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New Century Group Hong Kong Limited
新世紀集團香港有限公司*
(Incorporated in Bermuda with limited liability)
(Stock Code: 234)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

The board of directors (the “Board”) of New Century Group Hong Kong Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 September 2022

	<i>Note</i>	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
REVENUE	5	30,034	35,581
Cost of services provided		<u>(3,273)</u>	<u>(4,021)</u>
Gross profit		26,761	31,560
Other income	5	1,937	255
Administrative and operating expenses		(30,268)	(40,572)
Foreign exchange differences, net		110	(81)
Fair value gains on investment properties, net		1,896	16,454
Deficit on revaluation of a cruise ship		(10)	(3,070)
Gain on disposal of a non-current asset held for sale		–	714
Reversal of/(provision for) impairment losses on loan and interest receivables, net		(1,182)	332
Reversal of/(provision for) impairment loss on a repossessed asset		(145)	11
Finance costs		<u>(2)</u>	<u>(4)</u>

* *For identification purpose only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)*For the six months ended 30 September 2022*

	<i>Notes</i>	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
PROFIT/(LOSS) BEFORE TAX	6	(903)	5,599
Income tax expense	7	<u>(5,842)</u>	<u>(4,726)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>(6,745)</u>	<u>873</u>
Attributable to:			
Owners of the Company		(8,625)	3,036
Non-controlling interests		<u>1,880</u>	<u>(2,163)</u>
		<u>(6,745)</u>	<u>873</u>
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY			
EQUITY HOLDERS OF THE COMPANY	8		
Basic		<u>HK(0.15) cents</u>	<u>HK0.05 cents</u>
Diluted		<u>HK(0.15) cents</u>	<u>HK0.05 cents</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	(6,745)	873
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	<u>(14,415)</u>	<u>(2,288)</u>
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Change in fair value of an equity investment designated at fair value through other comprehensive income	<u>19</u>	<u>(2,194)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(14,396)</u>	<u>(4,482)</u>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(21,141)</u>	<u>(3,609)</u>
Attributable to:		
Owners of the Company	(21,096)	(1,142)
Non-controlling interests	<u>(45)</u>	<u>(2,467)</u>
	<u>(21,141)</u>	<u>(3,609)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2022

		30 September 2022 (Unaudited) <i>HK\$'000</i>	31 March 2022 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		101,377	110,552
Right-of-use assets		112,423	114,813
Investment properties		549,100	556,308
Equity investment designated at fair value through other comprehensive income		2,059	2,040
Prepayments and other receivables	11	1,307	556
Loan receivables	10	246,753	231,469
 Total non-current assets		1,013,019	1,015,738
CURRENT ASSETS			
Trade receivables	9	4,452	8,842
Loan and interest receivables	10	532,162	505,829
Prepayments, deposits and other receivables	11	4,971	5,613
Repossessed assets		42,191	53,358
Equity investments at fair value through profit or loss		82,410	80,075
Tax recoverable		–	33
Cash and cash equivalents		413,058	401,548
 Total current assets		1,079,244	1,055,298
CURRENT LIABILITIES			
Accruals, other payables and deposits received	12	19,017	22,068
Lease liabilities		136	134
Tax payable		4,359	169
Due to the intermediate holding company		80,000	40,000
Loan advanced from a non-controlling shareholder of the Group's subsidiary		71,823	71,823
 Total current liabilities		175,335	134,194

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

30 September 2022

		30 September 2022	31 March 2022
		(Unaudited)	(Audited)
	<i>Note</i>	HK\$'000	HK\$'000
NET CURRENT ASSETS		903,909	921,104
TOTAL ASSETS LESS CURRENT LIABILITIES		1,916,928	1,936,842
NON-CURRENT LIABILITIES			
Deposits received	12	1,216	1,447
Lease liabilities		3	72
Deferred tax liabilities		19,096	17,569
Total non-current liabilities		20,315	19,088
Net assets		1,896,613	1,917,754
EQUITY			
Equity attributable to owners of the Company			
Issued capital		14,451	14,451
Reserves		1,544,157	1,565,253
Non-controlling interests		1,558,608	1,579,704
		338,005	338,050
Total equity		1,896,613	1,917,754

Notes:

1. CORPORATE INFORMATION

The interim condensed consolidated financial statements of New Century Group Hong Kong Limited (the “Company”) and its subsidiaries (hereinafter referred to as the “Group”) for the six months ended 30 September 2022 were authorised for issue in accordance with a resolution of the directors on 24 November 2022.

The Company is a limited liability company incorporated in Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

The principal activities of the Company comprise investment holding and securities trading. The principal activities of its subsidiaries comprise money lending, cruise ship charter services, property investment and securities trading.

The Company is a subsidiary of New Century Investment Pacific Limited, a company incorporated in the British Virgin Islands. New Century Investment Pacific Limited is an indirect wholly owned subsidiary of Huang Group (BVI) Limited, a company incorporated in the British Virgin Islands. In the opinion of the directors, Huang Group (BVI) Limited, which is beneficially and wholly owned by a discretionary trust, is the ultimate holding company of the Company.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements are unaudited and 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 and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The unaudited interim condensed consolidated financial statements do not include all the information and disclosures required in the annual consolidated financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 March 2022.

The unaudited interim condensed consolidated financial information is presented in Hong Kong dollars and all values are rounded to the nearest thousand (“HK\$’000”), except when otherwise stated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2022, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts - Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 April 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 April 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 April 2021, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 April 2022. The amendments did not have any impact on the financial position or performance of the Group.
- (d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:
- *HKFRS 9 Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 April 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - *HKFRS 16 Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their businesses and services and has four reportable operating segments as follows:

- (a) the money lending segment engages in the provision of mortgage loans and unsecured personal loans;
- (b) the cruise ship charter services segment engages in the provision of chartering services of a cruise ship;
- (c) the property investment segment invests in prime office space and commercial shops for their rental income potential; and
- (d) the securities trading segment engages in the trading of marketable securities for short-term investment purposes.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that bank interest income, gain on disposal of a non-current asset held for sale, corporate income as well as corporate expenses are excluded from such measurement.

Intersegment sales are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	Money lending		Cruise ship charter services		Property investment		Securities trading		Total	
	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Segment revenue										
Revenue from external customers	34,538	31,624	1,015	-	7,753	7,795	(13,272)	(3,838)	30,034	35,581
Intersegment sales	-	-	-	-	1,535	1,535	-	-	1,535	1,535
Other income	804	11	-	-	24	76	-	-	828	87
	<u>35,342</u>	<u>31,635</u>	<u>1,015</u>	<u>-</u>	<u>9,312</u>	<u>9,406</u>	<u>(13,272)</u>	<u>(3,838)</u>	<u>32,397</u>	<u>37,203</u>
<i>Reconciliation:</i>										
Elimination of intersegment sales									<u>(1,535)</u>	<u>(1,535)</u>
									<u>30,862</u>	<u>35,668</u>
Segment results	<u>28,152</u>	<u>26,341</u>	<u>(11,992)</u>	<u>(27,462)</u>	<u>7,926</u>	<u>22,529</u>	<u>(13,287)</u>	<u>(3,857)</u>	<u>10,799</u>	<u>17,551</u>
<i>Reconciliation:</i>										
Bank interest income									661	161
Gain on disposal of a non-current asset held for sale									-	714
Corporate and other unallocated income									448	7
Corporate and other unallocated expenses									<u>(12,811)</u>	<u>(12,834)</u>
Profit/(loss) before tax									<u>(903)</u>	<u>5,599</u>

5. REVENUE AND OTHER INCOME

Revenue represents interest income from mortgage loans and unsecured personal loans, charter service income, gross rental income from investment properties, fair value gains/losses on equity investments at fair value through profit or loss, net, and dividend income from equity investments at fair value through profit or loss during the period.

An analysis of revenue and other income is as follows:

	2022 (Unaudited) HK\$'000	2021 (Unaudited) HK\$'000
Revenue		
Interest income from mortgage loans and unsecured personal loans	34,538	31,624
Charter service income	1,015	–
Gross rental income from investment properties	7,753	7,795
Fair value losses on equity investments at fair value through profit or loss, net	(18,579)	(8,022)
Dividend income from equity investments at fair value through profit or loss	5,307	4,184
	30,034	35,581
Other income		
Bank interest income	661	161
Government grants (<i>Note</i>)	1,271	–
Others	5	94
	1,937	255

Note:

This consisted of government subsidies from the Government of the Hong Kong Special Administrative Region (the “Government of the HKSAR”) under the Employment Support Scheme and the Technology Voucher Programme. There were no unfulfilled conditions or contingencies attaching to these government grants that had been recognised by the Group.

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>
Cost of services provided*	3,273	4,021
Depreciation of property, plant and equipment*	3,921	5,373
Depreciation of right-of-use assets	2,389	2,416
Employee benefit expense (including directors' remuneration)	9,114	8,785
Provision for/(reversal of) impairment losses on loan and interest receivables, net	1,182	(332)
Provision for/(reversal of) impairment loss on a repossessed asset	145	(11)
Special subsidies to the charterer of cruise ships	9,814	20,248
	<u>9,814</u>	<u>20,248</u>

* Included in depreciation above were amounts for depreciation of a cruise ship of HK\$3,273,000 (2021: HK\$4,021,000) charged to cost of services provided.

7. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 (2021: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2021: 8.25%) and the remaining assessable profits are taxed at 16.5% (2021: 16.5%). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>
Current – Hong Kong		
Charge for the period	4,245	4,000
Current – Elsewhere		
Charge for the period	70	–
Deferred	1,527	726
	<u>1,527</u>	<u>726</u>
Total tax charge for the period	<u>5,842</u>	<u>4,726</u>

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

The calculation of the basic earnings/(loss) per share amounts is based on the profit/(loss) for the period attributable to ordinary equity holders of the Company, and the number of ordinary shares of 5,780,368,705 (2021: 5,780,368,705) in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 September 2022 and 2021 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

The calculation of the basic and diluted earnings/(loss) per share is based on:

	2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company, used in the basic and diluted earnings/(loss) per share calculation	<u><u>(8,625)</u></u>	<u><u>3,036</u></u>
	2022 (Unaudited)	2021 (Unaudited)
Shares		
Number of ordinary shares in issue during the period, used in the basic and diluted earnings/(loss) per share calculation	<u><u>5,780,368,705</u></u>	<u><u>5,780,368,705</u></u>

9. TRADE RECEIVABLES

The Group's billing terms with customers are mainly on credit. Invoices are normally payable within 30 days of issuance. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management. The main type of collaterals held by the Group as security is deposits received from tenants and a charterer with an aggregate value of approximately HK\$9,926,000 (31 March 2022: HK\$11,546,000). Except for trade receivables of HK\$4,097,000 (31 March 2022: HK\$8,176,000) due from security dealers which bear interest at floating rates, all trade receivables bear interest at a fixed rate on overdue amount.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date, is as follows:

	30 September	31 March
	2022	2022
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Within 1 month	4,362	8,706
1 to 2 months	45	136
2 to 3 months	45	–
	4,452	8,842

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9 which permits the use of the lifetime expected loss provision for all trade receivables. The expected credit loss rate for the Group's trade receivables is minimal for all the above bands of trade receivables.

As at 30 September 2022, the Group did not pledge any trade receivables to secure banking facilities granted (31 March 2022: HK\$121,000).

10. LOAN AND INTEREST RECEIVABLES

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Mortgage loan and interest receivables	765,904	725,087
Less: Provision for impairment losses on mortgage loan and interest receivables	<u>(753)</u>	<u>–</u>
	765,151	725,087
Unsecured personal loan and interest receivables	15,972	13,990
Less: Provision for impairment losses on unsecured personal loan and interest receivables	<u>(2,208)</u>	<u>(1,779)</u>
	13,764	12,211
Loan and interest receivables, net of provision	778,915	737,298
Less: Non-current portion	<u>(246,753)</u>	<u>(231,469)</u>
Current portion	532,162	505,829

The Group's loan and interest receivables, which arose from the money lending business of providing mortgage loans and unsecured personal loans in Hong Kong, are denominated in Hong Kong dollars.

As at 30 September 2022, except for loan and interest receivables of HK\$15,972,000 (31 March 2022: HK\$13,990,000), which are unsecured, bear interest and are repayable with fixed terms agreed with customers, all loan and interest receivables are secured by collaterals provided by customers, bear interest and are repayable with fixed terms agreed with the customers. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the loan and interest receivables mentioned above.

A maturity profile of the loan and interest receivables as at the end of each reporting period, based on the maturity date, net of provision, is as follows:

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Current	532,162	505,829
Over 1 year and within 5 years	193,239	185,149
Over 5 years	53,514	46,320
	<u>778,915</u>	<u>737,298</u>

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 September 2022 (Unaudited) HK\$'000	31 March 2022 (Audited) HK\$'000
Prepayments	1,476	1,963
Deposits and other receivables	4,802	4,206
	<u>6,278</u>	<u>6,169</u>
Less: Non-current portion	(1,307)	(556)
	<u>4,971</u>	<u>5,613</u>

Deposits and other receivables mainly represented rental deposits, building management fee deposits and professional fees paid on behalf of borrowers. Where applicable, an impairment analysis is performed at each reporting date by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 30 September 2022 and 31 March 2022, the loss allowances were assessed to be minimal.

12. ACCRUALS, OTHER PAYABLES AND DEPOSITS RECEIVED

	30 September 2022 (Unaudited) <i>HK\$'000</i>	31 March 2022 (Audited) <i>HK\$'000</i>
Accruals	1,815	1,917
Other payables and deposits received	18,418	21,598
	20,233	23,515
Portion classified as non-current liabilities	(1,216)	(1,447)
Current portion	19,017	22,068

The other payables are non-interest-bearing and are normally settled on 90-day terms.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2022 (2021: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

With uncertainties clouding the economic future of Hong Kong, the Hang Seng Index in 2022 had hit its lowest levels in over a decade and even slumped below the 15,000-mark. Along with the impacts coming from external factors including the rising interest rates, inflation and geopolitical tensions, the latest advance estimates released by the Hong Kong Government stated that Hong Kong's gross domestic product plunged 4.5% in the July-to-September period, marking its third consecutive quarter of contraction.

For the six months ended 30 September 2022 (the "Period"), the money lending segment remained the Group's core profit generator. However, amid the gloomy atmosphere, the property investment segment recorded a decline in profit and securities trading segment recorded an increase in loss. Besides, despite the gradual easing of travel restrictions during the Period, the Group's cruise ship charter services segment still has not recovered from the pandemic.

Financial Review

Revenue

The Group's revenue amounted to HK\$30,034,000 for the Period, representing a decrease of 15.6% as compared to HK\$35,581,000 last period. The decrease in revenue was mainly attributable to an increase in negative revenue from securities trading business by HK\$9,434,000 from HK\$3,838,000 last period to HK\$13,272,000 for the Period despite (i) an increase in interest income from the money lending business by 9.2% from HK\$31,624,000 last period to HK\$34,538,000 for the Period and (ii) a charter service income of HK\$1,015,000 from the cruise ship charter services business (2021: Nil).

Cost of Services Provided

Cost of services provided represented the depreciation of cruise ship "Aegean Paradise" of HK\$3,273,000 for the Period (2021: HK\$4,021,000).

Other Income

Other income of HK\$1,937,000 was recorded for the Period (2021: HK\$255,000). The increase in other income was mainly due to (i) government subsidies of HK\$911,000 from the Employment Support Scheme under Anti-epidemic Fund of the Government of the HKSAR (2021: Nil); (ii) a government subsidy of HK\$360,000 from the Technology Voucher Programme under Innovation and Technology Fund of the Government of the HKSAR (2021: Nil); and (iii) an increase in bank interest income from HK\$161,000 last period to HK\$661,000 for the Period.

Administrative and Operating Expenses

The administrative and operating expenses mainly comprised of (i) special subsidies to the charterer of cruise ships; (ii) employee benefit expense (including directors' remuneration); (iii) depreciation of property, plant and equipment (excluding cruise ship); (iv) advertising and promotion expenses; (v) auditor's remuneration; and (vi) other administrative expenses.

Administrative and operating expenses of HK\$30,268,000 were incurred by the Group for the Period, which decreased by 25.4% as compared to HK\$40,572,000 last period. The decrease in administrative and operating expenses was principally due to a decrease in special subsidies to the charterer of cruise ships by HK\$10,434,000 from HK\$20,248,000 last period to HK\$9,814,000 for the Period.

Deficit on Revaluation of a Cruise Ship

The Group recorded revaluation deficit of HK\$10,000 on the cruise ship "Aegean Paradise" for the Period (2021: HK\$3,070,000).

Fair Value Gains on Investment Properties, Net

Net fair value gains on investment properties amounted to HK\$1,896,000 for the Period (2021: HK\$16,454,000), which was the net effect of the fair value gains of HK\$7,896,000 (2021: HK\$15,054,000) on the investment properties in Singapore and the fair value losses of HK\$6,000,000 (2021: fair value gains of HK\$1,400,000) on the investment properties in Hong Kong.

Gain on Disposal of a Non-Current Asset Held for Sale

In the prior period, the cruise ship "Leisure World" was disposed at a consideration of approximately US\$3,592,000 (equivalent to approximately HK\$27,909,000) on 25 May 2021. A gain on disposal of HK\$714,000 was recorded and the Group's share of relevant aggregate revaluation surplus realised of HK\$4,730,000 included in the asset revaluation reserve was transferred to retained profits in the corresponding period of last year.

Reversal of/(Provision for) Impairment Losses on Loan and Interest Receivables, Net

The impairment losses represented the expected credit losses ("ECLs") on loan and interest receivables. The measurement of ECLs is based on probability of default, loss given default (i.e. the magnitude of the loss if there is a default), historical delinquency ratio of loan and interest receivables, collateral values, economic indicators on forward-looking information and adjusted for factors that are specific to the debtors.

The Group recognised a net provision for impairment losses amounted to HK\$1,182,000 on loan and interest receivables for the Period (2021: a net reversal of the provision of HK\$332,000).

Below is the breakdown of reversal of/(provision for) impairment losses on loan and interest receivables, net, incurred from mortgage loans and unsecured personal loans for the six months ended 30 September 2022 and 2021:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Mortgage loans	(753)	–
Unsecured personal loans	(429)	332
	(1,182)	332

Reversal of/(Provision for) Impairment Loss on a Repossessed Asset

The Group recorded a provision of HK\$145,000 for impairment loss on a repossessed asset of mortgage loan for the Period (2021: reversal of overprovision of HK\$11,000).

Profit/(Loss) for the Period

For the Period, the Group recorded a loss attributable to owners of the Company of HK\$8,625,000 while a profit attributable to owners of the Company of HK\$3,036,000 was recorded last period. The turnaround from a profit to a loss was principally due to (i) a decrease in fair value gains on investment properties by HK\$14,558,000 to HK\$1,896,000 (2021: HK\$16,454,000) and (ii) an increase in loss from the securities trading business by HK\$9,430,000 to HK\$13,287,000 (2021: HK\$3,857,000) even though there was a decrease in special subsidies paid to the charterer of cruise ships by HK\$10,434,000 to HK\$9,814,000 (2021: HK\$20,248,000).

Business Review

Money Lending

The Group focuses on the provision of mortgage loans which are secured by first legal charge against real estates located in Hong Kong, including residential, commercial and industrial properties, village houses and car parking spaces, to individuals or corporations. During the Period, the Group had granted mortgage loans to individuals or corporations with principal amounts ranging from HK\$300,000 to HK\$41,000,000 (2021: HK\$1,000,000 to HK\$21,300,000) at the interest rates ranging from 8.0% to 13.5% per annum (2021: 8.0% to 12.5% per annum) with the maturity profile from 12 to 240 months (2021: 12 to 240 months).

The Group also provides a small portion of unsecured personal loans to individuals who are mainly owners of real estate assets under the Home Ownership Scheme and the Tenant Purchase Scheme as well as private residential properties. During the Period, the Group had granted unsecured personal loans to individuals with principal amounts ranging from HK\$300,000 to HK\$1,200,000 (2021: HK\$200,000 to HK\$1,000,000) at the interest rates ranging from 18.0% to 21.0% per annum (2021: 18.0% to 23.0% per annum) with the maturity profile from 36 to 120 months (2021: 48 to 120 months).

As at 30 September 2022, the Group had loan and interest receivables of HK\$778,915,000, representing an increase of 5.6% as compared with HK\$737,298,000 as at 31 March 2022. Among of which, there were 115 mortgage loan customers (31 March 2022: 118 customers) with loan and interest receivables of HK\$765,151,000 (31 March 2022: HK\$725,087,000) and 33 unsecured personal loan customers (31 March 2022: 32 customers) with loan and interest receivables of HK\$13,764,000 (31 March 2022: HK\$12,211,000), representing 98.2% (31 March 2022: 98.3%) and 1.8% (31 March 2022: 1.7%) respectively.

In term of the Group's loan and interest receivables of HK\$778,915,000 as at 30 September 2022 (31 March 2022: HK\$737,298,000), the loan and interest receivables from the largest customer and the five largest customers accounted for 8.5% (31 March 2022: 9.0%) and 25.6% (31 March 2022: 24.1%) respectively.

The Group recorded an increase of 9.2% in interest income to HK\$34,538,000 for the Period, as compared to HK\$31,624,000 last period. The interest income from mortgage loans increased by 10.9% from HK\$29,725,000 last period to HK\$32,964,000 for the Period, whereas interest income from unsecured personal loans decreased by 17.1% from HK\$1,899,000 last period to HK\$1,574,000 for the Period. The increase in interest income from mortgage loans was primarily due to an increase in average balance of mortgage loan receivables. The decrease in interest income from unsecured personal loans was mainly due to a decrease in average balance of unsecured personal loan receivables.

At the end of the reporting period, the Group engaged an independent professional valuer to assess the provision for impairment losses on loan and interest receivables under the ECLs model of Hong Kong Financial Reporting Standard 9 *Financial Instruments*.

Due to the drop in the value of the mortgaged properties caused by the weak property market in Hong Kong and an increase in unsecured personal loans classified under stage 3 (credit-impaired), a provision for impairment losses on loan and interest receivables of HK\$1,182,000 was recognised as expense for the Period (2021: reversal of provision of HK\$332,000).

For the Period, the segment recorded an increase in profit by 6.9% to HK\$28,152,000 (2021: HK\$26,341,000).

Cruise Ship Charter Services

Nearly two years after the suspension of its cruise ship operations since 17 March 2020, the Group was thrilled that its cruise ship “Aegean Paradise” finally returned to Malaysia’s port on 22 January 2022, marking its partial recovery from the severe blow to the cruise ship industry. By the time the sailing resumed, the Malaysian Government only granted the cruise ship a trial operation with 50% of maximum capacity, which was then fully resumed to 100% from 1 May 2022 onwards. In accordance with the charter agreement of “Aegean Paradise”, the charterer is required to pay the daily charter fee to the Group only if the cruise ship is in operation and the daily number of persons onboard, including all crew members and passengers, achieves 60% of the maximum carrying capacity (i.e. 960 persons) or above. Otherwise, the Group is not entitled to the daily charter fee and is required to pay the daily special subsidy of S\$10,000 to the charterer for routine maintenance of the cruise ship.

During the Period, there were only 9 days with at least 960 persons onboard, bringing in a charter service income of HK\$1,015,000 (2021: Nil) and the Group paid special subsidies of HK\$9,814,000 (2021: HK\$20,248,000).

In view of the above-mentioned factors, the cruise ship charter services segment recorded a significant decrease in loss by 56.3% from HK\$27,462,000 last period to HK\$11,992,000 for the Period.

Property Investment

Ever since the pandemic outbreak, the commercial property slump has been a global phenomenon, and especially in Hong Kong, with its strict COVID-19 policy cutting the city off from other major financial hubs and even mainland China. The Group was unavoidably affected and recorded fair value losses of its Hong Kong investment properties. However, benefited from its diversified property investment portfolio, the Group enjoyed an increase in the fair value of its Singapore properties. In addition, thanks to the timely rent adjustments to retain its tenants, the Group continued to achieve a pretty high average occupancy rate, leading the segment revenue to remain stable during the Period.

During the Period, the Group’s segment revenue from property investment stood at HK\$7,753,000 (2021: HK\$7,795,000), which comprised of HK\$6,668,000 (2021: HK\$6,914,000) from investment properties in Hong Kong and HK\$1,085,000 (2021: HK\$881,000) from investment properties in Singapore.

The decrease in rental income from Hong Kong investment properties was mainly due to (i) lower rental rates offered to subsequent new individual tenants after the expiry of the tenancy agreement in June 2022 with the single largest tenant of numerous shop units at Kwai Chung Plaza, Kwai Chung and (ii) a decrease in rental rate under the renewed tenancy agreement of an office unit at Katherine House, Tsim Sha Tsui effective from April 2022 even though the shorter period of temporary rental reduction was granted to the tenant of a shop unit at Chi Fu Building, Mongkok, as compared to last period.

The increase in rental income from Singapore investment properties was mainly due to increase in rental rate charged to the same tenant of certain conservation shophouses upon its expiry of tenancy agreement in March 2022.

At the end of each of the reporting date, investment properties were revalued at fair value. Net fair value gains of HK\$1,896,000 (2021: HK\$16,454,000) on investment properties were recorded for the Period. The investment properties in Hong Kong recorded fair value losses of HK\$6,000,000 for the Period (2021: fair value gains of HK\$1,400,000) while fair value gains of HK\$7,896,000 (2021: HK\$15,054,000) were recorded for the investment properties in Singapore for the Period.

The segment recorded a significant decrease in profit by 64.8% from HK\$22,529,000 last period to HK\$7,926,000 for the Period.

For the Period, the Group's investment properties achieved an average occupancy rate of 99.0% (31 March 2022: 98.8%) with an average annual rental yield of 2.8% (31 March 2022: 3.0%).

Securities Trading

The Group's portfolio of securities consisted of the blue chips in the Hong Kong stock market.

Securities trading segment recorded an increase in loss by HK\$9,430,000 from HK\$3,857,000 last period to HK\$13,287,000 for the Period. The loss was mainly attributable to the fair value losses of HK\$18,579,000 (2021: HK\$8,022,000) on equity investments at fair value through profit or loss, netting off the dividend income of HK\$5,307,000 (2021: HK\$4,184,000) from equity investments at fair value through profit or loss.

As at 30 September 2022, the Group's equity investments at fair value through profit or loss amounted to HK\$82,410,000 (31 March 2022: HK\$80,075,000). There was no individual equity investment held by the Group with market value more than 5% of the net assets value of the Group. The details of the Group's equity investments as at 30 September 2022 were as below:

Name of stock listed on the stock exchange of Hong Kong (Stock Code)	Number of shares held	Percentage of shareholding held	Investment cost <i>HK\$'000</i>	Market value <i>HK\$'000</i>	Percentage to net assets value of the Group
CK Hutchison Holdings Limited (0001)	150,000	0.0039	8,219	6,510	0.34
Power Assets Holdings Limited (0006)	60,000	0.0028	2,659	2,364	0.13
China Construction Bank Corporation (0939)	4,600,000	0.0019	25,082	20,838	1.10
China Mobile Limited (0941)	340,000	0.0017	16,962	16,932	0.89
CK Infrastructure Holdings Limited (1038)	100,000	0.0040	4,725	4,005	0.21
CK Asset Holdings Limited (1113)	130,000	0.0036	6,663	6,130	0.32
Ping An Insurance (Group) Company of China, Ltd. (2318)	240,000	0.0032	12,243	9,408	0.50
Tracker Fund of Hong Kong (2800)	160,000	0.0027	3,257	2,859	0.15
Bank of China Limited (3988)	5,200,000	0.0062	14,672	13,364	0.71
			94,482	82,410	4.35
Total for equity investments at fair value through profit or loss					

Contingent Liabilities

As at 30 September 2022, the Company had outstanding guarantees of HK\$70,000,000 (31 March 2022: HK\$130,000,000) given to banks to secure general credit facility for certain subsidiaries. No credit facility was utilised by subsidiaries from such guarantees at the end of the reporting period (31 March 2022: Nil).

Pledge of Assets

As at 30 September 2022, the Group's self-occupied office units and a car park at Shun Tak Centre with an aggregate net book value of HK\$115,727,000 (31 March 2022: HK\$118,075,000) and equity investments with fair value of HK\$82,410,000 (31 March 2022: HK\$80,075,000) were pledged to banks and securities dealers for loan facilities worth HK\$128,724,000 (31 March 2022: HK\$171,610,000) granted to the Group. As at 30 September 2022, the Group did not use any loan facility (31 March 2022: Nil).

Liquidity and Financial Resources

The Group maintained a sound financial condition. As at 30 September 2022, the Group had net current assets of HK\$903,909,000 (31 March 2022: HK\$921,104,000) and equity attributable to owners of the Company worth HK\$1,558,608,000 (31 March 2022: HK\$1,579,704,000).

As at 30 September 2022, the cash and cash equivalents of the Group were HK\$413,058,000 (31 March 2022: HK\$401,548,000), which were held predominately in Hong Kong dollar, Singapore dollar and United States dollar.

A loan advanced from a non-controlling shareholder of the Group's subsidiary as at 30 September 2022 was approximately HK\$71,823,000 (31 March 2022: approximately HK\$71,823,000). The loan was denominated in United States dollar, which was unsecured, interest-free and repayable on demand.

As at 30 September 2022, the Group had an amount due to an intermediate holding company of HK\$80,000,000 (31 March 2022: HK\$40,000,000) which was unsecured, interest-free and repayable on demand.

Stringent cost control measures have already been in place to monitor the day-to-day operational and administrative expenses. The management will continue to closely review the Group's financial resources in a cautious manner and explore opportunities in potential financial institutions financing and equity funding. Taking into consideration the Group's current financial resources, the directors of the Company (the "Directors") believe that the Group will have adequate fund for its continual operation and development.

Gearing Ratio

The Group's gearing ratio, calculated as total indebtedness divided by equity attributable to owners of the Company, was 9.7% as at 30 September 2022 (31 March 2022: 7.1%). Total indebtedness represents a loan advanced from a non-controlling shareholder of the Group's subsidiary, amount due to an intermediate holding company and lease liabilities.

Principal Risks and Uncertainties

Equity Price Risk

The Group is exposed to equity price risk through its investments in securities, which are listed on the stock exchange of Hong Kong and are valued at quoted market prices at the end of the reporting period. The management manages this exposure by monitoring the price movements and the changes in market conditions that may affect the value of the securities and will consider taking appropriate actions to minimise the risk.

Foreign Currency Risk

Most of the Group's revenue and costs were denominated in Hong Kong dollar and Singapore dollar. The Group's cash and cash equivalents were held predominately in Hong Kong dollar, Singapore dollar and United States dollar. A loan advanced from a non-controlling shareholder of the Group's subsidiary was denominated in United States dollar. The Group currently does not have a foreign currency hedging policy. However, the management closely monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should that need arise.

Credit Risk

The Group mainly focuses on entering into loan and/or lease transactions with high quality customers and obtaining sufficient collaterals and/or deposits as a means of mitigating the risk of financial loss from defaults. Before entering into the transactions, the Group will conduct due diligence, including but not limited to the identity checking, credit report and legal search on the customers, together with land search and latest valuation on the mortgaged properties (if applicable).

The Group has loan committees of different levels comprising Directors and senior management to approve and grant different loan products with various loan-to-value ratios and loan amount requirements. The Group continues to monitor the property market and the collateral value of the underlying mortgage loan portfolio on an ongoing basis and will take appropriate risk response. Through the audit committee of the Company, the Group has conducted a review on the internal control system and identified no significant areas of concern which could affect the operation of the money lending business.

The Group will consider taking legal actions, when necessary, as a means to recover the debts in default. In addition, the Group reviews the recovery of each individual debt, including but not limited to rental receivables, mortgage loan and interest receivables and unsecured personal loan and interest receivables at the end of each reporting period to ensure that adequate impairment losses are provided for irrecoverable amounts. In the opinion of the Directors, the Group's internal control system was effective and adequate.

Significant Investments Held, Material Acquisitions and Disposals

The Group did not have any significant investments held, material acquisitions and disposals during the Period.

Share Option Scheme

A share option scheme was approved and adopted by the shareholders of the Company at the annual general meeting of the Company held on 4 September 2012 (the "Share Option Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Participants are any directors (including executive Directors, non-executive Directors and independent non-executive Directors) of the Company and employees of the Group and any advisors (professional or otherwise), consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters, service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

The Share Option Scheme expired on 3 September 2022. No further share options shall thereafter be offered under the Share Option Scheme but the share options which had been granted is still valid, unless otherwise lapse or expiry of the share options.

During the Period, 16,000,000 share options had lapsed under the Share Option Scheme. An aggregate amount of HK\$776,000 was transferred from the share option reserve to retained profits upon lapse of the share options.

As at 30 September 2022, the Company had 116,800,000 outstanding share options under the Share Option Scheme. Should they be fully exercised, the Company will receive additional share capital of HK\$292,000 and share premium of HK\$22,688,000 (before issue expenses). The total of 116,800,000 share options outstanding under the Share Option Scheme, representing approximately 2.0% of the total issued shares of the Company as at 30 September 2022.

Employees and Remuneration

As at 30 September 2022, the Group had a total of 30 staff (31 March 2022: 31 staff), including executive Directors but excluding independent non-executive Directors. The employee benefit expense (including Directors' emoluments) was HK\$9,114,000 for the Period (2021: HK\$8,785,000). Remuneration packages for employees and Directors are periodically reviewed according to market conditions as well as individual's and the Group's performance. Benefits plans maintained by the Group include salary increment, mandatory provident fund scheme, medical insurance, share option scheme and discretionary bonuses.

Event After the Reporting Period

Mr. Yu Wai Man, a former executive Director who resigned from the Company on 1 July 2022, rejoined the Company on 1 November 2022 and was appointed as an executive Director and chief operating officer of ETC Finance Limited, an indirect non-wholly owned subsidiary of the Company. For details, please refer to the Company's announcement dated 1 November 2022.

Prospects

Given the current state of the Hong Kong economy and the highly likely global recession to come, it is expected that all businesses will still be under immense pressure in the next couple of years. Therefore, the Group will continue to tread forward cautiously by managing its business strategies in the money lending business as well as property investment and securities trading wisely.

With the gradual reopening of the borders and the pandemic starting to stabilise, the Group will try its best to identify and seize new investment opportunities in such a challenging environment, delivering durable returns for its shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2022, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all directors of the Company, all of them confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 September 2022.

REVIEW OF INTERIM RESULTS

The unaudited interim results for the six months ended 30 September 2022 have been reviewed by the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The Board, through the audit committee, has also conducted a review of the internal control and the interim report for the six months ended 30 September 2022.

On behalf of the Board
Ng Wee Keat
Chairman

Hong Kong, 24 November 2022

As at the date of this announcement, the Board comprises Mr. Ng Wee Keat (Chairman), Ms. Sio Ion Kuan (Deputy Chairman), Ms. Ng Siew Lang, Linda (Chief Operating Officer), Ms. Lilian Ng, Ms. Chen Ka Chee and Mr. Yu Wai Man as executive directors and Mr. Cheung Chun Kwok, Mr. Kwan Kai Kin, Kenneth and Mr. Ho Yau Ming as independent non-executive directors.