)	12,453	39,621	28,325	65,162	2,742	-	830	115,637	264,770
At 1 April, 2022	12,453	39,621	28,325	74,640	1,007	4,335	-	120,421	280,802
Profit for the period	-	-	-	-	-	-	-	794	794
Other comprehensive income for the period	-	-	-	-	5,125	-	-	-	5,125
Total comprehensive income for the period	-	-	-	-	5,125	-	-	794	5,919
At 30 September, 2022 (unaudited)	12,453	39,621	28,325	74,640	6,132	4,335	-	121,215	286,721

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2023

	Six months ended	
	30.9.2023 HK\$'000 (unaudited)	30.9.2022 HK\$'000 (unaudited)
Net cash used in operating activities	(26,747)	(28,373)
Net cash used in investing activities	(188)	(412)
Net cash generated from financing activities	12,660	37,163
Net (decrease) increase in cash and cash equivalents	(14,275)	8,378
Cash and cash equivalents at beginning of the period	35,463	25,746
Effect of foreign exchange rates changes	(12)	(72)
Cash and cash equivalents at end of the period	21,176	34,052
Analysis of balances of cash and cash equivalents		
Cash and bank balances	21,176	34,052

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER, 2023

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

3. REVENUE/SEGMENT INFORMATION

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

Segment results, assets and liabilities

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

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

3. REVENUE/SEGMENT INFORMATION (Continued)
Segment results, assets and liabilities (Continued)

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

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

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

3. REVENUE/SEGMENT INFORMATION (Continued)

Geographic information

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

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

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

Reconciliations of reportable segment profit or loss before taxation

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

3. REVENUE/SEGMENT INFORMATION (Continued)
Reconciliations of reportable segment assets and liabilities

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

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

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

4. OTHER INCOME, GAINS AND LOSSES

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

Note:

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

4. OTHER INCOME, GAINS AND LOSSES (Continued)

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

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

5. FINANCE COSTS

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

6. (LOSS) PROFIT BEFORE TAXATION

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

7. TAXATION

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

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

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

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

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

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

9. DIVIDEND

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

10. CONTRACT ASSETS

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

11. TRADE RECEIVABLES

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

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

11. TRADE RECEIVABLES (Continued)

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

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

12. TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	30.9.2023 HK\$'000 (unaudited)	31.3.2023 HK\$'000 (audited)
Trade payables	2,023	4,164
Accruals and other payables	2,663	7,237
	4,686	11,401

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

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

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

13. RELATED PARTY TRANSACTIONS
Key management personnel compensation

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

Sales of mobile phones

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

Sales of IOT solutions

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

Property investment

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

PROSPECTS

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

EMPLOYEES

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

PLEDGE OF ASSETS

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

CONTINGENT LIABILITIES

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

SHARE-BASED PAYMENT TRANSACTIONS

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

SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Details of specific categories of options are as follows:

<u>Date of grant</u>	<u>Vesting period</u>	<u>Exercise period</u>	<u>Exercise price</u>
18 October, 2022	18 October, 2022 to 31 October, 2023	1 November, 2023 to 31 December, 2025	HK\$0.055

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

<u>Grantee</u>	<u>Outstanding at 1 April, 2023</u>	<u>Granted during the period</u>	<u>Exercised during the period</u>	<u>Forfeited during the period</u>	<u>Expired during the year</u>	<u>Outstanding at 30 September, 2023</u>
Chan Chung Yee Hubert	12,000,000	-	-	-	-	12,000,000
Wu Kwok Lam	9,772,000	-	-	-	-	9,772,000
Lam Man Hau	8,488,000	-	-	-	-	8,488,000
Chan Ming Him	2,620,000	-	-	-	-	2,620,000
Chan Chung Yin Roy	2,520,000	-	-	-	-	2,520,000
Chiu Ngar Wing	1,200,000	-	-	-	-	1,200,000
Chu Chor Lup	1,200,000	-	-	-	-	1,200,000
Law Ka Hung	1,200,000	-	-	-	-	1,200,000
Employees	49,280,000	-	-	-	-	49,280,000
Total	88,280,000	-	-	-	-	88,280,000

The maximum number of shares in respect of which share options may be granted under the Scheme shall not exceed 10% of the issued share capital of the Company as of the date of adoption of the Scheme, being 124,533,125. As at 30 September, 2023, the number of shares that may be issued in respect of the options granted and outstanding under the Scheme was 88,280,000 (2022: nil), representing 7% (2022: nil) of the shares of the Company in issue at that date. The number of shares which can further be issued under the Scheme is 36,253,125.

The estimated fair value of the options granted on the date is HK\$1,887,000.

SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The fair value was calculated using the Binomial model. The inputs into the model were as follows:

Exercise price	HK\$0.055
Volatility	61.745%
Attrition rate	5%
Risk-free rate	4.32%
Expected dividend yield	0%

Expected volatility was determined by using the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September, 2023, the interests and short positions of each director and chief executive of the Company in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be 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 SFO (including the interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange were as follows:

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

Name of Director	The Company/ associated corporation	Capacity	Number of shares (long position) <i>(Note 1)</i>	Approximate percentage of interest
Chan Chung Yee, Hubert	The Company	Beneficial owner	659,740,159(L)	52.97%
	The Company	Interest of controlled corporation	22,012,087(L) <i>(Note 2)</i>	1.77%
	Light Emotion Limited	Beneficial owner	1 share of HK\$1.00	50.00%
Chan Chung Yin, Roy	The Company	Beneficial owner	93,795,191(L)	7.53%
Chan Ming Him, Denny	The Company	Beneficial owner	2,616,991(L)	0.21%
Ip Man Hon	The Company	Beneficial owner	1,537,598(L)	0.12%
Lam Man Hau	The Company	Beneficial owner	625,000(L)	0.05%
Wu Kwok Lam	The Company	Beneficial owner	3,000(L)	0.00%

Notes:

1. The Letter "L" represents the director's or the chief executive's interests in the shares and underlying shares of the Company or its associated corporations.
2. These Shares were held by Light Emotion Limited, a company wholly owned by Mr. Chan Chung Yee, Hubert and his wife, Josephine Liu.
3. Save as disclosed above, as at 30 September, 2023, none of the directors and chief executive of the Company had any interests and short positions in shares, underlying shares and debentures of the Company or 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 Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by directors of Listed Issuers contained in the Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Apart from those disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" and "Share-based payment transactions" above at no time during the period under review were there any rights to acquire shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them. None of the Company or any of its subsidiaries was a party to any arrangement to enable the directors or their respective spouse or minor children to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 September, 2023, the interests and short positions of the substantial shareholders of the Company (other than the directors and the chief executive of the Company) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Name	Number of shares (long position) <i>(Note 1)</i>	Capacity/ nature of interest	Approximate percentage of interest
Josephine Liu <i>(Note 2)</i>	681,752,246 (L)	Interest of spouse	54.74%
Chan Low Wai Han, Edwina <i>(Note 3)</i>	93,795,191 (L)	Interest of spouse	7.53%

Notes:

1. The Letter "L" represents the person's interest in the shares of the Company.
2. Ms. Josephine Liu is the wife of Mr. Chan Chung Yee, Hubert. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Ms. Josephine Liu is deemed to be interested in all the shares in which Mr. Chan Chung Yee, Hubert is interested.
3. Ms. Chan Low Wai Han, Edwina is the wife of Mr. Chan Chung Yin, Roy. By virtue of the provisions of Divisions 2 and 3 of Part XV of the SFO, Mrs. Chan Low Wai Han, Edwina is deemed to be interested in all the shares in which Mr. Chan Chung Yin, Roy is interested.

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

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

COMPLIANCE WITH CORPORATE GOVERNANCE CODE OF THE LISTING RULES

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

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

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

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

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

AUDIT COMMITTEE

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

APPRECIATION

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

On behalf of the Board
Chan Chung Yee, Hubert
Chairman

Hong Kong, 24 November, 2023