

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
2024/2025

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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

Before 1/1/2025:
MUFG Fund Services
(Bermuda) Limited
4th Floor North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

From 1/1/2025:
Appleby Global Corporate Services
(Bermuda) Limited
Canon's Court, 22 Victoria Street
PO Box HM 1179
Hamilton HM EX
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

2024/2025 Interim Results

The Board of Directors (the “Board”) of CEC International Holdings Limited (the “Company”) would like to present the unaudited condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 31 October 2024 and the unaudited condensed consolidated statement of financial position of the Group as at 31 October 2024.

Condensed Consolidated Income Statement

	Note	Six months ended 31 October	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue	3	702,392	750,947
Cost of sales		(426,783)	(448,593)
Gross profit		275,609	302,354
Other gains, net		–	223
Selling and distribution expenses		(237,248)	(234,413)
General and administrative expenses		(63,745)	(60,381)
Operating (loss)/profit	4	(25,384)	7,783
Finance income		1,011	1,100
Finance costs		(7,609)	(7,336)
Finance costs, net	5	(6,598)	(6,236)
(Loss)/profit before income tax		(31,982)	1,547
Income tax credit/(expense)	6	3,334	(1,217)
(Loss)/profit attributable to equity holders of the Company for the period		(28,648)	330
(Loss)/earnings per share, basic and diluted, attributable to equity holders of the Company	7	(HK4.30 cents)	HK0.05 cent

Condensed Consolidated Statement of Comprehensive Income

	Six months ended 31 October	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
(Loss)/profit for the period	(28,648)	330
Other comprehensive (loss)/income		
– items that may be reclassified subsequently to profit or loss		
Currency translation differences	(699)	(7,949)
– item that will not be reclassified subsequently to profit or loss		
Change in fair value of equity investments at fair value through other comprehensive income	3	(37)
Total comprehensive loss for the period attributable to equity holders of the Company	(29,344)	(7,656)

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Condensed Consolidated Statement of Financial Position

	Note	As at 31 October 2024 HK\$'000 (Unaudited)	As at 30 April 2024 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	9	292,422	301,686
Right-of-use assets		228,877	231,912
Investment properties		17,046	17,115
Financial assets at fair value through other comprehensive income		65	62
Rental deposits		29,616	32,309
Deferred tax assets		10,422	6,792
		578,448	589,876
Current assets			
Inventories		169,185	151,303
Accounts receivable	10	14,273	11,176
Deposits, prepayments and other receivables		42,705	41,088
Pledged bank balances		21,440	21,440
Cash and cash equivalents		54,543	71,422
		302,146	296,429
Total assets		880,594	886,305
EQUITY			
Share capital	11	66,619	66,619
Reserves		395,028	424,372
Total equity		461,647	490,991
LIABILITIES			
Non-current liabilities			
Lease liabilities		90,418	89,562
Deferred tax liabilities		8,102	7,902
Accruals and other payables		8,991	9,151
Borrowings		1,025	1,558
		108,536	108,173
Current liabilities			
Lease liabilities		130,997	136,708
Borrowings		32,838	24,655
Accounts payable	12	98,419	77,936
Accruals and other payables		48,157	47,842
		310,411	287,141
Total liabilities		418,947	395,314
Total equity and liabilities		880,594	886,305

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 2024	66,619	25,075	13,934	5,042	(76)	7,450	19,632	72,299	281,016	490,991
Loss for the period	-	-	-	-	-	-	-	-	(28,648)	(28,648)
Other comprehensive (loss)/income:										
Currency translation differences	-	-	-	-	-	-	-	(699)	-	(699)
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	3	-	-	-	-	3
Total comprehensive loss	-	-	-	-	3	-	-	(699)	(28,648)	(29,344)
Balance at 31 October 2024	66,619	25,075	13,934	5,042	(73)	7,450	19,632	71,600	252,368	461,647
Balance at 1 May 2023	66,619	25,075	13,934	5,042	(32)	7,450	19,632	78,333	317,490	533,543
Profit for the period	-	-	-	-	-	-	-	-	330	330
Other comprehensive loss:										
Currency translation differences	-	-	-	-	-	-	-	(7,949)	-	(7,949)
Change in fair value of financial assets at fair value through other comprehensive income	-	-	-	-	(37)	-	-	-	-	(37)
Total comprehensive loss	-	-	-	-	(37)	-	-	(7,949)	330	(7,656)
2022/2023 final dividend	-	-	-	-	-	-	-	-	(6,662)	(6,662)
Balance at 31 October 2023	66,619	25,075	13,934	5,042	(69)	7,450	19,632	70,384	311,158	519,225

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Condensed Consolidated Statement of Cash Flows

	Six months ended	
	31 October	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cash flows from operating activities		
Cash generated from operations	76,536	85,918
Overseas tax paid	(102)	(143)
Hong Kong tax paid	–	(7,470)
Hong Kong tax refund	–	18
Net cash generated from operating activities	76,434	78,323
Cash flows from investing activities		
Purchase of property, plant and equipment	(3,905)	(6,466)
Net cash used in investing activities	(3,905)	(6,466)
Cash flows from financing activities		
Proceeds from borrowings	22,765	10,572
Repayments of borrowings	(15,115)	(464)
Interest received	10	485
Interest paid	(678)	(411)
Payment of lease liabilities	(96,289)	(91,630)
Net cash used in financing activities	(89,307)	(81,448)
Decrease in cash and cash equivalents	(16,778)	(9,591)
Exchange difference	(101)	(867)
Cash and cash equivalents at the beginning of the period	71,422	86,022
Cash and cash equivalents at the end of the period	54,543	75,564

Notes to the Condensed Consolidated Interim Financial Statements

1. General information

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

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

This condensed consolidated interim financial information is presented in thousands of Hong Kong dollars (HK\$’000), unless otherwise stated. This condensed consolidated interim financial information was approved for issue by the Board of Directors on 16 December 2024.

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

2. Basis of preparation and accounting policies

These unaudited condensed consolidated interim financial statements (the “Interim Financial Statements”) have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim financial reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The Interim Financial Statements should be read in conjunction with the annual financial statements for the year ended 30 April 2024, 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 2024.

Notes to the Condensed Consolidated Interim Financial Statements

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

The Group's management regularly monitors current and expected liquidity requirements to ensure that sufficient operating cashflow and adequate amount of reserves of cash and banking facilities are available to meet the Group's liquidity requirements in the short and long term. As at 31 October 2024, the Group's current liabilities exceeded its current assets by HK\$8,265,000. This net current liabilities position was mainly attributable to the recognition of lease liabilities of HK\$130,997,000 in current liabilities and HK\$90,418,000 in non-current liabilities, while the associated right-of-use assets of HK\$228,877,000 were recognised in non-current assets in accordance with HKFRS 16 "Leases". After reviewing the Group's cash flow projections (with basis and assumptions stated therein) covering a period of not less than twelve months from the date of this report, the directors believe that there would be sufficient cashflow from operations as well as available bank facilities and cash and cash equivalents held to meet the Group's financial obligations in the forthcoming twelve months. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 30 April 2024, 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.

I) Amended standards and interpretation (together refer as "Amendments") adopted by the Group

The following Amendments are mandatory for the financial year beginning on 1 May 2024.

HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current
HKAS 1 (Amendments)	Non-current Liabilities with Covenants
HKAS 16 (Amendments)	Lease liabilities in a Sale and Leaseback
HK-Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HKAS 7 and HKFRS 7 (Amendments)	Supplier Finance Arrangements

The adoption of these Amendments did not have any significant impact on the preparation of these condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Statements

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

II) New standards, amendments to existing standards and interpretation that have been issued but not yet effective

The following new standards, amendments to existing standards and interpretation have been issued but are not effective for the financial year beginning on or after 1 May 2024 and have not been early adopted by the Group.

HKAS 21 and HKFRS 1 (Amendments)	Lack of Exchangeability ⁽¹⁾
HKFRS 9 and HKFRS 7 (Amendments)	Amendments to the Classification and Measurement of Financial Instruments ⁽²⁾
HKFRS 18 HKFRS 19	Presentation and Disclosure in Financial Statements ⁽³⁾ Subsidiaries without Public Accountability: Disclosures ⁽³⁾
HK– Interpretation 5 (Amendments)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ⁽³⁾
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁽⁴⁾

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

⁽²⁾ Effective for the Group for annual period beginning on 1 May 2026.

⁽³⁾ Effective for the Group for annual period beginning on 1 May 2027.

⁽⁴⁾ Effective date to be determined.

The Group has commenced an assessment of the impact of these new standards, amendments to existing 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	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue										
External sales	675,013	726,750	26,956	23,703	423	494	-	-	702,392	750,947
Intersegment sales	-	-	-	-	792	792	(792)	(792)	-	-
	675,013	726,750	26,956	23,703	1,215	1,286	(792)	(792)	702,392	750,947
Segment results										
Operating (loss)/profit	(10,719)	20,456	(6,234)	(4,411)	(294)	(282)			(17,247)	15,763
Corporate expenses									(8,137)	(7,980)
Finance costs, net									(6,598)	(6,236)
(Loss)/profit before income tax									(31,982)	1,547
Income tax credit/(expense)									3,334	(1,217)
(Loss)/profit for the period									(28,648)	330
Depreciation and amortisation	97,762	93,627	1,035	935	-	-			98,797	94,562
Total distribution costs and administrative expenses	283,144	278,842	9,036	7,196	676	776			292,856	286,814

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
	31/10/2024	30/04/2024	31/10/2024	30/04/2024	31/10/2024	30/04/2024	31/10/2024	30/04/2024	31/10/2024	30/04/2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	738,988	747,774	114,504	115,220	18,758	18,748	(2,353)	(2,470)	869,897	879,272
Unallocated assets										
– Deferred tax assets									10,422	6,792
– Corporate assets									275	241
Total assets									880,594	886,305
Segment liabilities	369,448	353,043	5,576	7,629	1,200	1,323	(2,353)	(2,470)	373,871	359,525
Unallocated liabilities										
– Borrowings									33,863	26,213
– Deferred tax liabilities									8,102	7,902
– Corporate liabilities									3,111	1,674
Total liabilities									418,947	395,314

Geographical information

	Revenue		Non-current assets	
	Six months ended 31 October		As at	
	2024	2023	31/10/2024	30/04/2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The PRC (including the Hong Kong Special Administrative Region)	694,315	743,845	578,448	589,876
Other countries/regions	8,077	7,102	–	–
	702,392	750,947	578,448	589,876

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. Operating (loss)/profit

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

	Six months ended	
	31 October	
	2024	2023
	HK\$'000	HK\$'000
Cost of inventories recognised as expenses included in cost of sales	399,606	420,332
Depreciation of property, plant and equipment	12,684	12,299
Depreciation of right-of-use assets	86,113	82,263
Employee benefit expenses (including directors' emoluments)	125,394	129,097
Provision for/(reversal of) impairment loss on financial assets	216	(259)
Provision for impairment of property, plant and equipment	–	349
Provision for impairment of right-of-use assets	–	592

5. Finance costs, net

	Six months ended	
	31 October	
	2024	2023
	HK\$'000	HK\$'000
<i>Finance income: –</i>		
Interest income from bank deposits	(10)	(485)
Others	(1,001)	(615)
	(1,011)	(1,100)
<i>Finance cost: –</i>		
Interest expense on bank borrowings	678	411
Interest expense on lease liabilities	6,931	6,925
	7,609	7,336
	6,598	6,236

Notes to the Condensed Consolidated Interim Financial Statements

6. Income tax (credit)/expense

Income tax expense is recognised based on the Management's estimate of the annual income tax rate expected for the full financial year. The Company is incorporated in Bermuda and is exempted from taxation in Bermuda until 2035. For the six months ended 31 October 2024, no provision for Hong Kong profits tax was made as the Group had an adjusted loss in Hong Kong. For the six months ended 31 October 2023, 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. Subsidiaries of the Group in Mainland China are subject to Mainland China enterprise income tax rate at the rate of 25% (2023: 25%) on their taxable income determined according to Mainland China tax laws. Other overseas income tax has been calculated on the estimated assessable profits for the period at the rates prevailing in the respective jurisdictions.

The amount of income tax (credit)/expense charged to the condensed consolidated income statement represents:

	Six months ended	
	31 October	
	2024	2023
	HK\$'000	HK\$'000
Hong Kong profits tax – current tax	–	888
– under-provision in prior years	–	21
Overseas income tax including Mainland China – current tax	96	108
Deferred income tax	(3,430)	200
Income tax (credit)/expense	(3,334)	1,217

7. (Loss)/earnings per share

The calculation of basic (loss)/earnings per share for the six months ended 31 October 2024 is based on the consolidated loss attributable to equity holder of approximately HK\$28,648,000 (2023: profit attributable to equity holder of approximately HK\$330,000) and the weighted average number of 666,190,798 (2023: 666,190,798) shares in issue during the period.

For the six months ended 31 October 2024 and 31 October 2023, diluted (loss)/earnings per share equals basic (loss)/earnings per share as there was no dilutive potential share.

8. Dividend

The Board resolved not to declare any interim dividend in respect of the six months ended 31 October 2024 (2023: Nil).

Notes to the Condensed Consolidated Interim Financial Statements

9. Movements in property, plant and equipment

	<i>HK\$'000</i>
At 1 May 2024	301,686
Exchange differences	(485)
Additions	3,905
Depreciation	(12,684)
At 31 October 2024	<u>292,422</u>

10. Accounts receivable

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

	As at 31 October 2024 <i>HK\$'000</i>	As at 30 April 2024 <i>HK\$'000</i>
0-30 days	8,166	7,075
31-60 days	2,945	2,198
61-90 days	1,588	1,047
91-120 days	1,063	468
Over 120 days	3,184	2,845
	<u>16,946</u>	13,633
Less: loss allowance	(2,673)	(2,457)
	<u>14,273</u>	11,176

The Group primarily 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

11. Share capital

	As at 31 October 2024 HK\$'000	As at 30 April 2024 HK\$'000
Authorised:		
1,000,000,000 (As at 30 April 2024: 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 2024: 666,190,798) shares of HK\$0.10 each	66,619	66,619

12. Accounts payable

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

	As at 31 October 2024 HK\$'000	As at 30 April 2024 HK\$'000
0-30 days	78,659	68,983
31-60 days	18,005	7,727
61-90 days	819	1,197
91-120 days	893	–
Over 120 days	43	29
	98,419	77,936

Notes to the Condensed Consolidated Interim Financial Statements

13. Related party transactions

		Six months ended	
		31 October	
		2024	2023
		<i>HK\$'000</i>	<i>HK\$'000</i>
(a)	Rental expenses paid to a related company which is owned by directors of the Company	331	331
	Rental expenses paid to a director of the Company	147	147
(b)	Key management compensation		
	Salaries, allowances and other benefits in kind	5,978	5,978
	Pension costs – defined contribution plans	245	245
		6,223	6,223

Management Discussion and Analysis

According to the figures released monthly by the Census and Statistics Department of Hong Kong till October 2024, the value of total retail sales over a year earlier was still in its downward trend, showing that the demand in local retail market remained weak. During the period under review, namely from May to October 2024, the Group's retail business continued to be affected by the following unfavourable factors:–

- as the number of local residents that travel abroad remained high, with no obvious rebound in the flow of people on the streets, weekends and public holidays were the peak periods for Hong Kong people's outbound travelling, resulting in a decrease in the number of residents who stayed in Hong Kong for consumption;
- it appeared that Hong Kong residents were inclined to maintain their living habits during the pandemic, preventing night-time pedestrian traffic and spending from returning to the level before the pandemic; and
- Hong Kong dollar interest rates remained high during the period under review, affecting Hong Kong's capital market and property market and dampening local consumers' spending sentiment.

Affected by the above factors, in the period under review, namely in the 6 months ended on 31 October 2024, the Group recorded a consolidated revenue of HK\$702,392,000 (2023: HK\$750,947,000), representing a decrease of 6.5% as compared to that of the same period last year. Consolidated gross profit dropped to HK\$275,609,000 (2023: HK\$302,354,000) in line with the decline in revenue. In the period under review, the rental expenses, as the major operating expense of the Group, subject to rental periods set out in contracts could not have immediate adjustment. Piling up with the costs of logistics, electricity and others that continued to be high, the Group recorded a loss attributable to equity holders of HK\$28,648,000 (2023: profit of HK\$330,000) for the period under review.

Management Discussion and Analysis

BUSINESS REVIEW

Retail Business

For the six months ended 31 October 2024, the Group's retail business recorded a segment revenue of HK\$675,013,000 (2023: HK\$726,750,000), representing a decrease of 7.1% as compared to the same period last year, and accounted for approximately 96% (2023: 97%) of the total revenue. The downward trend in the segment revenue of the retail business was consistent with that of Hong Kong retail market in whole, without showing a situation that it went significantly lower than the trend in market. According to the operation data of the Group, in the period under review, the decrease in sales on festivals and holidays was much significant than that on weekdays. For time interval, the decrease in sales at night after 8 pm was even much greater. The management considered that outbound tourism on festivals and holidays for Hong Kong residents would remain very active. In addition to the effect caused by the change in consumption mode of Hong Kong residents, the level of nightlife activities would still not be able to recover to that in the past, since Hong Kong people had obviously reduced their consumption activities at night.

During the period, the segment gross profit of the retail business decreased to HK\$272,424,000 (2023: HK\$299,075,000) in line with the decline in revenue, representing a decrease of approximately 8.9% as compared to that of the same period last year, while the segment gross profit margin was 40.4% (2023: 41.2%), representing a decrease of 0.8 percentage points as compared to that of the same period last year. The decrease in gross profit margin was mainly due to the continued tight supply in the global food supply chain and the fluctuation in import prices of food and other food products during the period under review. The management believes that, given the current market environment and the level of consumer demand, it is appropriate to maintain a stable pricing strategy. Therefore, during this period, we have kept our prices generally stable and have not implemented any price increases. In the period, 759 STORE continued to adopt a procurement mode that products were "imported on 759 STORE's own" and "imported directly from their places of origins", in which over 90% of products in value were imported on 759 STORE's own under its product sourcing network that covered approximately 60 countries and regions over the globe. 759 STORE imported products in wide range of categories, including snacks and leisure food, drinks, rice, noodles, dairy products, frozen food, cooking oil, alcohol, sanitary paper products and detergents. In the period, product mix of 759 STORE tended to put its focus on snacks, leisure food and drinks, in which the purchase amounts of frozen foods and rice were reduced, matching well with demand change. The total inventory value of the retail business segment as at 31 October 2024 was HK\$152,334,000 (30 April 2024: HK\$133,190,000), representing an increase of 14.4% as compared to the end date of the previous financial year. The increase in total inventory value was mainly attributed to the increase in the number of products showing on shelves, which were new products that our procurement team actively sourced from various places over the globe, in hope to further enhance the shopping enjoyment of customers from all walks of life with much more product choices, looking forward to the traditional consumption high season yet to come in the second half of the year.

Management Discussion and Analysis

BUSINESS REVIEW *(continued)*

Retail Business *(continued)*

In the period under review, the Group made no expansion on the size of its shop network, in which the management gave its decisions on whether renewing shop leasing contract according to shop performance data and shop rent level in the market that 5 shops were closed and 9 shops were newly opened at alternative sites in the period. As at 31 October 2024, the Group operated 169 shops (30 April 2024: 165), with an increase of 4 shops in total. As at the same date, the total gross floor area of shops in operation was 324,000 square feet (30 April 2024: 334,000 square feet), with average floor area per shop of 1,917 square feet (30 April 2024: 2,024 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 terms of frontline staff, 759 STORE has always offered employees with competitive remuneration, with which they have demonstrated optimal work efficiency, allowing us to maintain a low average headcount of about 4 people per shop over the long term.

In the period under review, the revenue did not meet our expectation, where the Group and so as Hong Kong retail industry were affected by the decrease in the number of pedestrians on streets and low consumer sentiment of Hong Kong residents. The Group has implemented stringent measures to control operating costs. However, operating expenses have been affected by the high Consumer Price Index and fuel costs, leading to increases in material costs, shop management fees and other costs. For shop rents, no matter how repeatedly it had been said that commercial property rent would come down, the rents for most of our shops were bound by their leasing periods set out in lease contracts. The management had made lease contract renewal plan for each shop, negotiating with its landlord to have reasonable arrangement on lease contract renewal according to current market level. During the period under review, selling and distribution expenses and segment administrative expenses of the retail business recorded an increase to HK\$236,928,000 (2023: HK\$234,111,000) and HK\$46,216,000 (2023: HK\$44,731,000) respectively, representing an increase of 1.2% and 3.3% respectively as compared to those for the same period last year. During the period under review, the Group recorded a loss of approximately HK\$10,719,000 (2023: profit of HK\$20,456,000) for retail business.

Electronic Component Manufacturing Business

Under the downturn of global economy and turbulent international environment, Hong Kong export and so as the electronic component manufacturing business are still weak. Nonetheless since it has been weak for long time, there seems to be signs of bottoming out. During the period, the Group's electronic component manufacturing business recorded segment revenue of HK\$26,956,000 (2023: HK\$23,703,000), representing an increase of 13.7% as compared to that of the same period last year. Segment gross profit also increased slightly to HK\$2,802,000 (2023: HK\$2,785,000), with the segment gross profit margin of 10.4% (2023: 11.7%). An unrealised exchange gain of HK\$1,046,000 (2023: HK\$3,986,000) was recorded for the period as Renminbi exchange rate on 31 October 2024 was lower than that at the last financial year end. However, this unrealised exchange gain, which would not have any effect on cash flows, decreased significantly by 74% or HK\$2,940,000. As a result, the segment operating loss of the Group's electronic component manufacturing business increased to HK\$6,234,000 (2023: HK\$4,411,000)

Investment Properties

Rental income of the Group for the year amounted to HK\$423,000 (2023: HK\$494,000). In the period under review, no fair value loss at investment properties was recorded for the Group (2023: Nil).

Management Discussion and Analysis

FINANCIAL REVIEW

Fund Surplus and Liabilities

As at 31 October 2024, the Group's bank balances and cash (denominated mainly in Hong Kong dollar, United States dollar and Renminbi) was HK\$75,983,000 (30 April 2024: HK\$92,862,000). As at the same date, the Group's aggregate banking facilities amounted to HK\$382,375,000 (30 April 2024: HK\$382,875,000), which included loans, trade financing, etc. Unused facilities amounted to approximately HK\$348,512,000 (30 April 2024: HK\$356,662,000). As at 31 October 2024, utilised banking facilities amounted to HK\$33,863,000 (30 April 2024: HK\$26,213,000), representing an increase of HK\$7,650,000 as compared to that at the last financial year end. The above banking facilities were secured by charges on the Group's certain buildings, investment properties, bank deposits and inventories held under trade financing. In addition, the Group is also required to comply with certain restrictive financial covenants with major financing banks, and the Group could comply with such financial covenants as at 31 October 2024. As at 31 October 2024, its debt to equity ratio* was 0.07 (30 April 2024: 0.05). Besides, the Group did not have material contingent liabilities as at the same date (30 April 2024: Nil).

Assets

As at 31 October 2024, the Group's inventories amounted to HK\$169,185,000 (30 April 2024: HK\$151,303,000), representing an increase of 11.8% in inventories as compared with the last financial year end, mainly due to a more proactive stocking policy for the retail business implemented by the management, which introduced a greater variety of new merchandise during the period to offer customers more product choices. The Group's total prepayments, deposits and other receivables (including rental deposits for retail shops) as at 31 October 2024 amounted to HK\$72,321,000 (30 April 2024: HK\$73,397,000).

Lease Liabilities

At 31 October 2024, the long-term lease liabilities of the Group amounted to HK\$90,418,000 (30 April 2024: HK\$89,562,000) while the current lease liabilities amounted to HK\$130,997,000 (30 April 2024: HK\$136,708,000).

Interest Expenses

The Group's finance cost for the period was HK\$7,609,000 (2023: HK\$7,336,000), representing an increase of 3.7% as compared to the same period last year. After deducting the interest expenses of lease liabilities, the actual bank interest expense for the period was HK\$678,000 (2023: HK\$411,000).

(* The ratio of total borrowings over total equity)

Management Discussion and Analysis

FINANCIAL REVIEW *(continued)*

Financial Resources and Capital Structure

Net cash outflow of the Group was HK\$16,778,000 (2023: HK\$9,591,000) for the six months ended 31 October 2024. Net cash inflow from operating activities was HK\$76,434,000 (2023: HK\$78,323,000), representing a decrease of 2.4% as compared with that of the same period last year. The management was of the opinion that the cash inflow from operating activities in the period under review was still highly satisfactory. The decrease in net cash inflow from operating activities was mainly attributable to the decrease in the Group's revenue during the period. Net cash outflow from investing activities in the period was HK\$3,905,000 (2023: HK\$6,466,000), which was mainly attributable to renovation for new shops, revamp of existing shops and purchase of office equipment as appropriate during the period. The Group did not purchase or sell investment properties during the period under review. During the period, the Group continued to record net cash outflow from financing activities of HK\$89,307,000 (2023: HK\$81,448,000).

Cash Flow Summary

	For the six months ended 31 October	
	2024 HK\$'000	2023 HK\$'000
Net cash inflow from operating activities	76,434	78,323
Net cash outflow from investing activities	(3,905)	(6,466)
Net cash outflow from financing activities [#]	(89,307)	(81,448)
Decrease in cash and cash equivalents	(16,778)	(9,591)

[#] This net amount included lease payment of HK\$96,289,000 (2023: HK\$91,630,000).

As at 31 October 2024, the net current liabilities of the Group were HK\$8,265,000 (30 April 2024: net current assets of HK\$9,288,000) and the current ratio was 0.97 (30 April 2024: 1.03). The decrease of current ratio reflected that the Group had suffered losses due to the impact of adverse economic environment. However, the Board considered that the Group's current financial resources remained strong and was confident that it would be able to improve its future operating performance in spite of the adversity.

Charges on Assets

As at 31 October 2024, certain assets of the Group with an aggregate carrying value of approximately HK\$274,854,000 (30 April 2024: HK\$271,565,000) were pledged to secure banking facilities of the Group.

Management Discussion and Analysis

FINANCIAL REVIEW *(continued)*

Exchange Risks

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

Employees

As at 31 October 2024, the Group employed approximately 1,380 staff (30 April 2024: 1,350) 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.

Management Discussion and Analysis

FUTURE PLAN AND OUTLOOK

Hong Kong retail market is in a shroud of uncertainties, where the difficulties that retail industry goes through are unprecedented. Honestly, the management is unable to predict when the market will recover and anticipates that the current market conditions may persist for an extended period of time. Looking into the future, the management will continue to adopt prudent and pragmatic strategy, taking measures to generate revenue and manage costs.

The procurement team of 759 STORE will continue to expand its scope of sourcing, regularly introducing more new products and replenishing shop shelves with new products, to enhance the freshness and shopping experience for our customers, thereby improving the segmental revenue of our retail business. The management understands that expanding the scope of product sourcing will in certain degree increase lead to increased pressure on the total inventory value. Therefore, we will also more strictly examines the efficiency of inventory turnover and calculate ordering quantities or phase out products based on their popularity, in order to avoid the risk of inventory obsolescence.

Due to the current downturn in the retail market, there has indeed been an adjustment in shop rents and a rise in vacancies. The management will review branches with leases due to expire and negotiate renewal arrangements with landlords, aiming to adjust the new rental levels in line with market realities. On the other hand, management will close several underperforming branches to enhance the overall profitability of the retail business. Currently, 759 STORE has not set a specific target for the number of shops; we are actively seeking shops with reasonable rents and suitable locations to continue expanding the 759 STORE's shop network.

Other Information

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 October 2024, 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 C3 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 2024, 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 2024, 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 2024, 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					Percentage of issued share capital
	Beneficial owner	Family interests	Corporate interests	Trusts interests	Total 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 2024, 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 2024.

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 2024. 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 2024.

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 C1 to the Listing Rules for the six months ended 31 October 2024, 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 of the Company for the six months ended 31 October 2024.

REMUNERATION COMMITTEE

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

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

Other Information

NOMINATION COMMITTEE

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding directors’ securities transactions for the six months ended 31 October 2024. 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 2024. The Model Code also applies to the relevant employees of the Group.

By Order of the Board
Tang Fung Kwan
Chairman

Hong Kong, 16 December 2024

