



PHOENITRON

PHOENITRON HOLDINGS LIMITED

品創控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8066)

**INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”).

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the “Director(s)”) of Phoenix Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

SUMMARY

- Unaudited revenue for the six months ended 30 June 2023 amounted to approximately HK\$37,469,000, representing an increase of 19.3% as compared to the corresponding period in 2022 of approximately HK\$31,399,000.
- The Group recorded an unaudited profit attributable to owners of the Company of approximately HK\$1,259,000 for the six months ended 30 June 2023 (2022: unaudited loss of approximately HK\$5,457,000).
- The Board does not recommend any payment of an interim dividend for the six months ended 30 June 2023 (2022: nil).

UNAUDITED INTERIM RESULTS

The board of Directors (the “Board”) announces the unaudited consolidated results of the Company and its subsidiaries (together, the “Group”) for the three months and the six months ended 30 June 2023 together with the comparative figures for the corresponding periods in 2022 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and the six months ended 30 June 2023

	Notes	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
		2023 HK\$	2022 HK\$	2023 HK\$	2022 HK\$
Revenue	3	17,904,558	16,639,533	37,468,966	31,399,192
Cost of sales		<u>(13,087,427)</u>	<u>(12,907,688)</u>	<u>(25,824,628)</u>	<u>(23,872,087)</u>
Gross profit		4,817,131	3,731,845	11,644,338	7,527,105
Other income	4	631,620	315,315	811,412	320,005
Other losses, net	5	(1,176,244)	(883,655)	(1,121,053)	(1,146,220)
Selling and distribution costs		(549,691)	(751,134)	(1,104,637)	(1,286,478)
Administrative expenses		(5,283,782)	(5,401,718)	(10,495,764)	(10,946,489)
Change in fair value of investment in TV programmes		1,621,622	235,294	1,621,622	235,294
Finance costs	6	(45,993)	(75,528)	(98,338)	(160,603)
Profit/(loss) before income tax	7	14,663	(2,829,581)	1,257,580	(5,457,386)
Income tax expense	8	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Profit/(loss) for the period		<u>14,663</u>	<u>(2,829,581)</u>	<u>1,257,580</u>	<u>(5,457,386)</u>
Other comprehensive income					
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange differences on translation of financial statements of foreign operations		607,596	121,007	541,273	294,995
Other comprehensive income for the period		<u>607,596</u>	<u>121,007</u>	<u>541,273</u>	<u>294,995</u>
Total comprehensive income/(loss) for the period		<u>622,259</u>	<u>(2,708,574)</u>	<u>1,798,853</u>	<u>(5,162,391)</u>

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2023	2022	2023	2022
<i>Notes</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Profit/(loss) for the period attributable to:				
Owners of the Company	15,688	(2,829,456)	1,258,605	(5,457,261)
Non-controlling interests	(1,025)	(125)	(1,025)	(125)
	<u>14,663</u>	<u>(2,829,581)</u>	<u>1,257,580</u>	<u>(5,457,386)</u>
Total comprehensive income/(loss) for the period attributable to:				
Owners of the Company	623,284	(2,708,449)	1,799,878	(5,162,266)
Non-controlling interests	(1,025)	(125)	(1,025)	(125)
	<u>622,259</u>	<u>(2,708,574)</u>	<u>1,798,853</u>	<u>(5,162,391)</u>
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings/(loss) per share attributable to owners of the Company				
Basic and diluted	10 <u>0.003</u>	<u>(0.539)</u>	<u>0.240</u>	<u>(1.039)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		Unaudited	Audited
		30 June	31 December
		2023	2022
	<i>Notes</i>	HK\$	HK\$
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	<i>11</i>	3,605,455	4,065,829
Intangible assets		420,000	420,000
Right-of-use assets		3,400,846	4,287,058
Deposits and prepayment	<i>14</i>	805,622	1,652,961
Prepayments for acquisition of property, plant and equipment		162,162	275,262
Investment in TV programmes	<i>12</i>	32,108,108	31,685,393
		40,502,193	42,386,503
Current assets			
Inventories	<i>13</i>	1,845,923	3,257,275
Trade and other receivables, deposits and prepayments	<i>14</i>	21,172,406	14,437,765
Cash and cash equivalents		2,765,798	6,236,472
		25,784,127	23,931,512
Current liabilities			
Trade and other payables	<i>15</i>	22,521,924	23,043,204
Lease liabilities		3,090,298	3,347,596
Contract liabilities		725,941	–
Other borrowings		438,462	1,337,500
		26,776,625	27,728,300
Net current liabilities		(992,498)	(3,796,788)
Total assets less current liabilities		39,509,695	38,589,715

		Unaudited	Audited
		30 June	31 December
		2023	2022
	<i>Notes</i>	HK\$	HK\$
Non-current liabilities			
Lease liabilities		1,017,617	1,896,490
Deferred tax liabilities		4,707	4,707
		<u>1,022,324</u>	<u>1,901,197</u>
Net assets		<u>38,487,371</u>	<u>36,688,518</u>
EQUITY			
Share capital	<i>16</i>	105,069,500	105,069,500
Deficit in reserves		(66,811,699)	(68,611,577)
		<u>38,257,801</u>	<u>36,457,923</u>
Equity attributable to the owners of the Company		38,257,801	36,457,923
Non-controlling interests		229,570	230,595
		<u>38,487,371</u>	<u>36,688,518</u>
Total equity		<u>38,487,371</u>	<u>36,688,518</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company								Non- controlling interests	Total equity
	Share capital	Share premium	Contributed surplus	Share option reserve	Other reserves	Translation reserve	Accumulated losses	Total		
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>		
Balance at 1 January 2022 (audited)	105,069,500	363,340,792	13,985,669	3,339,000	7	11,597,920	(452,084,957)	45,247,931	230,720	45,478,651
Loss for the period	-	-	-	-	-	-	(5,457,261)	(5,457,261)	(125)	(5,457,386)
Other comprehensive income										
– Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	294,995	-	294,995	-	294,995
Total comprehensive income/(loss) for the period	-	-	-	-	-	294,995	(5,457,261)	(5,162,266)	(125)	(5,162,391)
Balance at 30 June 2022 (unaudited)	<u>105,069,500</u>	<u>363,340,792</u>	<u>13,985,669</u>	<u>3,339,000</u>	<u>7</u>	<u>11,892,915</u>	<u>(457,542,218)</u>	<u>40,085,665</u>	<u>230,595</u>	<u>40,316,260</u>
Balance at 1 January 2023 (audited)	<u>105,069,500</u>	<u>363,340,792</u>	<u>13,985,669</u>	<u>3,339,000</u>	<u>7</u>	<u>10,543,317</u>	<u>(459,820,362)</u>	<u>36,457,923</u>	<u>230,595</u>	<u>36,688,518</u>
Profit/(Loss) for the period	-	-	-	-	-	-	1,258,605	1,258,605	(1,025)	1,257,580
Other comprehensive income										
– Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	541,273	-	541,273	-	541,273
Total comprehensive income/(loss) for the period	-	-	-	-	-	541,273	1,258,605	1,799,878	(1,025)	1,798,853
Lapse of share options	-	-	-	(39,930)	-	-	39,930	-	-	-
Balance at 30 June 2023 (unaudited)	<u>105,069,500</u>	<u>363,340,792</u>	<u>13,985,669</u>	<u>3,299,070</u>	<u>7</u>	<u>11,084,590</u>	<u>(458,521,827)</u>	<u>38,257,801</u>	<u>229,570</u>	<u>38,487,371</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Unaudited	
	Six months ended 30 June	
	2023	2022
	HK\$	HK\$
Net cash (used in)/generated from operating activities	(146,506)	2,063,302
Net cash used in investing activities	(548,459)	(150,376)
Net cash used in financing activities	<u>(2,783,285)</u>	<u>(1,872,252)</u>
Net (decrease)/increase in cash and cash equivalents	(3,478,250)	40,674
Cash and cash equivalents at beginning of the period	6,236,472	3,682,844
Effect of foreign exchange rate changes	<u>7,576</u>	<u>(112,271)</u>
Cash and cash equivalents at end of the period	<u><u>2,765,798</u></u>	<u><u>3,611,247</u></u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) which collectively includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKAS”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the accounting principles generally accepted in Hong Kong. The unaudited condensed consolidated financial statements also comply with the applicable disclosure requirements of the GEM Listing Rules. The unaudited condensed consolidated financial statements should be read in conjunction with the audited annual financial statements of the Group for the year ended 31 December 2022.

The unaudited condensed consolidated financial statements are presented in Hong Kong dollar (“HK\$”), which is also the functional currency of the Company.

Except as for the adoption of new and revised HKFRSs issued by the HKICPA, which are effective for the Group’s financial year beginning 1 January 2023, the significant accounting policies that have been used in the preparation of these unaudited condensed consolidated financial statements are consistent with those of the audited annual financial statements of the Group for the year ended 31 December 2022, as described in those audited annual financial statements. The Directors anticipate that the application of these new and revised HKFRSs will not have material impact on the unaudited condensed consolidated financial statements of the Group.

The Group has not early applied the new and revised HKFRSs that have been issued by the HKICPA but are not yet effective.

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis, except for investment in TV programmes, which is measured at fair value.

It should be noted that accounting estimates and assumptions are used in preparation of the unaudited condensed consolidated financial statements. Although these estimates and assumptions are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates and assumptions.

In preparing these unaudited condensed consolidated financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited annual consolidated financial statements of the Group for the year ended 31 December 2022.

2. SEGMENT INFORMATION

The operating segments are reported in a manner consistent with the way in which information is reported internally to the executive Directors for the purposes of resources allocation and assessment of segment performance. The business components in the internal reporting to the executive Directors, the chief operating decision-makers, are determined following the Group’s major product and service lines. The Group is currently organized into the following five operating segments:

- (i) Sales of smart cards;
- (ii) Sales of smart cards application systems;
- (iii) Financial and management consultancy services;
- (iv) Sales and trading of scrap metals; and
- (v) Media and entertainment.

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches.

Revenue and expenses are allocated to the reportable segments with reference to sales generated and the expenses incurred by those segments. The measurement of segment profit/(loss) before income tax is the same as those used in preparing these unaudited condensed consolidated financial statements under HKFRSs except that finance costs, exchange losses, net and corporate expenses, net not directly attributable to business activities of the operating segments are not included in arriving at the operating results of the operating segments.

Segment assets include all assets with the exception of intangible assets, assets which are not attributable to the business activities of the operating segments and other assets which are managed on a group basis such as cash and cash equivalents.

Segment liabilities include all liabilities except for deferred tax liabilities, liabilities which are not attributable to the business activities of the operating segments and other liabilities which are managed on a group basis such as other borrowings.

Segment results, segment assets and segment liabilities

Information regarding the Group's reportable segments including the reconciliation to revenue, profit/(loss) before income tax, total assets and total liabilities are as follows:

Six months ended 30 June 2023

	Sales of smart cards <i>HK\$</i> (Unaudited)	Sales of application systems <i>HK\$</i> (Unaudited)	Financial and management consultancy services <i>HK\$</i> (Unaudited)	Sales and trading of scrap metals <i>HK\$</i> (Unaudited)	Media and entertainment <i>HK\$</i> (Unaudited)	Unallocated <i>HK\$</i> (Unaudited)	Consolidated <i>HK\$</i> (Unaudited)
Reportable segment revenue	<u>37,466,666</u>	<u>2,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,468,966</u>
Reportable segment profit/(loss)	<u>5,367,992</u>	<u>(8,218)</u>	<u>-</u>	<u>(1,522,147)</u>	<u>1,619,272</u>	<u>-</u>	<u>5,456,899</u>
Finance costs							(98,338)
Exchange losses, net							(1,121,053)
Corporate expenses, net							<u>(2,979,928)</u>
Profit before income tax							<u>1,257,580</u>

Six months ended 30 June 2022

	Sales of smart cards <i>HK\$</i> (Unaudited)	Sales of smart card application systems <i>HK\$</i> (Unaudited)	Financial and management consultancy services <i>HK\$</i> (Unaudited)	Sales and trading of scrap metals <i>HK\$</i> (Unaudited)	Media and entertainment <i>HK\$</i> (Unaudited)	Unallocated <i>HK\$</i> (Unaudited)	Consolidated <i>HK\$</i> (Unaudited)
Reportable segment revenue	<u>31,388,342</u>	<u>10,850</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,399,192</u>
Reportable segment profit/(loss)	<u>29,568</u>	<u>(4,911)</u>	<u>(7,519)</u>	<u>(1,594,697)</u>	<u>234,744</u>	<u>-</u>	<u>(1,342,815)</u>
Finance costs							(160,603)
Exchange losses, net							(1,146,220)
Corporate expenses, net							<u>(2,807,748)</u>
Loss before income tax							<u>(5,457,386)</u>

30 June 2023

	Sales of smart cards <i>HK\$</i> (Unaudited)	Sales of smart card application systems <i>HK\$</i> (Unaudited)	Financial and management consultancy services <i>HK\$</i> (Unaudited)	Sales and trading of scrap metals <i>HK\$</i> (Unaudited)	Media and entertainment <i>HK\$</i> (Unaudited)	Unallocated <i>HK\$</i> (Unaudited)	Consolidated <i>HK\$</i> (Unaudited)
Reportable segment assets	<u>28,155,943</u>	<u>2,300</u>	<u>-</u>	<u>478,665</u>	<u>32,108,108</u>	<u>2,355,506</u>	<u>63,100,522</u>
Intangible assets							420,000
Cash and cash equivalents							<u>2,765,798</u>
Total consolidated assets							<u>66,286,320</u>
Reportable segment liabilities	<u>23,339,381</u>	<u>6,000</u>	<u>-</u>	<u>767,586</u>	<u>-</u>	<u>3,242,813</u>	<u>27,355,780</u>
Other borrowings							438,462
Deferred tax liabilities							<u>4,707</u>
Total consolidated liabilities							<u>27,798,949</u>

31 December 2022

	Sales of smart cards <i>HK\$</i> (Audited)	Sales of smart card application systems <i>HK\$</i> (Audited)	Financial and management consultancy services <i>HK\$</i> (Audited)	Sales and trading of scrap metals <i>HK\$</i> (Audited)	Media and entertainment <i>HK\$</i> (Audited)	Unallocated <i>HK\$</i> (Audited)	Consolidated <i>HK\$</i> (Audited)
Reportable segment assets	<u>26,152,179</u>	<u>–</u>	<u>–</u>	<u>402,034</u>	<u>31,685,393</u>	<u>1,421,937</u>	59,661,543
Intangible assets							420,000
Cash and cash equivalents							<u>6,236,472</u>
Total consolidated assets							<u>66,318,015</u>
Reportable segment liabilities	<u>25,065,753</u>	<u>12,000</u>	<u>–</u>	<u>226,360</u>	<u>–</u>	<u>2,983,177</u>	28,287,290
Other borrowings							1,337,500
Deferred tax liabilities							<u>4,707</u>
Total consolidated liabilities							<u>29,629,497</u>

There has been no inter-segment sale between different business segments during the periods.

3. REVENUE

The Group's revenue for goods transferred at a point in time from external customers is as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2023 <i>HK\$</i>	2022 <i>HK\$</i>	2023 <i>HK\$</i>	2022 <i>HK\$</i>
Sales of smart cards	<u>17,902,258</u>	16,637,233	<u>37,466,666</u>	31,388,342
Sales of smart card application systems	<u>2,300</u>	2,300	<u>2,300</u>	10,850
	<u>17,904,558</u>	<u>16,639,533</u>	<u>37,468,966</u>	<u>31,399,192</u>

4. OTHER INCOME

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	HK\$	HK\$	HK\$	HK\$
Bank interest income	2,483	1,252	3,297	2,481
Government subsidies	466,666	306,298	639,080	306,298
Sundry income	162,471	7,765	169,035	11,226
	<u>631,620</u>	<u>315,315</u>	<u>811,412</u>	<u>320,005</u>

5. OTHER LOSSES, NET

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	HK\$	HK\$	HK\$	HK\$
Exchange losses, net	<u>(1,176,244)</u>	<u>(883,655)</u>	<u>(1,121,053)</u>	<u>(1,146,220)</u>

6. FINANCE COSTS

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	HK\$	HK\$	HK\$	HK\$
Finance charges on lease liabilities	<u>45,993</u>	<u>75,528</u>	<u>98,338</u>	<u>160,603</u>

7. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging:

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	HK\$	HK\$	HK\$	HK\$
Costs of inventories recognised as expenses	13,087,427	12,907,688	25,824,628	23,872,087
Depreciation				
– Property, plant and equipment	499,475	644,870	992,130	1,363,048
– Right-of-use assets	776,817	799,059	1,558,794	1,607,600
	<u>13,087,427</u>	<u>12,907,688</u>	<u>25,824,628</u>	<u>23,872,087</u>

8. INCOME TAX EXPENSE

	Unaudited		Unaudited	
	Three months ended 30 June		Six months ended 30 June	
	2023	2022	2023	2022
	HK\$	HK\$	HK\$	HK\$
Income tax expense	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

Notes:

(a) Hong Kong

Under the two-tiered profits tax rates regime in Hong Kong, the first HK\$2,000,000 of profits of qualifying group entity will be taxed at 8.25%, and the profits above HK\$2,000,000 will be taxed at 16.5%. The profits of entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. No Hong Kong Profits Tax has been provided for the six months ended 30 June 2023 and 2022 as the Group has sufficient tax losses brought forward to set off against assessable profits in Hong Kong during the six months ended 30 June 2023 and 2022.

(b) PRC

The PRC Enterprise Income Tax has been calculated at 25% (2022: 25%) on the estimated assessable profits for the period based on the existing legislation, interpretations and practices in respect thereof. No PRC Enterprise Income Tax has been provided for the six months ended 30 June 2023 as the Group has sufficient tax losses brought forward to set off against assessable profits in the PRC during the six months ended 30 June 2023 (2022: did not generate any assessable profits in the PRC during the period).

(c) Other jurisdictions

Pursuant to the rules and regulations of the Cayman Islands, the British Virgin Islands (the “BVI”) and Taiwan, the Group is not subject to any income tax or did not generate any assessable profits in the Cayman Islands, the BVI and Taiwan (2022: nil).

9. DIVIDEND

The Board does not recommend any payment of an interim dividend for the six months ended 30 June 2023 (2022: nil).

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing the profit/(loss) attributable to owners of the Company by the weighted average number of ordinary shares in issue during the period, calculated as follows:

	Unaudited Three months ended 30 June		Unaudited Six months ended 30 June	
	2023	2022	2023	2022
Profit/(loss) attributable to owners of the Company (HK\$)	15,688	(2,829,456)	1,258,605	(5,457,261)
Weighted average number of ordinary shares in issue	<u>525,347,500</u>	<u>525,347,500</u>	<u>525,347,500</u>	<u>525,347,500</u>
Basic earnings/(loss) per share (expressed in HK cents per share)	<u>0.003</u>	<u>(0.539)</u>	<u>0.240</u>	<u>(1.039)</u>

(b) Diluted earnings/(loss) per share

As the Company's outstanding share options had an anti-dilutive effect to the basic earnings/(loss) per share calculation for the three months and the six months ended 30 June 2023 and 2022, the exercise of the potential ordinary shares is not assumed in the computation of diluted earnings/(loss) per share. Therefore, the diluted earnings/(loss) per share attributable to owners of the Company for the three months and the six months ended 30 June 2023 and 2022 are the same as the basic earnings/(loss) per share for the respective periods.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment of HK\$664,856 (six months ended 30 June 2022: HK\$152,857).

12. INVESTMENT IN TV PROGRAMMES

	HK\$
As at 1 January 2022 (Audited)	33,578,431
Total gains/(losses) included in profit or loss:	
Fair value change	898,877
Exchange difference arising from translation, included in other losses, net	<u>(2,791,915)</u>
As at 31 December 2022 and 1 January 2023 (Audited)	31,685,393
Total gains/(losses) included in profit or loss:	
Fair value change	1,621,622
Exchange difference arising from translation, included in other losses, net	<u>(1,198,907)</u>
As at 30 June 2023 (Unaudited)	<u><u>32,108,108</u></u>

The Group's investment in TV programmes is measured at fair value in the unaudited condensed consolidated statement of financial position on a recurring basis, categorised into three levels of a fair value hierarchy. The levels are based on the observability of significant inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the investment in TV programmes is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The fair value of the investment in TV programmes is level 3 (31 December 2022: level 3) fair value measurement. There were no transfers between Levels 1, 2 and 3 during the six months ended 30 June 2023 and the year ended 31 December 2022.

Valuation technique used to determine fair value

Specific valuation techniques used to value financial instruments by adopting an income approach based on the discounted cash flow.

Fair value measurements using significant unobservable inputs (level 3)

The above movement presents the changes in level 3 item for the six months ended 30 June 2023 and the year ended 31 December 2022.

Significant unobservable inputs	Unobservable inputs	Relationship of unobservable inputs to fair value
Discount rate	21.32% (31 December 2022: 22.92%)	The higher/lower the discount rate, the lower/higher the fair value.
Estimated revenue generated by the TV programmes	RMB210,000,000 (31 December 2022: RMB210,000,000)	The higher/lower the estimated revenue generated by the TV programmes, the higher/lower the fair value.

Should the discount rate increase or decrease by 3% respectively, the fair value of the investment in TV programmes would be decreased by HK\$972,973 (31 December 2022: HK\$1,064,015) or increased by HK\$972,973 (31 December 2022: HK\$1,128,634), respectively. Should the estimated revenue generated by the TV programmes increase or decrease by 10% respectively, the fair value of the investment in TV programmes would be increased by HK\$3,135,135 (31 December 2022: HK\$3,171,604) or decreased by HK\$3,243,243 (31 December 2022: HK\$3,171,604), respectively.

13. INVENTORIES

	Unaudited 30 June 2023 HK\$	Audited 31 December 2022 HK\$
Raw materials	442,208	374,185
Work-in-progress	<u>1,403,715</u>	<u>2,883,090</u>
	<u>1,845,923</u>	<u>3,257,275</u>

14. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Unaudited 30 June 2023 HK\$	Audited 31 December 2022 HK\$
Trade receivables, net (<i>note</i>)	14,198,832	9,665,873
Other receivables, deposits and prepayments, net	<u>7,779,196</u>	<u>6,424,853</u>
Total trade and other receivables, deposits and prepayments	<u>21,978,028</u>	<u>16,090,726</u>
Less: Non-current deposits and prepayment	<u>(805,622)</u>	<u>(1,652,961)</u>
Current trade and other receivables, deposits and prepayments	<u>21,172,406</u>	<u>14,437,765</u>

Note:

The credit term granted by the Group to its trade customers normally ranges from 30 days to 90 days (2022: 30 days to 90 days). Based on the invoice dates, the ageing analysis of the Group's trade receivables (net of ECL allowance) is as follows:

	Unaudited 30 June 2023 HK\$	Audited 31 December 2022 HK\$
0 – 30 days	6,126,796	2,639,540
31 – 90 days	7,358,177	6,363,602
Over 90 days	714,332	663,204
Less: ECL allowance	(473)	(473)
	<u>14,198,832</u>	<u>9,665,873</u>

15. TRADE AND OTHER PAYABLES

	Unaudited 30 June 2023 HK\$	Audited 31 December 2022 HK\$
Trade payables (<i>note</i>)	14,043,541	15,847,797
Other payables and accrual	8,478,383	7,195,407
	<u>22,521,924</u>	<u>23,043,204</u>

Note:

Credit period granted by suppliers normally range from 30 days to 90 days (2022: 30 days to 90 days). Based on the invoice dates, the ageing analysis of the trade payables is as follows:

	Unaudited 30 June 2023 HK\$	Audited 31 December 2022 HK\$
0 – 30 days	2,708,055	2,414,515
31 – 60 days	2,056,163	2,482,576
61 – 90 days	1,746,927	1,312,873
Over 90 days	7,532,396	9,637,833
	<u>14,043,541</u>	<u>15,847,797</u>

16. SHARE CAPITAL

	Unaudited 30 June 2023 HK\$	Audited 31 December 2022 <i>HK\$</i>
Authorized:		
1,500,000,000 ordinary shares of HK\$0.20 each	<u>300,000,000</u>	<u>300,000,000</u>
Issued and fully paid:		
525,347,500 (31 December 2022: 525,347,500) ordinary shares of HK\$0.20 each	<u>105,069,500</u>	<u>105,069,500</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Operation and Financial Review

Revenue

During the Reporting Period, the Group's financial result was principally derived from the contract manufacturing and sales of smart cards.

During the Reporting Period, the Group's revenue generated from the SIM card manufacturing business amounted to approximately HK\$37.5 million, representing an increase of approximately HK\$6.1 million, or 19.4%, as compared to the corresponding period in 2022 of approximately HK\$31.4 million. The increase was mainly due to the supply of chips recovering and become relatively stable during the period, hence enabling our SZ plant to clear their smartcard order backlog.

Cost of Sales ("COS") and Gross Profit

During the Reporting Period, the cost of sales incurred for the SIM card manufacturing business amounted to approximately HK\$25.8 million, an increase of approximately HK\$1.9 million or 7.9% as compared to the corresponding period in 2022 of approximately HK\$23.9 million. The increase in COS was less than the increase in revenue year-on-year due to sales mix differences year-on-year.

Due to the above-mentioned, gross profit of the Group rose by approximately HK\$4.1 million or 54.7%, from the corresponding period in 2022 of approximately HK\$7.5 million, to approximately HK\$11.6 million.

Other Income

Other income of HK\$811,412 consisted of PRC government subsidies of HK\$639,080, bank interest income of HK\$3,297 and sundry income of HK\$169,035 (six months ended 30 June 2022: HK\$320,005, comprised of government subsidy of HK\$306,298, bank interest income of HK\$2,481 and sundry income of HK\$11,226).

Other losses, net

During the Reporting Period, other losses (net) amounted to approximately HK\$1.12 million which was attributable to the exchange differences arising from translating the carrying balance of investment in TV programme at the balance sheet date, but partly offset by the exchange gains arising from foreign currency-based transactions (six months ended 30 June 2022: HK\$1.15 million).

Selling and Distribution Costs

During the Reporting Period, selling and distribution costs amounted to approximately HK\$1.10 million, representing a decrease of approximately HK\$0.19 million, or 14.7%, as compared to the corresponding period in 2022 of approximately HK\$1.29 million. The decrease was mainly due to the decrease in freight rates.

Administrative Expenses

Administrative expenses recorded a slight decline of approximately HK\$0.45 million, or 4.1% during the Reporting Period, from approximately HK\$10.95 million for the corresponding period in 2022, to approximately HK\$10.50 million.

Change in Fair Value of Investment in TV programmes

During the Reporting Period, a fair value gain on investment in TV programmes of approximately HK\$1.62 million was recognised (six months ended 30 June 2022: approximately HK\$235,000).

According to Mr. Zhang Jian, the director of TV programme, more time is needed to conclude sales contracts which will delay the estimated timetable of revenue inflow by about four months. The fair value gain was mainly attributable to the changes in discount rate (due to changes in market parameters that determine the applicable discount rate).

Finance Costs

During the Reporting Period, the Group's finance costs comprised of interest charges on lease liabilities and amounted to approximately HK\$0.10 million (six months ended 30 June 2022: approximately HK\$0.16 million).

Income Tax Expense

There was no income tax expense incurred during the Reporting Period (six months ended 30 June 2022: nil).

Non-controlling Interest

During the Reporting Period, a loss of HK\$1,025 attributable to the non-controlling interests was recognized (six months ended 30 June 2022: HK\$125).

As a result of the foregoing, profit attributable to owners of the Company for the Reporting Period amounted to approximately HK\$1.26 million (six months ended 30 June 2022: loss of approximately HK\$5.46 million).

LIQUIDITY AND FINANCIAL RESOURCES/CAPITAL STRUCTURE

During the period under review, the Group financed its business operations and investments with cash, revenue generated from operating activities and other borrowings. As at 30 June 2023, the Group had cash and bank balances of approximately HK\$2.8 million (31 December 2022: approximately HK\$6.2 million) and other borrowings of HK\$0.4 million (31 December 2022: HK\$1.3 million).

As at 30 June 2023, the Group had current assets of approximately HK\$25.8 million (31 December 2022: approximately HK\$23.9 million) and current liabilities of approximately HK\$26.8 million (31 December 2022: approximately HK\$27.7 million). The current ratio, expressed as current assets over current liabilities, was 1.0 (31 December 2022: 0.9).

EMPLOYEE INFORMATION

As at 30 June 2023, the Group's employed a total of 154 employees (31 December 2022: 139 employees), of which 13 were located in Hong Kong and the rest were located in the PRC and Taiwan. Employee cost, including Directors' remuneration, was approximately HK\$12.5 million (six months ended 30 June 2022: approximately HK\$11.8 million) for the period under review. The Group remunerates its employees based on their performance, experience and the prevailing industry practice. In addition to basic salaries and participation in mandatory provident fund scheme, staff benefits include medical scheme and share options.

SIGNIFICANT INVESTMENTS

Save as disclosed under section headed "Operation and Financial Review" and "Notes to the Unaudited Condensed Consolidated Financial Statements" above, there were no other significant investments for the six months ended 30 June 2023.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group made no material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2023.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed under section headed “Operation and Financial Review” and “Notes to the Unaudited Condensed Consolidated Financial Statements” above, there were no future plans for material investments or capital assets as at 30 June 2023.

CHARGE ON GROUP ASSETS

At 30 June 2023, there is no charge on assets of Group (31 December 2022: nil).

GEARING RATIO

The gearing ratio of the Group, expressed as a percentage of total borrowings including lease liabilities to total assets of the Group, was 6.9% as at 30 June 2023 (31 December 2022: 9.9%).

CAPITAL COMMITMENTS

As at 30 June 2023, capital commitment of the Group for acquisition of property, plant and equipment amounted to approximately HK\$54,054 (31 December 2022: HK\$74,143).

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any significant contingent liabilities.

EVENTS AFTER THE REPORTING PERIOD

There are no significant events after the Reporting Period of the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group’s exposures to currency risk arise from its overseas sales and purchases and investment in TV programmes, which are primarily denominated in United States Dollars (“USD”) and Renminbi (“RMB”). These are not the functional currencies of the Group entities to which these transactions relate.

To mitigate the Group’s exposure to foreign currency risk, cash flows in foreign currencies are monitored in accordance with the Group’s risk management policies. Generally, the Group’s risk management procedures distinguish short term foreign currency cash flows (due within 6 months) from longer term cash flows. Where the amounts to be paid and received in a specific currency are expected to largely offset one another, no further hedging activity is undertaken. The policy to manage foreign currency risk has been followed by the Group since prior periods and is considered to be effective.

DIRECTORS' INTERESTS AND CHIEF EXECUTIVES' INTERESTS IN SHARE CAPITAL AND OPTIONS

As at 30 June 2023, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which would have to be notified to the Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or which would be required pursuant to section 352 of the SFO or to be entered in the register as referred to therein, or otherwise required to be notified to the Company and the Stock Exchange pursuant to Model Code, were as follows:

Name of Directors	Nature of interest	Long/short position	Number of shares of the Company	Number of underlying shares of the Company	Approximate percentage of interest in the Company's issued share capital
<i>Executive Directors</i>					
Ms. Lily Wu (<i>Note 1</i>)	Beneficial owner	Long	100,000	4,500,000	0.88
Mr. Chang Wei Wen (<i>Note 1</i>)	Beneficial owner	Long	525,000	4,500,000	0.96
Mr. Yang Meng Hsiu (<i>Note 1</i>)	Beneficial owner	Long	4,300,000	4,500,000	1.68
<i>Independent non-executive Directors</i>					
Mr. Chan Siu Wing, Raymond (<i>Note 2</i>)	Beneficial owner	Long	–	450,000	0.09
Ms. Wong Ka Wai, Jeanne (<i>Note 2</i>)	Beneficial owner	Long	–	450,000	0.09

Notes:

1. These include 4,500,000 share options conferring rights to subscribe for 4,500,000 shares.
2. These include 450,000 share options conferring rights to subscribe for 450,000 shares.

Save as disclosed above, as at 30 June 2023, none of the Directors nor chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which was required to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which was required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2023, as far as is known to the Directors, the persons (other than Directors or chief executive of the Company) or corporations who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO were as follows:

Name of shareholders	Type of interests	Long/short position	Number of shares of the Company	Approximate percentage of interests
Golden Dice Co., Ltd. <i>(Note 1)</i>	Beneficial	Long	63,142,512	12.02
Best Heaven Limited <i>(Note 1)</i>	Beneficial	Long	31,586,500	6.01
Mr. Tsai Chi Yuan <i>(Note 1)</i>	Interests in controlled company	Long	94,729,012	18.03

Note:

1. Mr. Tsai Chi Yuan is deemed to be a substantial shareholder of the Company by virtue of his 100% beneficial interest in Golden Dice Co., Ltd. and Best Heaven Limited.

Save as disclosed above, as at 30 June 2023, the Directors and the chief executive of the Company were not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE OPTIONS

Pursuant to the resolution passed by the shareholders of the Company at the extraordinary general meeting of the Company dated 8 January 2008, a share option scheme (the “Share Option Scheme”) was approved and adopted. The share options are fully vested at the date of grant. Summary of the share options outstanding during the six months ended 30 June 2023 are as follows:

Name of participants	At 1 January 2023	Lapsed during the period	At 30 June 2023	Date of grant	Exercisable period	Exercise price HK\$
<i>Executive Directors</i>						
Ms. Lily Wu (Note 1)	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Mr. Chang Wei Wen (Note 1)	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Mr. Yang Meng Hsiu (Note 1)	4,500,000	–	4,500,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
<i>Independent non-executive Directors</i>						
Mr. Chan Siu Wing, Raymond (Note 1)	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
Mr. Leung Ka Kui, Johnny (Note 2)	450,000	(450,000)	–	3 January 2018	3 January 2018 to 2 January 2028	0.20
Ms. Wong Ka Wai, Jeanne (Note 1)	450,000	–	450,000	3 January 2018	3 January 2018 to 2 January 2028	0.20
	14,850,000	(450,000)	14,400,000			
<i>Other employees</i>						
In aggregate (Note 1)	22,779,250	–	22,779,250	3 January 2018	3 January 2018 to 2 January 2028	0.20
	37,629,250	(450,000)	37,179,250			

Notes:

- As at 30 June 2023, the remaining life was about 4.51 years.
- Mr. Leung Ka Kui, Johnny resigned as independent non-executive Director with effect from 15 December 2022. His share options were lapsed on 14 March 2023, being three months following the date of his resignation, according to the Share Option Scheme.

AUDIT COMMITTEE

The audit committee currently comprises three independent non-executive Directors and is chaired by Ms. Wong Ka Wai, Jeanne. The rest of members are Mr. Chan Siu Wing, Raymond and Mr. Yeung Man Chit, Daniel. At the discretion of the audit committee, executive Directors and/or senior management personnel, overseeing the Group's finance and internal control functions, may be invited to attend meeting. The primary role and function of the audit committee are to review the Company's financial controls, internal control and risk management systems; to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; to review the Company's financial statements, annual reports, interim reports and quarterly reports, and to provide advice and comment thereon to the Board.

The Group's unaudited results for the six months ended 30 June 2023 have been reviewed by the audit committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosure have been made.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board believes that good corporate governance practices are essential for effective management and enhancement of shareholder value and investor confidence. The Company has taken a proactive approach in strengthening corporate governance practices, increasing transparency and sustaining accountability to shareholders through effective internal controls, under the leadership of its experienced and committed Board.

The Company has applied the principles set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 15 to the GEM Listing Rules. In the opinion of the Board, the Company has complied with all the code provisions set out in the CG Code throughout the six months ended 30 June 2023 with the exception of the code provision C.2.1 which requires that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. Details relating to the foregoing deviation are summarised below.

Code provision C.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual. The division of responsibilities between the Chairman and Chief Executive Officer should be clearly established and set out in writing. Ms. Lily Wu ("Ms. Wu") serves as the Chairman of the Board since 1 April 2006 and was further appointed as the Chief Executive Officer on 23 March 2009. The reasons for not splitting the roles of chairman and chief executive officer are (i) the size of the Group is still relatively small and thus not justified in separating the roles of chairman and chief executive officer; and (ii) the Group has in place an internal control system to perform the check and balance function. Ms. Wu is primarily responsible for leadership of the Group and the Board, setting strategic direction, ensuring the effectiveness of management in execution of the strategy approved by the Board. Execution responsibilities lie with another executive Director and senior management of the Company.

The Board considers that the current structure of vesting the roles of Chairman and Chief Executive Officer in the same person will not impair the balance of power and authority between the Board and the management of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all Directors, the Directors have complied with such code of conduct and the required standard of dealings and its code of conduct regarding securities transactions by the Directors throughout the six months ended 30 June 2023.

COMPETING INTERESTS

As at 30 June 2023, none of the Directors or the management shareholders or any of their respective associates (as defined under the GEM Listing Rules) of the Company had any interest in a business that competed or might compete with the business of the Group directly or indirectly.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities during the six months ended 30 June 2023.

By order of the Board
Lily Wu
Chairman

Hong Kong, 11 August 2023