

**CEC-COILS® 759 阿信屋®**

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

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

**(Stock Code 股份代號: 759)**

**INTERIM REPORT 中期報告**  
**2022/2023**

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# Corporate Information

## DIRECTORS

### Executive Directors

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

### Independent Non-executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## COMPANY SECRETARY

Ms. Ho Wing Yi

## PRINCIPAL BANKERS

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

## REGISTERED OFFICE

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

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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

## HEADQUARTERS IN MAINLAND CHINA

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

## AUDITOR

PricewaterhouseCoopers  
Certified Public Accountants  
Registered Public Interest Entity Auditor

## LEGAL ADVISERS

Grandall Zimmern Law Firm  
Appleby

## SHARE REGISTRARS AND TRANSFER OFFICES

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

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

Websites: <http://www.0759.com>  
<http://www.ceccoils.com>  
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Listed on The Stock Exchange  
of Hong Kong Limited  
Stock Code: 759

## 2022/2023 Interim Results

The Board of Directors (the “Board”) of CEC International Holdings Limited (the “Company”) is pleased to present the unaudited condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 October 2022 and the unaudited condensed consolidated statement of financial position of the Group as at 31 October 2022.

### Condensed Consolidated Income Statement

	Note	Six months ended 31 October	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue	3	888,738	971,637
Cost of sales		(563,444)	(634,719)
Gross profit		325,294	336,918
Other income	4	19,127	–
Other gains, net		–	1,201
Selling and distribution expenses		(237,182)	(238,987)
General and administrative expenses		(61,539)	(68,474)
Operating profit	5	45,700	30,658
Finance income		283	1,151
Finance costs		(8,256)	(6,635)
Finance costs, net	6	(7,973)	(5,484)
Profit before income tax		37,727	25,174
Income tax expense	7	(3,933)	(6,376)
Profit attributable to equity holders of the Company for the period		33,794	18,798
Earnings per share, basic and diluted, attributable to equity holders of the Company	8	HK5.07 cents	HK2.82 cents

## Condensed Consolidated Statement of Comprehensive Income

	Six months ended 31 October	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Profit for the period	33,794	18,798
Other comprehensive (loss)/income		
– items that may be reclassified to profit or loss		
Currency translation differences	(18,074)	3,193
– item that will not be reclassified to profit or loss		
Change in fair value of financial assets at fair value through other comprehensive income	(22)	(59)
<b>Total comprehensive income for the period</b>	<b>15,698</b>	<b>21,932</b>

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## Condensed Consolidated Statement of Financial Position

	Note	As at 31 October 2022 HK\$'000 (Unaudited)	As at 30 April 2022 HK\$'000 (Audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	315,111	332,461
Right-of-use assets		247,397	220,170
Investment properties		20,626	21,408
Financial assets at fair value through other comprehensive income		120	164
Rental deposits		33,820	31,719
Deferred tax assets		4,905	5,015
Prepayment for acquisition of property, plant and equipment		5,265	–
		<b>627,244</b>	<b>610,937</b>
<b>Current assets</b>			
Inventories		128,681	126,064
Accounts receivable	11	17,884	24,800
Deposits, prepayments and other receivables		54,141	57,526
Tax recoverable		18	18
Pledged bank deposits		21,440	21,440
Cash and cash equivalents		87,184	78,731
		<b>309,348</b>	<b>308,579</b>
<b>Total assets</b>		<b>936,592</b>	<b>919,516</b>
<b>EQUITY</b>			
Share capital	12	66,619	66,619
Reserves		442,070	433,034
<b>Total equity</b>		<b>508,689</b>	<b>499,653</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		102,946	85,559
Deferred tax liabilities		7,560	7,360
Provision for reinstatement cost		10,437	9,780
Borrowings		3,038	3,483
		<b>123,981</b>	<b>106,182</b>
<b>Current liabilities</b>			
Borrowings		9,852	14,903
Accounts payable	13	90,413	95,695
Lease liabilities		135,291	123,540
Accruals and other payables		59,475	59,030
Taxation payable		2,229	20,513
Dividend payable		6,662	–
		<b>303,922</b>	<b>313,681</b>
<b>Total liabilities</b>		<b>427,903</b>	<b>419,863</b>
<b>Total equity and liabilities</b>		<b>936,592</b>	<b>919,516</b>

## Condensed Consolidated Statement of Changes in Equity

	Unaudited									
	Share Capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation reserve HK\$'000	Property revaluation reserve HK\$'000	Statutory reserves HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 May 2022	66,619	25,075	13,934	5,042	26	7,450	19,632	87,288	274,587	499,653
Profit for the period	-	-	-	-	-	-	-	-	33,794	33,794
<b>Other comprehensive loss:</b>										
Currency translation differences	-	-	-	-	-	-	-	(18,074)	-	(18,074)
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(22)	-	-	-	-	(22)
<b>Total comprehensive income</b>	-	-	-	-	(22)	-	-	(18,074)	33,794	15,698
2021/2022 final dividend	-	-	-	-	-	-	-	-	(6,662)	(6,662)
Balance at 31 October 2022	66,619	25,075	13,934	5,042	4	7,450	19,632	69,214	301,719	508,689
Balance at 1 May 2021	66,619	25,075	13,934	5,042	111	7,450	19,632	89,806	240,699	468,368
Profit for the period	-	-	-	-	-	-	-	-	18,798	18,798
<b>Other comprehensive income/ (loss):</b>										
Currency translation differences	-	-	-	-	-	-	-	3,193	-	3,193
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(59)	-	-	-	-	(59)
<b>Total comprehensive income</b>	-	-	-	-	(59)	-	-	3,193	18,798	21,932
2020/2021 final dividend	-	-	-	-	-	-	-	-	(5,996)	(5,996)
Balance at 31 October 2021	66,619	25,075	13,934	5,042	52	7,450	19,632	92,999	253,501	484,304

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## Condensed Consolidated Statement of Cash Flows

	Six months ended	
	31 October	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from operations	129,818	115,670
Overseas tax paid	(60)	(5)
Hong Kong tax paid	(21,846)	–
Net cash generated from operating activities	107,912	115,665
Cash flows from investing activities		
Purchase of property, plant and equipment	(7,891)	(6,786)
Proceeds from disposal of property, plant and equipment	–	121
Net cash used in investing activities	(7,891)	(6,665)
Cash flows from financing activities		
Proceeds from borrowings	26,751	110,147
Repayments of borrowings	(32,247)	(144,675)
Decrease in pledged bank deposits	–	9,957
Interest received	182	59
Interest paid	(502)	(1,568)
Payment of lease liabilities	(84,773)	(79,377)
Net cash used in financing activities	(90,589)	(105,457)
Increase in cash and cash equivalents	9,432	3,543
Exchange difference	(979)	6
Cash and cash equivalents at the beginning of the period	78,731	70,362
Cash and cash equivalents at the end of the period	87,184	73,911



# Notes to the Condensed Consolidated Interim Financial Statements

## 1. General information

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

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

These condensed consolidated interim financial statements are presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. These condensed consolidated interim financial statements were approved for issue by the Board of Directors on 21 December 2022.

These unaudited condensed consolidated interim financial statements have not been audited.

## 2. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 30 April 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

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

In preparing these Interim Financial Statements, the significant judgements made by management in applying the group’s accounting policies and key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 30 April 2022.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 April 2022, as described in those annual financial statements. Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

## Notes to the Condensed Consolidated Interim Financial Statements

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

#### I) Amended standards and Accounting Guideline adopted by the Group

The following amended standards and accounting guideline are mandatory for the financial year beginning on 1 May 2022.

Annual Improvements Project	Annual improvements to HKFRS standards 2018-2020 (Amendments)
HKFRS 3, HKAS 16 and HKAS 37 (Amendments)	Narrow-scope amendments
Hong Kong Accounting Guideline 5 (Revised)	Revised Accounting Guideline 5 Merger accounting for Common Control Combinations

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

#### II) New and amended standards and interpretation that have been issued but not yet effective

The following new and amended standards and interpretation have been issued but are not effective for the financial year beginning on or after 1 May 2022 and have not been early adopted by the Group.

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies <sup>(1)</sup>
HKAS 8 (Amendments)	Definition of accounting estimates <sup>(1)</sup>
HKAS 12 (Amendments)	Deferred tax related to assets and liabilities arising from a single transaction <sup>(1)</sup>
HKFRS 17	Insurance Contracts <sup>(1)</sup>
HKFRS 17 (Amendments)	Amendments to HKFRS 17 <sup>(1)</sup>
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information
HKAS 1 (Amendments)	Classification of liabilities as current or non-current <sup>(2)</sup>
HK-Interpretation 5 (Revised)	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause <sup>(2)</sup>
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture <sup>(3)</sup>

<sup>(1)</sup> Effective for the Group for annual period beginning on 1 May 2023.

<sup>(2)</sup> Effective for the Group for annual period beginning on 1 May 2024.

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

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

## Notes to the Condensed Consolidated Interim Financial Statements

### 3. Segment information

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

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

	Retail business		Electronic components manufacturing		Investment property holdings		Eliminations		Total	
	Six months ended		Six months ended		Six months ended		Six months ended		Six months ended	
	31 October		31 October		31 October		31 October		31 October	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue										
External sales	851,063	926,094	37,123	45,197	552	346	-	-	888,738	971,637
Intersegment sales	-	-	-	-	792	792	(792)	(792)	-	-
	<b>851,063</b>	<b>926,094</b>	<b>37,123</b>	<b>45,197</b>	<b>1,344</b>	<b>1,138</b>	<b>(792)</b>	<b>(792)</b>	<b>888,738</b>	<b>971,637</b>
Segment results										
Operating profit/(loss)	51,814	43,810	1,721	(6,608)	(229)	(625)			53,306	36,577
Corporate expenses									(7,606)	(5,919)
Finance costs, net									(7,973)	(5,484)
Profit before income tax									37,727	25,174
Income tax expense									(3,933)	(6,376)
Profit for the period									<b>33,794</b>	<b>18,798</b>
Depreciation and amortisation	92,642	92,740	1,105	1,294	-	-			93,747	94,034
Total distribution costs and administrative expenses	287,184	288,970	3,150	11,660	781	912			291,115	301,542

## Notes to the Condensed Consolidated Interim Financial Statements

## 3. Segment information (continued)

	Retail business		Electronic component manufacturing		Investment property holdings		Eliminations		Total	
	As at	As at	As at	As at	As at	As at	As at	As at	As at	As at
	31/10/2022	30/04/2022	31/10/2022	30/4/2022	31/10/2022	30/4/2022	31/10/2022	30/4/2022	31/10/2022	30/4/2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	780,554	748,985	125,489	146,234	21,422	21,946	(2,659)	(2,776)	924,806	914,389
Unallocated assets										
– Deferred income tax									4,905	5,015
– Corporate assets									6,863	94
– Tax recoverable									18	18
<b>Total assets</b>									<b>936,592</b>	<b>919,516</b>
Segment liabilities	387,619	357,317	8,041	11,567	2,645	2,776	(2,659)	(2,776)	395,646	368,884
Borrowings									12,890	18,386
Unallocated liabilities										
– Deferred income tax									7,560	7,360
– Taxation payable									2,229	20,513
– Corporate liabilities									2,916	4,720
– Dividend payable									6,662	–
<b>Total liabilities</b>									<b>427,903</b>	<b>419,863</b>

## Geographical information

	Revenue		Non-current assets	
	Six months ended		As at	
	31 October		As at	
	2022	2021	31/10/2022	30/4/2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The PRC (including the Hong Kong Special Administrative Region)	877,641	958,099	626,601	610,180
Other countries/regions	11,097	13,538	643	757
	<b>888,738</b>	<b>971,637</b>	<b>627,244</b>	<b>610,937</b>

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

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

## Notes to the Condensed Consolidated Interim Financial Statements

## 4. Other income

These primary represented government subsidies in relation to the COVID-19 pandemic which included subsidies of HK\$18,842,000 (2021: Nil) granted under the Anti-Epidemic Fund of the Government of the Hong Kong Special Administrative Region.

## 5. Operating profit

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

	Six months ended	
	31 October	
	2022	2021
	HK\$'000	HK\$'000
Cost of inventories recognised as expenses included in cost of sales	528,568	600,790
Depreciation of property, plant and equipment	15,253	14,989
Depreciation of right-of-use assets	78,494	79,045
Employee benefit expenses (including directors' emoluments)	137,768	142,693
Net (reversal of)/provision for impairment loss on financial assets	(215)	233

## 6. Finance costs, net

	Six months ended	
	31 October	
	2022	2021
	HK\$'000	HK\$'000
Interest expense on bank borrowings	502	1,568
Interest expense on lease liabilities	6,032	5,067
Provision for unwinding of discount	1,722	–
Interest income from bank deposits	(182)	(59)
Net exchange gains	(101)	(1,092)
	7,973	5,484

## Notes to the Condensed Consolidated Interim Financial Statements

### 7. Income tax expense

Income tax expense is recognised based on management's estimate of the annual income tax rate expected for the full financial year. The Company is incorporated in Bermuda and is exempted from taxation in Bermuda until 2035. Hong Kong profits tax has been provided at the rate of 8.25% on the first HK\$2 million of estimated assessable profits and 16.5% on the estimated assessable profit above HK\$2 million for the period (2021: same). Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax rate at the estimated rate of 25% (2021: 25%) on their taxable income determined according to Mainland China tax laws. Other overseas taxation has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

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

	Six months ended	
	31 October	
	2022	2021
	HK\$'000	HK\$'000
Hong Kong taxation – current tax	3,550	6,045
Overseas taxation including Mainland China – current tax	73	11
Deferred taxation	310	320
	<b>3,933</b>	<b>6,376</b>

### 8. Earnings per share

The calculation of basic earnings per share for the six months ended 31 October 2022 is based on the consolidated profit for the period of approximately HK\$33,794,000 (2021: HK\$18,798,000) and the weighted average number of 666,190,798 (2021: 666,190,798) shares in issue during the period.

For the six months ended 31 October 2022 and 31 October 2021, diluted earnings per share equals basic earnings per share as there was no dilutive potential share.

### 9. Dividend

The Board resolved not to declare any interim dividend in respect of the six months ended 31 October 2022 (2021: Nil).

## Notes to the Condensed Consolidated Interim Financial Statements

## 10. Movements in property, plant and equipment

	<i>HK\$'000</i>
At 1 May 2022	332,461
Exchange differences	(4,723)
Additions	2,626
Depreciation	(15,253)
At 31 October 2022	<u>315,111</u>

## 11. Accounts receivable

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

	<b>As at 31 October 2022 HK\$'000</b>	<b>As at 30 April 2022 HK\$'000</b>
0-30 days	8,366	14,397
31-60 days	4,215	5,038
61-90 days	3,059	1,637
91-120 days	986	1,890
Over 120 days	6,153	6,948
	<u>22,779</u>	<u>29,910</u>
Less: loss allowance	(4,895)	(5,110)
	<u>17,884</u>	<u>24,800</u>

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

## Notes to the Condensed Consolidated Interim Financial Statements

## 12. Share capital

	As at 31 October 2022 HK\$'000	As at 30 April 2022 HK\$'000
Authorised:		
1,000,000,000 (As at 30 April 2022: 1,000,000,000) shares of HK\$0.10 each	100,000	100,000
Issued and fully paid:		
666,190,798 (As at 30 April 2022: 666,190,798) shares of HK\$0.10 each	66,619	66,619

## 13. Accounts payable

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

	As at 31 October 2022 HK\$'000	As at 30 April 2022 HK\$'000
0-30 days	76,466	72,697
31-60 days	9,061	21,756
61-90 days	3,623	1,064
91-120 days	1,062	42
Over 120 days	201	136
	90,413	95,695



## Notes to the Condensed Consolidated Interim Financial Statements

## 14. Related party transactions

		Six months ended	
		31 October	
		2022	2021
		HK\$'000	HK\$'000
(a)	Rental expenses paid to a related company which is owned by directors of the Company	342	342
	Rental expenses paid to a director of the Company	147	147
(b)	Key management compensation		
	Salaries, allowances and other benefits in kind	5,219	3,510
	Pension costs – defined contribution plans	245	204
		5,464	3,714

# Management Discussion and Analysis

With huge fluctuations in the global market economy in 2022, there were sharp rises and drops of stock market prices, currency exchange rates, fuel and oil prices, and interest rates in the period under review. With this background in mind, it is inevitable that the Group's local retail and electronic component manufacturing businesses were also affected by the extreme fluctuations stated above. Take for example, the prices and supply of edible oil and meat products fluctuated time and again in the period under review. The impact of high standing fuel and oil price had gradually reflected in the logistic and electricity costs of the Group. On the other hand, according to Hong Kong Gross Domestic Product (GDP) released by Hong Kong government, GDP for the first three quarters of 2022 fell by 3.3%, compared with that for the same period last year, and the value of Hong Kong's total goods exported had decreased for 6 consecutive months from May to October 2022, and it is expected that the drop in value will deepen further. The two sets of figures aforesaid foretell the difficult situation faced by the Group in which both of our main business areas will suffer from shrink in demand. In the period under review, the Group continued to adopt a prudent strategy and did not undertake large development plans, while focusing on cost control and continuous improvement of workflows across departments to ensure that the business remains competitive under uncertain market environment. Under the impact of various market factors, the Group's consolidated revenue recorded HK\$888,738,000 for the six months ended 31 October 2022 (2021: HK\$971,637,000), representing a decrease of 8.5% as compared to that of the same period last year. In the period under review, the Group's profit attributable to equity holders was HK\$33,794,000 (2021: HK\$18,798,000), representing an increase of 79.8% as compared to that of the same period last year. Excluding the HK\$18,842,000 subsidy received from the Hong Kong government under, inter alia, the Employment Support Scheme during the period under review, the profit attributable to equity holders amounted to HK\$14,952,000, representing a decrease of 20.5% as compared to that of the same period last year.

## BUSINESS REVIEW

### Retail Business

For the six months ended 31 October 2022, the Group's retail business recorded a segment revenue of HK\$851,063,000 (2021: HK\$926,094,000), representing a decrease of 8.1% as compared to that for the same period last year which accounts for approximately 96% (2021: 95%) of total revenue. The main factors for revenue to decrease in the period were: i) the decrease in overall pedestrian flow and their average expenditure per head caused by the downturn in economy; ii) the significant drop in the demand of staple foods resulting from continuous relaxation of social distancing measures by Hong Kong government since late April 2022, especially for eggs, frozen foods, rice, instant noodles and canned foods. In terms of gross profit, the segment gross profit during the period decreased to HK\$320,156,000 (2021: HK\$331,580,000) in line with the decline in revenue, which represents a decrease of 3.4% as compared to that for the same period last year, and the segment gross profit margin was 37.6% (2021: 35.8%), representing an increase of 1.8 percentage points as compared to that for the same period last year. The increase in gross profit margin was mainly due to the change in retail product mix. Due to the continuous relaxation of social distancing measures, the lives of Hong Kong citizens have gradually returned to normal. As the situation of COVID-19 pandemic became stable, the demand for frozen foods, staple foods and eggs, which products had lower gross profit margins, decreased significantly. Furthermore, the Group had faced with severe competition with many newly opened shops selling frozen meat and daily groceries. Therefore, 759 STORE in the period under review shifted its product mix much towards snack, leisure foods and drinks categories, increasing the numbers of items in such categories to reach better balance in the overall product mix so that the segment gross profit margin for the year had also been improved.

# Management Discussion and Analysis

## BUSINESS REVIEW *(continued)*

### Retail Business *(continued)*

For product supply of the retail business, nearly 90% of its products were from direct import and its procurement network had covered approximately 60 countries and regions over the globe. A wide range of products were imported, including snacks and leisure food, drinks, rice, noodle, dairy product, frozen food, cooking oil, alcohol, sanitary paper product and detergent. Even though there was further decrease in the demand of staple foods, in the period under review the Group made appropriate adjustment to the share of products procured in different categories so that the overall product turnover rate remained healthy. As at 31 October 2022, there was a slight increase in the total inventory value of retail business to HK\$110,404,000 (30 April 2022: HK\$102,212,000), as compared with that at the latest financial year end.

The Group in the period under review had not expanded its scale of shop network. It is with reference to the actual operation results of each shop and market rental that the management decided on whether to renew tenancy of retail shops. In the period under review 9 shops were closed and 3 new shops were opened at other sites. As at 31 October 2022, the Group operated 166 shops (30 April 2022: 172), with a decrease of 6 shops in total. At the same date, the total gross floor area of shops in operation was 338,000 square feet (30 April 2022: 342,000 square feet), with average floor area per shop of 2,036 square feet (30 April 2022: 1,988 square feet). The shop network of 759 STORE is mainly distributed in residential areas, including shopping malls and shop units in public and private housing estates. In the period under review, the Group chose 2 sites for new shops which had been opened in December 2022. 759 STORE always offered market-competitive remuneration for frontline staff. It is for this reason that staff perform efficiently allowing an average number of 4 staff per shop at a low level for long period.

In the period under review, the Group implemented strict controls on its operating costs, so that segment selling and distribution expenses and administrative expenses of the retail business maintained at a similar level as last year, amounted to HK\$236,848,000 (2021: HK\$238,650,000) and HK\$50,336,000 (2021: HK\$50,320,000) respectively. The Group received a subsidy of about HK\$18,842,000 in total from the Anti-epidemic Fund and the Employment Support Scheme in the period under review. In the period under review, segment profit of retail business recorded HK\$51,814,000 (2021: HK\$43,810,000), increasing by 18% as compared with that in the same period of last year.

# Management Discussion and Analysis

## BUSINESS REVIEW *(continued)*

### Electronic Component Manufacturing Business

Constrained by the global economic downturn, the export performance of Hong Kong was weak that the export figures recorded decreases in all six months of the period under review. During the period, the Group's electronic component manufacturing business segment recorded a decrease in revenue to HK\$37,123,000 (2021: HK\$45,197,000), representing a decrease of 17.9% as compared to that for the same period last year. Through effective quality management and our best effort to limit the drop in gross profit, segment gross profit amounted to HK\$4,586,000 (2021: HK\$5,052,000), representing a decrease of approximately 9.2%, which was lower than the drop in revenue as compared to that for the same period. Gross profit margin increased to 12.4% (2021: 11.2%), representing an increase of 1.2 percentage points as compared to that for the same period last year. An unrealised exchange gain of HK\$9,258,000 (2021: unrealized exchange loss amounted to HK\$1,362,000) was recorded for the period as Renminbi exchange rate on 31 October 2022 was lower than that on the same date in 2021, though this unrealised exchange gain or loss would not have any effect on cash flows. In the period under review, the Group's electronic component manufacturing business recorded a segment operating profit of HK\$1,721,000 (2021: segment operating loss of HK\$6,608,000).

### Investment Properties

Rental income of the Group for the year amounted to HK\$552,000 (2021: HK\$346,000). In the period under review, no fair value loss at investment properties was recorded for the Group (2021: HK\$0).

## FINANCIAL REVIEW

### Fund Surplus and Liabilities

As at 31 October 2022, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK\$108,624,000 (30 April 2022: HK\$100,171,000). As at the same date, the Group's aggregate banking facilities amounted to HK\$387,277,000 (30 April 2022: HK\$393,747,000), which included overdrafts, loans, trade financing, etc. Unused facilities amounted to approximately HK\$374,387,000 (30 April 2022: HK\$375,361,000). As at 31 October 2022, utilised banking facilities amounted to HK\$12,890,000 (30 April 2022: HK\$18,386,000), representing a decrease of 29.9% as compared to that at the previous financial year end. The above banking facilities were secured by charges on the Group's certain buildings, investment properties, bank deposits and inventories held under trade financing in Hong Kong. In addition, the Group was also required to comply with certain restrictive financial covenants with major financing banks, and the Group had been complying with such financial covenants as at 31 October 2022. As at 31 October 2022, its debt to equity ratio\* was 0.03 (30 April 2022: 0.04). Besides, the Group at the same date did not have any contingent liabilities (30 April 2022: Nil).

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

# Management Discussion and Analysis

## FINANCIAL REVIEW *(continued)*

### Assets

As at 31 October 2022, the Group's inventories amounted to HK\$128,681,000 (30 April 2022: HK\$126,064,000), representing a slight increase of 2.1% in inventories as compared with the last financial year end. The Group's total prepayments, deposits and other receivables (including rental deposits for retail shops) as at 31 October 2022 amounted to HK\$87,961,000 (30 April 2022: HK\$89,245,000).

### Lease Liabilities

At 31 October 2022, the long-term lease liabilities of the Group amounted to HK\$102,946,000 (30 April 2022: HK\$85,559,000) while the current lease liabilities amounted to HK\$90,413,000 (30 April 2022: HK\$95,695,000).

### Interest Expenses

The Group's finance costs for the period was HK\$8,256,000 (2021: HK\$6,635,000), representing an increase of 24.4% as compared to the same period last year. After deducting the interest expenses of lease liabilities and provision for unwinding of discount, the actual bank interest expense for the period was HK\$502,000 (2021: HK\$1,568,000), of which 68% had been saved as compared with that of the same period last year. This was mainly attributable to the further reduction in utilization of banking facilities in the period. The Group expected that the interest expense in future would remain at a low level with the lowered utilization of bank borrowings.

### Financial Resources and Capital Structure

Net cash inflow of the Group was HK\$9,432,000 (2021: HK\$3,543,000) for the six months ended 31 October 2022. Net cash inflow from operating activities was HK\$107,912,000 (2021: HK\$115,665,000), representing a decrease of 6.7% as compared with that for the same period last year. The management was of the opinion that the cash inflow from operating activities in the period under review was still highly satisfactory. The decrease in net cash inflow from operating activities was mainly attributable to the decrease in the Group's revenue during the period. Net cash outflow from investing activities in the period was HK\$7,891,000 (2021: HK\$6,665,000), which was mainly attributable to renovation for new shops, revamp of existing shops and purchase of office equipment as appropriate during the period. The Group did not purchase or sell investment properties during the period under review. During the period, since the management continued the reduction of the Group's bank borrowings, the Group continued to record net cash outflow from financing activities of HK\$90,589,000 (2021: HK\$105,457,000).

# Management Discussion and Analysis

## FINANCIAL REVIEW *(continued)*

### Financial Resources and Capital Structure *(continued)*

#### Cash Flow Summary

	For the six months ended 31 October	
	2022 HK\$'000	2021 HK\$'000
Net cash inflow from operating activities	107,912	115,665
Net cash outflow from investing activities	(7,891)	(6,665)
Net cash outflow from financing activities	(90,589)	(105,457)
Increase in cash and cash equivalents	9,432	3,543

As at 31 October 2022, the net current assets of the Group was HK\$5,426,000 (30 April 2022: net current liabilities of HK\$5,102,000) and the current ratio was 1.02 (30 April 2022: 0.98), reflecting the Group's further improvement in liquidity and successful turnaround from a net current liabilities position to a net current assets position in the period under review.

#### Charges on Assets

As at 31 October 2022, certain assets of the Group with an aggregate carrying value of approximately HK\$270,247,000 (30 April 2022: HK\$277,665,000) were pledged to secure banking facilities of the Group.

#### Exchange Risks

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

# Management Discussion and Analysis

## FINANCIAL REVIEW *(continued)*

### Employees

As at 31 October 2022, the Group employed approximately 1,500 staff (30 April 2022: 1,500) in total. The remuneration of employees was set, most importantly according to market standard, with reference to individual performance, academic qualification and work experience, which were taken into account for promotion when required. Other agreed employee benefits included pension scheme, on-job training, education subsidy and other social insurances and paid leaves as required under the laws and regulation at the place of employment.

### Social Responsibilities

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

## FUTURE PLAN AND OUTLOOK

After making its way through COVID-19 pandemic for nearly 3 years, Hong Kong is now moving on its path to return to normal, in which most of the travel restrictions has been lifted and international flights have gradually resumed. The management understands that 759 STORE needs to put more strength back on sourcing, in light of the full suspension on new product source exploration when COVID-19 pandemic raged. Our procurement team has been facilitated to send its staff regularly to different parts of the world, attending exhibitions of food products or household items so as to look for as well as visit to exporters and manufacturers there, looking forward to obtaining much more high-quality products to provide much more brand-new choices that enhance the shopping enjoyment of our customers.

Global market is still full of numerous uncertainties in this moment. Negative outlook for external and local economies hovers over the market making it difficult to predict when the market will pick up its strength. The Group expects that local customer sentiment will remain relatively weak for a period of time in future. However, the demand for general items of living necessities, of which the retail business 759 STORE mainly engages in, will be relatively stable even there is an outlook that future economic environment is very likely to fluctuate greatly. The Group's future development will focus on maintaining its existing scale and continuously improving workflow efficiency as well as service standard in order to enhance the brand value of "759 STORE". On the other hand, in light of the uncertain market environments, the Group has no plan for business expansion and large-scaled investment in this moment, accumulating financial resources to expect the future opportunities.

## Other Information

### INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 October 2022, the interests of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) were as follows:

#### (a) Shares of the Company

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

#### Notes:

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



## Other Information

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

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

*Coils Electronic Co., Limited*

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

Notes:

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

Save as disclosed above, as at 31 October 2022, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered into the register kept by the Company pursuant to section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

Save as disclosed above, as at 31 October 2022, neither the directors or chief executive of the Company nor their spouses or children under the age of 18 had been granted any rights to subscribe for any equity or debt securities of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised such rights.

## Other Information

### INTERESTS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 31 October 2022, according to the register kept by the Company under section 336 of the SFO, the following persons, other than the directors or chief executive of the Company, had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

#### Shares of the Company

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

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

#### Notes:

- All the above interests in the shares of the Company were long positions.
- The 442,295,660 shares were held by Ka Yan China Development (Holding) Company Limited, a wholly-owned subsidiary of Ka Yan China Investments Limited. The entire issued share capital of Ka Yan China Development (Holding) Company Limited was ultimately held by the Trust. In the capacity as a discretionary beneficiary of the Trust, Ms. Law Ching Yee was deemed to be interested in all the shares held by Ka Yan China Development (Holding) Company Limited for the purpose of the SFO. The 29,955,188 shares were held by the late Mr. Lam Wai Chun, the founding chairman of the Company and a former director of the Company, as beneficial owner. Ms. Law Ching Yee, being the spouse of the late Mr. Lam Wai Chun, was deemed to be interested in all the shares held by her spouse, for the purpose of the SFO.
- The interests in 442,295,660 shares held by Ka Yan China Investments Limited, the ultimate holding company of the Company, and HSBC International Trustee Limited refer to the same shares and duplicated with each other. Such shares formed the shares in which Ka Yan China Development (Holding) Company Limited was interested. As at 31 October 2022, the actual number of shares held by Ka Yan China Investments Limited, Ka Yan China Development (Holding) Company Limited and HSBC International Trustee Limited in the Company which duplicated with one another was 442,295,660 shares.

## Other Information

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

Save as disclosed above, the Company had not been notified of any other person (other than a director or a chief executive of the Company) who had an interest (whether direct or indirect) in 5% or more of the shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to section 336 of the SFO as at 31 October 2022.

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

The Company had not redeemed any of its listed shares during the six months ended 31 October 2022. Neither the Company nor any of its subsidiaries had purchased or sold any of the Company's listed shares during the six months ended 31 October 2022.

### CORPORATE GOVERNANCE CODE

The Company has adopted the principles and complied with the applicable code provisions of the Corporate Governance Code (the "Code") as set out in Appendix 14 to the Listing Rules for the six months ended 31 October 2022, except for the following deviation:

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

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

## Other Information

### AUDIT COMMITTEE

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

Regular meetings have been held by the Audit Committee since its establishment and it meets at least twice each financial year. The Audit Committee has reviewed the accounting principles and practices adopted by the Group, the internal control and risk management of the Group and the Interim Report for the six months ended 31 October 2022.

### REMUNERATION COMMITTEE

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

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

## Other Information

### NOMINATION COMMITTEE

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

### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transactions for the six months ended 31 October 2022. Following specific enquiry by the Company, all of the directors of the Company confirmed compliance with the required standard set out in the Model Code throughout the six months ended 31 October 2022. The Model Code also applies to the relevant employees of the Group.

By Order of the Board

**Tang Fung Kwan**  
*Chairman*

Hong Kong, 21 December 2022

