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MOG DIGITECH HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1942)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the “**Board**”) of directors (the “**Director(s)**”) of MOG Digitech Holdings 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 June 2023 together with the comparative figures for the six months ended 30 September 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	<i>Notes</i>	Six months ended 30 June 2023 RMB’000 (unaudited)	Six months ended 30 September 2022 RMB’000 (unaudited)
Revenue	4	876,323	316,197
Cost of sales		<u>(619,925)</u>	<u>(229,791)</u>
Gross profit		256,398	86,406
Other income and other gains, net	5	3,879	4,179
Selling and distribution costs		(165,142)	(49,020)
Administrative expenses		(20,444)	(97,397)
Provision for impairment loss on loan, trade and other receivables		(8,923)	–
Finance costs	6	(2,244)	(480)
Share results of associates	12	<u>765</u>	<u>–</u>
Profit/(Loss) before tax	6	64,289	(56,312)
Income tax expense	7	<u>(4,374)</u>	<u>(7,320)</u>
Profit/(Loss) for the period		<u>59,915</u>	<u>(63,632)</u>

	Six months ended 30 June 2023	Six months ended 30 September 2022
<i>Note</i>	RMB'000 (unaudited)	RMB'000 (unaudited)
Other comprehensive income		
<i>Item that will not be reclassified to profit or loss:</i>		
Exchange differences on translation of the Company's financial statements to presentation currency	<u>18,714</u>	<u>17,142</u>
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on consolidation	<u>(15,759)</u>	<u>(2,328)</u>
Other comprehensive income for the period	<u>2,955</u>	<u>14,814</u>
Total comprehensive income/(expense) for the period	<u>62,870</u>	<u>(48,818)</u>
Profit/(Loss) for the period attributable to:		
Owners of the Company	<u>40,899</u>	<u>(67,204)</u>
Non-controlling interests	<u>19,016</u>	<u>3,572</u>
	<u>59,915</u>	<u>(63,632)</u>
Total comprehensive income/(expense) attributable to:		
Owners of the Company	<u>46,021</u>	<u>(52,536)</u>
Non-controlling interests	<u>16,849</u>	<u>3,718</u>
	<u>62,870</u>	<u>(48,818)</u>
Earnings/(Loss) per share attributable to owners of the Company		
Basic and diluted (RMB)	8	
	<u>0.06</u>	<u>(0.13)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

		At 30 June 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
Non-current assets			
Investment properties		1,850	1,904
Right-of-use assets	10	25,242	26,515
Plant and equipment	11	15,089	13,018
Investments in associates	12	107,345	93
Intangible assets		68,590	71,117
Goodwill		172,117	172,117
Loan receivables	13	41,973	–
Other receivables	14	52,532	47,464
Deferred tax assets		1,233	1,247
		<u>485,971</u>	<u>333,475</u>
Current assets			
Inventories		41,037	38,426
Loan receivables	13	1,551	–
Trade and other receivables	14	303,356	137,149
Amount due from an associate		1,181	–
Fixed deposits with licensed banks		33,317	19,366
Bank balances and cash		37,283	68,021
Tax recoverable		–	282
		<u>417,725</u>	<u>263,244</u>
Current liabilities			
Trade and other payables	15	108,346	64,949
Interest-bearing borrowings	16	7,483	721
Lease liabilities	17	14,557	13,518
Tax payable		639	–
		<u>131,025</u>	<u>79,188</u>
Net current assets		<u>286,700</u>	<u>184,056</u>
Total assets less current liabilities		<u>772,671</u>	<u>517,531</u>

		At 30 June 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
	<i>Notes</i>		
Non-current liabilities			
Interest-bearing borrowings	<i>16</i>	43,138	–
Lease liabilities	<i>17</i>	10,722	12,949
Provisions		1,093	1,070
Deferred tax liabilities		16,840	17,779
		<u>71,793</u>	<u>31,798</u>
NET ASSETS		<u>700,878</u>	<u>485,733</u>
Capital and reserves			
Share capital	<i>18</i>	5,771	5,351
Reserves		642,811	469,301
		<u>648,582</u>	<u>474,652</u>
Equity attributable to owners of the Company		648,582	474,652
Non-controlling interests		52,296	11,081
		<u>700,878</u>	<u>485,733</u>
TOTAL EQUITY		<u>700,878</u>	<u>485,733</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company										
	Reserves								Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory Reserve	Exchange reserve	Share option reserve	Other reserve	Accumulated profits			
RMB'000 (Note 18)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 April 2022 (audited) (restated)	4,474	94,599	(10,923)	64	(16,626)	–	209	116,288	188,085	9,245	197,330
(Loss)/profit for the period	–	–	–	–	–	–	–	(67,204)	(67,204)	3,572	(63,632)
Other comprehensive loss											
<i>Item that will not be reclassified to profit or loss:</i>											
Exchange differences on translation of the Company's financial statements to presentation currency	–	–	–	–	17,142	–	–	–	17,142	–	17,142
<i>Item that may be reclassified subsequently to profit or loss:</i>											
Exchange differences on consolidation	–	–	–	–	(2,474)	–	–	–	(2,474)	146	(2,328)
Other comprehensive loss for the period	–	–	–	–	14,668	–	–	–	14,668	146	14,814
Total comprehensive (loss)/income for the period	–	–	–	–	14,668	–	–	(67,204)	(52,536)	3,718	(48,818)
Transactions with owners:											
<i>Contributions and distributions</i>											
Issued shares for acquisition of subsidiaries	877	256,981	–	–	–	–	–	–	257,858	–	257,858
Share-based payment	–	–	–	–	–	41,897	–	–	41,897	–	41,897
Dividend	–	–	–	–	–	–	–	–	–	(3,386)	(3,386)
Changes in ownership interests	–	–	–	–	–	–	–	–	–	–	–
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	790	790
Total transactions with owners	877	256,981	–	–	–	41,897	–	–	299,755	(2,596)	297,159
At 30 September 2022 (unaudited)	5,351	351,580	(10,923)	64	(1,958)	41,897	209	49,084	435,304	10,367	445,671

Attributable to owners of the Company

	Reserves								Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory Reserve	Exchange reserve	Share option reserve	Other reserve	Accumulated profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023 (audited)	5,351	351,580	(10,923)	64	(1,958)	41,897	209	88,432	474,652	11,081	485,733
Profit for the period	-	-	-	-	-	-	-	40,899	40,899	19,016	59,915
Other comprehensive loss											
<i>Item that will not be reclassified to profit or loss:</i>											
Exchange differences on translation of the Company's financial statements to presentation currency	-	-	-	-	18,714	-	-	-	18,714	-	18,714
<i>Item that may be reclassified subsequently to profit or loss:</i>											
Exchange differences on consolidation	-	-	-	-	(13,592)	-	-	-	(13,592)	(2,167)	(15,759)
Other comprehensive loss for the period	-	-	-	-	5,122	-	-	-	5,122	(2,167)	2,955
Total comprehensive (loss)/income for the period	-	-	-	-	5,122	-	-	40,899	46,021	16,849	62,870
Transactions with owners:											
<i>Contributions and distributions</i>											
Newly incorporated non-controlling interests	-	-	-	-	-	-	-	-	-	100	100
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	-	25,500	25,500
Dividend	-	-	-	-	-	-	-	-	-	(1,004)	(1,004)
Disposal of non-controlling interests	-	-	-	-	-	-	-	-	-	(230)	(230)
Shares issued under exercising of share options	420	169,386	-	-	-	(41,897)	-	-	127,909	-	127,909
Total transactions with owners	420	169,386	-	-	-	(41,897)	-	-	127,909	24,366	152,275
At 30 June 2023 (unaudited)	5,771	520,966	(10,923)	64	3,164	-	209	129,331	648,582	52,296	700,878

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June 2023 <i>RMB'000</i> (unaudited)	Six months ended 30 September 2022 <i>RMB'000</i> (unaudited)
OPERATING ACTIVITIES		
Profit/(loss) before tax	64,289	(56,312)
Adjustments for:		
Bank interest income	(348)	(1,703)
Depreciation of plant and equipment	1,713	2,211
Depreciation of investment properties	49	32
Depreciation of right-of-use assets	7,936	9,159
Amortisation of intangible assets	3,882	–
Gain on termination of lease	(2)	–
Provision of impairment loss on trade receivables	1,849	–
Provision of impairment loss on other receivables	5,909	–
Provision of impairment loss on loan receivables	1,165	–
Finance costs	2,244	480
Gain on disposal of plant and equipment, net	(30)	(123)
Gain on disposal of subsidiaries	–	(392)
Reversal of write down of inventories	(118)	(1,883)
Write-off of plant and equipment	6	51
Income on COVID-19-related rent concessions	–	(419)
Provision of legal claim	–	35,000
Share-based payment expense	–	41,897
Share results of associates	(765)	–
Operating cash inflows before movements in working capital	87,779	27,998
Changes in working capital:		
Inventories	(2,493)	967
Trade and other receivables	(155,730)	156,250
Amount due from an associate	(1,181)	–
Trade and other payables	43,396	(180,451)
Provisions	(2)	64
Cash (used in)/generated from operations	(28,231)	4,828
Income tax paid	(4,375)	(4,660)
Net cash (used in)/from operating activities	(32,606)	168

	Six months ended 30 June 2023 RMB'000 (unaudited)	Six months ended 30 September 2022 RMB'000 (unaudited)
INVESTING ACTIVITIES		
Interest received	348	1,703
(Increase)/decrease in fixed deposits with licensed banks	(13,951)	28,437
Purchase of plant and equipment	(3,891)	(3,083)
Purchase of intangible assets	(1,230)	–
Addition of right-of-use assets	(139)	–
Proceeds from loan receivable	(43,524)	–
Acquisition of a subsidiary, net of cash acquired	907	–
Acquisition of investment in associates	(106,489)	–
Proceeds from disposal of plant and equipment	44	383
	<u>(167,925)</u>	<u>27,440</u>
FINANCING ACTIVITIES		
Proceeds from interest-bearing borrowings	50,621	–
Repayment of interest-bearing borrowings	(721)	–
Repayment of lease liabilities	(8,242)	(8,995)
Dividend paid to non-controlling interests	(1,004)	(3,386)
Interest paid	(1,760)	(43)
Net decrease of non-controlling interests without change of control	(130)	–
Share issued after exercising of share option	127,909	–
	<u>166,673</u>	<u>(12,424)</u>
Net cash generated from/(used in) financing activities	166,673	(12,424)
Net (decrease)/increase in cash and cash equivalents	(33,858)	15,184
Cash and cash equivalents at the beginning of the reporting period	68,021	77,211
Effect on exchange rate changes	3,120	13,004
	<u>37,283</u>	<u>105,399</u>
Cash and cash equivalents at the end of the reporting period, represented by bank balances and cash	37,283	105,399

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. CORPORATE INFORMATION

MOG Digitech Holdings Limited (the “**Company**”, together with its subsidiaries are collectively referred to as the “**Group**”) was incorporated as an exempted company with limited liability in the Cayman Islands on 4 June 2019. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 April 2020 (the “**Listing**”). The registered office of the Company is situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Group’s headquarter is situated at Room 201, 2nd Floor, Tower 2, Hengye Plaza, No. 1666 Ziyu Road, Chaoyang New City, Xihu District, Nanchang City, Jiangxi Province. The Company’s principal place of business in Hong Kong is situated at Room 1910, 19th Floor, C C Wu Building, 302 – 308 Hennessy Road, Wan Chai, Hong Kong.

The Company is an investment holding company and its subsidiaries are principally engaged in digital payment solutions related business in the People’s Republic of China (the “**PRC**”), sales of optical products, and franchise and license management in Malaysia.

The unaudited condensed consolidated financial information are presented in Renminbi (“**RMB**”) and all amounts have been rounded to the nearest thousand (“**RMB’000**”), unless otherwise indicated.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2023 (the “**Interim Financial Statements**”) has been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “*Interim Financial Reporting*” issued by International Accounting Standard Board (the “**IASB**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The preparation of the Interim Financial Statements in conformity with IAS 34 requires the management of the Group to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a period to date basis. Actual results may differ from these estimates.

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2022, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the International Financial Reporting Standards (“**IFRSs**”) issued by the IASB, which collective term includes all applicable individual IFRSs, IASs and Interpretations issued by the IASB. They shall be read in conjunction with the audited consolidated financial statements of the Group for the nine months ended 31 December 2022 (the “**2022 Financial Statements**”).

In preparing the Interim Financial Statements, significant judgements made by the management of the Group in applying the Group’s accounting policies and the key sources of estimation uncertainty are the same as those that applied in the 2022 Financial Statements.

Principal accounting policies

The measurement basis used in the preparation of the Interim Financial Statements is historical cost.

The accounting policies and methods of computation used in the Interim Financial Statements are consistent with those followed in the preparation of the 2022 Financial Statements.

The adoption of the new/revised IFRSs which are relevant to the Group and effective for the current period does not have any significant impact on the Interim Financial Statements.

At the date of authorisation of the Interim Financial Statements, the IASB has issued a number of new/revised IFRSs that are not yet effective for the current period, which the Group has not early adopted. The directors of the Company do not anticipate that the adoption of the new/revised IFRSs in future periods will have any material impact on the results and financial position of the Group.

3. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being identified as the chief operating decision makers (“**CODM**”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group’s reportable and operating segments are as follows:

- (1) Digital payment solutions related business.
- (2) Sales of optical products.
- (3) Franchise and license management.

Segment revenue and results

Segment revenue represents revenue derived from digital payment solutions related business, sales of optical products and franchise and license management.

Segment results represent the profit before tax reported by each segment without allocation of other income and administrative expenses reported by corporate office, finance costs, provision for impairment loss on loan, trade and other receivables, share results of associates and income tax expense. This is the measure reported to the CODM of the Group for the purposes of resource allocation and performance assessment.

The segment information provided to the CODM of the Group for the reportable segments for the six months ended 30 June 2023 and 30 September 2022 is as follows:

For the six months ended 30 June 2023 (unaudited)

	Digital payment solutions related business RMB'000	Sales of optical products RMB'000	Franchise and license management RMB'000	Total RMB'000
Segment revenue	<u>786,389</u>	<u>87,390</u>	<u>2,544</u>	<u>876,323</u>
Segment results	<u>62,974</u>	<u>20,326</u>	<u>2,475</u>	<u>85,775</u>
Unallocated other income				1,852
Unallocated administrative expenses				(12,936)
Finance costs				(2,244)
Provision for impairment loss on loan trade, and other receivables				(8,923)
Share results of associates				<u>765</u>
Profit before tax				<u>64,289</u>
Income tax expense				<u>(4,374)</u>
Profit for the period				<u><u>59,915</u></u>

For the six months ended 30 September 2022 (unaudited)

	Digital payment solutions related business RMB'000	Sales of optical products RMB'000	Franchise and license management RMB'000	Total RMB'000
Segment revenue	<u>186,436</u>	<u>127,064</u>	<u>2,697</u>	<u>316,197</u>
Segment results	<u>(35,862)</u>	<u>36,261</u>	<u>709</u>	<u>1,108</u>
Unallocated other income				266
Unallocated administrative expenses				(57,206)
Finance costs				<u>(480)</u>
Loss before tax				(56,312)
Income tax expense				<u>(7,320)</u>
Loss for the period				<u><u>(63,632)</u></u>

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments:

At 30 June 2023 (unaudited)

	Digital payment solutions related business RMB'000	Sales of optical products RMB'000	Franchise and license management RMB'000	Unallocated RMB'000	Total RMB'000
Assets					
Reportable segment assets	<u>604,384</u>	<u>167,277</u>	<u>2,508</u>	<u>129,527</u>	<u>903,696</u>
Liabilities					
Reportable segment liabilities	<u>122,751</u>	<u>56,811</u>	<u>731</u>	<u>22,525</u>	<u>202,818</u>
Other segment information:					
Amortisation of intangible assets	3,882	-	-	-	3,882
Depreciation of plant and equipment	116	1,597	-	-	1,713
Depreciation of right-of-use assets	126	7,776	34	-	7,936
Depreciation of investment properties	-	-	-	49	49
Gain on disposal of plant and equipment	-	(30)	-	-	(30)
Write-off of plant and equipment	-	6	-	-	6
Additions to right-of-use assets	-	7,066	-	-	7,066
Additions to plant and equipment	36	3,855	-	-	3,891
Provision for impairment loss on trade receivables	1,849	-	-	-	1,849
Provision for impairment loss on other receivables	5,548	-	-	361	5,909
Provision for impairment loss on loan receivables	1,165	-	-	-	1,165
Additions to intangible assets	1,355	-	-	-	1,355
Written down inventories	-	261	-	-	261

At 31 December 2022 (audited)

	Digital payment solutions related business <i>RMB'000</i>	Sales of optical products <i>RMB'000</i>	Franchise and license management <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Assets					
Reportable segment assets	<u>418,796</u>	<u>159,423</u>	<u>2,221</u>	<u>16,279</u>	<u>596,719</u>
Liabilities					
Reportable segment liabilities	<u>20,598</u>	<u>62,433</u>	<u>1,053</u>	<u>26,902</u>	<u>110,986</u>
Other segment information:					
Amortisation of intangible assets	2,479	–	59	–	2,538
Depreciation of plant and equipment	16	3,379	–	–	3,395
Depreciation of right-of-use assets	187	13,771	68	–	14,026
Depreciation of investment properties	–	–	–	47	47
Gain on disposal of plant and equipment	–	(402)	–	–	(402)
Provision for impairment loss on trade receivables	5,465	–	–	–	5,465
Write down of inventories	–	226	–	–	226
Write-off of plant and equipment	–	70	–	–	70
Additions to right-of-use assets	–	21,061	–	–	21,061
Additions to plant and equipment	1,108	7,360	5	–	8,473
Additions to intangible assets	<u>–</u>	<u>–</u>	<u>304</u>	<u>–</u>	<u>304</u>

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

- segment assets include investment properties, right-of-use assets, plant and equipment, goodwill, investments in associates, intangible assets, deferred tax assets, inventories, loan receivables, trade and other receivables, amount due from associates, fixed deposits with licensed banks, and bank balances and cash. Other assets are not allocated to operating segments as these assets are managed on a corporate basis; and
- segment liabilities include trade and other payables, interest-bearing borrowings, lease liabilities, tax payable and provisions. Other liabilities are not allocated to operating segments as these liabilities are managed on a corporate basis.

Geographical information

The Group's revenue is derived from its operations in the PRC and Malaysia. Information about the Group's revenue from external customers is presented based on the location of the customers. Information about the Group's non-current assets is presented based on physical location of the assets, in the case of plant and equipment, right-of-use assets, goodwill and investment properties, and the location of the operation to which they are allocated, in the case of intangible assets, goodwill and investments in associates and excluded other receivables and deferred tax assets.

(a) Information about the Group's revenue from external customers

During the six months ended 30 June 2023, out of the Group's total revenue of approximately RMB876,323,000 (30 September 2022: RMB316,197,000), the revenue generated from the PRC and Malaysia contributed approximately RMB786,389,000 (30 September 2022: 186,436,000) and RMB89,934,000 (30 September 2022: RMB129,761,000), representing 90% (30 September 2022: 59%) and 10% (30 September 2022: 41%) of the Group's total revenue, respectively.

(b) Information about the Group's non-current assets

At 30 June 2023, out of the Group's total non-current assets of approximately RMB390,233,000 (30 September 2022: RMB182,578,000), the non-current assets located in the PRC and Malaysia contributed approximately RMB349,172,000 (30 September 2022: RMB141,518,000) and RMB41,061,000 (30 September 2022: RMB41,060,000), representing approximately 89% (30 September 2022: 78%) and 11% (30 September 2022: 22%) of the Group's total non-current assets, respectively.

Information about major customers

Details of the customers individually accounting for 10% or more of total revenue of the Group during the six months ended 30 June 2023 and 30 September 2022 are as follows:

	Six months ended 30 June 2023 RMB'000	Six months ended 30 September 2022 RMB'000
Customer A (Note a)	—	39,635

Notes:

- (a) Revenue from digital payment solutions related business.
- (b) The customer did not contribute any revenue to the Group in the six months ended 30 June 2023.

4. REVENUE

	Six months ended 30 June 2023 <i>RMB'000</i> (unaudited)	Six months ended 30 September 2022 <i>RMB'000</i> (unaudited)
Revenue from contracts with customers within IFRS 15		
Digital payment solutions related business	786,389	186,436
Sales of optical products		
– to retail customers	86,028	127,037
– to franchisees	1,362	27
Franchise and royalty fees income	2,544	2,697
	<u>876,323</u>	<u>316,197</u>
Timing of revenue recognition		
A point in time	871,727	316,179
Over time	4,596	18
	<u>876,323</u>	<u>316,197</u>
Type of transaction price		
Fixed price	874,925	316,078
Variable price	1,398	119
	<u>876,323</u>	<u>316,197</u>

The amount of revenue recognised for the six months ended 30 June 2023 that was included in the contract liabilities at the beginning of the reporting period was approximately RMB4,461,000 (*six months ended 30 September 2022: approximately RMB3,438,000*).

5. OTHER INCOME AND OTHER GAINS, NET

	Six months ended 30 June 2023 <i>RMB'000</i> (unaudited)	Six months ended 30 September 2022 <i>RMB'000</i> (unaudited)
Bank interest income	348	1,703
Management fee income	2	163
Gain on disposal of plant and equipment, net	30	123
Gain on disposal of subsidiaries	–	392
Government subsidies (<i>Note</i>)	–	14
Income on COVID-19-related rent concessions (<i>Note 17</i>)	–	419
Rental income from investment properties	125	123
Sponsorship income	443	698
Loan interest income	1,551	–
Sundry income	1,380	544
	<u>3,879</u>	<u>4,179</u>

Note: During the six months ended 30 June 2023, the Group did not recognised any government subsidies (*six months ended 30 September 2022: approximately RMB14,000*) in respect of COVID-19-related subsidies provided by local government authorities. In the opinion of the management of the Group, there were no unfulfilled conditions or contingencies relating to these subsidies.

6. PROFIT/(LOSS) BEFORE TAX

This is stated after charging/(crediting):

	Six months ended 30 June 2023 <i>RMB'000</i> (unaudited)	Six months ended 30 September 2022 <i>RMB'000</i> (unaudited)
Finance costs		
Interest on interest-bearing borrowings	1,760	43
Interest on lease liabilities	484	437
	<u>2,244</u>	<u>480</u>
Staff costs (including directors' remuneration)		
Salaries, discretionary bonus, allowances and other benefits in kind	29,238	31,560
Contributions to defined contribution plans	1,058	2,503
Share-based payment expenses	–	41,897
	<u>30,296</u>	<u>75,960</u>
Other items		
Amortisation of intangible assets	3,882	–
Auditors' remuneration	–	451
Cost of inventories	531,028	228,780
Depreciation of investment properties	49	32
Depreciation of plant and equipment	1,713	2,211
Depreciation of right-of-use assets	7,936	9,159
Exchange loss, net	178	8,580
Income on COVID-19-related rent concessions (<i>Note 17</i>)	–	(419)
Other rental and related expenses	696	2,691
Provision for legal claim (<i>Note</i>)	–	35,000
Reversal of write down of inventories (included in "Cost of sales")	(118)	(1,883)
Write-off of plant and equipment	6	51

Note:

The provision is related to a claim initiated by a customer that the Group has failed to fulfill its obligations under the sale contracts for delivery of products, detail of which have been set out on the Company's announcement dated 12 August 2022 and 7 September 2022.

7. INCOME TAX EXPENSE

	Six months ended 30 June 2023 <i>RMB'000</i> (unaudited)	Six months ended 30 September 2022 <i>RMB'000</i> (unaudited)
Current tax		
Malaysia corporate income tax	5,313	7,320
Deferred tax		
Changes in temporary differences	(939)	–
Total income tax expense for the period	<u>4,374</u>	<u>7,320</u>

No provision for the PRC and Hong Kong profits tax has been made as the Group had no assessable profits arising in or derived from the PRC and Hong Kong for the six months ended 30 June 2023 and 30 September 2022.

The group entities established in the Cayman Islands and the BVI are exempted from corporate income tax therein.

Malaysia corporate income tax is calculated at 24% of the estimated assessable profits for the six months ended 30 June 2023 and 30 September 2022.

8. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share attributable to owners of the Company is based on the following information:

	Six months ended 30 June 2023 <i>RMB'000</i> (unaudited)	Six months ended 30 September 2022 <i>RMB'000</i> (unaudited)
Profit/(loss) for the period attributable to owners of the Company, used in basic and diluted earnings per share calculation	<u>40,899</u>	<u>(67,204)</u>
	Number of shares	
	2023	2022
	(unaudited)	(unaudited)
Weighted average number of ordinary shares for basic and diluted earnings per share calculation	<u>632,824,407</u>	<u>513,523,607</u>

Diluted earnings per share are the same as the basic earnings per share as there are no dilutive potential ordinary shares in existence during the six months ended 30 June 2023.

The computation of diluted loss per share for the six months ended 30 September 2022 do not assume the exercise of the Company's share options as they would reduce loss per share share.

9. DIVIDENDS

The board of directors of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (*six months ended 30 September 2022: nil*).

10. RIGHT-OF-USE ASSETS

	Shoplots RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Lease Properties RMB'000	Total RMB'000
Reconciliation of carrying amounts – nine months ended 31 December 2022 (audited)					
At 1 April 2022	22,572	2,516	178	751	26,017
Additions	21,043	–	18	–	21,061
Termination of leases	(399)	–	–	–	(399)
Depreciation	(13,402)	(425)	(12)	(187)	(14,026)
Disposal of subsidiaries	(7,041)	–	(16)	–	(7,057)
Reclassification of plant and equipment	–	(120)	–	–	(120)
Exchange realignment	929	83	27	–	1,039
	<u>23,702</u>	<u>2,054</u>	<u>195</u>	<u>564</u>	<u>26,515</u>
At 31 December 2022	<u>23,702</u>	<u>2,054</u>	<u>195</u>	<u>564</u>	<u>26,515</u>
Reconciliation of carrying amounts – six months ended 30 June 2023 (unaudited)					
At 1 January 2023	23,702	2,054	195	564	26,515
Additions	6,616	414	36	–	7,066
Termination of leases	(64)	–	–	–	(64)
Depreciation	(7,492)	(276)	(42)	(126)	(7,936)
Exchange realignment	(267)	(23)	(49)	–	(339)
	<u>22,495</u>	<u>2,169</u>	<u>140</u>	<u>438</u>	<u>25,242</u>
At 30 June 2023	<u>22,495</u>	<u>2,169</u>	<u>140</u>	<u>438</u>	<u>25,242</u>
At 31 December 2022					
Cost	38,972	2,871	1,070	751	43,664
Accumulated depreciation	(15,270)	(817)	(875)	(187)	(17,149)
	<u>23,702</u>	<u>2,054</u>	<u>195</u>	<u>564</u>	<u>26,515</u>
At 30 June 2023					
Cost	42,850	3,252	1,094	751	47,947
Accumulated depreciation	(20,355)	(1,083)	(954)	(313)	(22,705)
	<u>22,495</u>	<u>2,169</u>	<u>140</u>	<u>438</u>	<u>25,242</u>

The Group leases several assets including shoplots, motor vehicles and leasehold improvements. The leases in respect of shoplots typically run for an initial period of 1 to 3 years (*31 December 2022: 1 to 3 years*) and the lease term of the remaining right-of-use assets are ranging from 4 to 5 years (*31 December 2022: 4 to 5 years*).

Certain leases in respect of shoplots which were entered into by the Group are secured by a corporate guarantee provided by the Company and personal guarantees provided by Dato' Ng Chin Kee and Dato' Ng Kwang Hua. (*31 December 2022: secured by a corporate guarantee provided by the Company and personal guarantees provided by Dato' Ng Chin Kee and Dato' Ng Kwang Hua.*)

11. PLANT AND EQUIPMENT

	Computers and software <i>RMB'000</i>	Furniture, fixtures and office equipment <i>RMB'000</i>	Optical equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Total <i>RMB'000</i>
Reconciliation of carrying amounts – nine months ended 31 December 2022 (audited)						
At 1 April 2022	608	4,936	6,198	612	719	13,073
Additions	1,052	2,958	2,610	–	1,853	8,473
Acquisition of subsidiaries	15	–	–	–	–	15
Disposals	(57)	(890)	(297)	(84)	(617)	(1,945)
Disposal of subsidiaries	(357)	(1,322)	(1,812)	–	(184)	(3,675)
Reclassification	–	(4)	–	–	4	–
Reclassification from right-to-use assets	–	–	–	120	–	120
Written off	(1)	(40)	(12)	–	(17)	(70)
Depreciation	(369)	(1,395)	(1,187)	(151)	(293)	(3,395)
Exchange realignment	35	167	230	21	(31)	422
At 31 December 2022	926	4,410	5,730	518	1,434	13,018
Reconciliation of carrying amounts – six months ended 30 June 2023 (unaudited)						
At 1 January 2023	926	4,410	5,730	518	1,434	13,018
Additions	52	2,232	973	–	634	3,891
Disposals	(3)	(1)	(10)	–	–	(14)
Written off	(3)	(2)	(1)	–	–	(6)
Depreciation	(178)	(656)	(682)	(79)	(118)	(1,713)
Exchange realignment	(10)	(17)	(46)	(6)	(8)	(87)
At 30 June 2023	784	5,966	5,964	433	1,942	15,089
At 31 December 2022						
Cost	2,382	11,867	10,900	928	3,723	29,800
Accumulated depreciation	(1,456)	(7,457)	(5,170)	(410)	(2,289)	(16,782)
	926	4,410	5,730	518	1,434	13,018
At 30 June 2023						
Cost	2,392	16,499	12,844	1,107	4,002	36,844
Accumulated depreciation	(1,608)	(10,533)	(6,880)	(674)	(2,060)	(21,755)
	784	5,966	5,964	433	1,942	15,089

12. INVESTMENTS IN ASSOCIATES

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
At the beginning of the period/year	93	157
Addition	106,489	–
Share of results of associates	765	(62)
Exchange realignment	(2)	(2)
	<hr/>	<hr/>
At the end of the period/year	107,345	93

13. LOAN RECEIVABLES

	30 June 2023 RMB'000 (unaudited)	31 December 2022 RMB'000 (audited)
Unsecured fixed-rate loans receivables	43,138	–
Loans interest receivables	1,551	–
Less: Impairment allowance	(1,165)	–
	<hr/>	<hr/>
	43,524	–
	<hr/>	<hr/>
Analysed as:		
Current	1,551	–
Non-current	41,973	–
	<hr/>	<hr/>
	43,524	–

The loans receivables had contractual maturity dates on 17 January 2026. The interest rate for the fixed-rate loans receivables was 7.5% per annum.

14. TRADE AND OTHER RECEIVABLES

	At 30 June 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
Trade receivables		
From third parties	104,689	5,751
Less: loss allowances	(1,914)	(65)
	<u>102,775</u>	<u>5,686</u>
Other receivables		
Deposits paid	41,381	28,151
Prepayments	34,251	1,586
Refundable rental and other related deposits	7,296	7,475
Other receivables	23,016	13,388
Amount due from shareholders of an associate (<i>note</i>)	22,523	–
Amounts due from minority interests of a subsidiary (<i>note</i>)	24,464	–
Consideration receivable from disposal of subsidiaries	–	13,710
Acquired receivables	111,512	120,038
Less: loss allowances	(11,330)	(5,421)
	<u>253,113</u>	<u>178,927</u>
Less: non-current portion of – Acquired receivables	(52,532)	(47,464)
	<u>200,581</u>	<u>131,463</u>
	<u>303,356</u>	<u>137,149</u>

Note: The amounts are unsecured, interest free and repayable on demand.

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

	At 30 June 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
Within 30 days	59,111	3,408
31 to 60 days	12,030	195
61 to 90 days	10,733	1,367
Over 90 days	22,815	716
	<u>104,689</u>	<u>5,686</u>

At the end of each reporting period, the ageing analysis of the trade receivables, net of loss allowances, by due date is as follows:

	At 30 June 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
Not yet due	<u>63,848</u>	<u>3,408</u>
Past due:		
Within 30 days	7,172	195
31 to 60 days	9,608	1,367
61 to 90 days	<u>24,061</u>	<u>716</u>
	<u>40,841</u>	<u>2,278</u>
	<u><u>104,689</u></u>	<u><u>5,686</u></u>

The Group normally grants credit term to third parties up to 30 days from the date of issuance of invoices.

15. TRADE AND OTHER PAYABLES

	At 30 June 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
Trade payables to third parties	<u>38,119</u>	<u>18,089</u>
Other payables		
Contract liabilities	2,923	4,574
Salaries and allowances payable	7,155	9,793
Accrued charges and other payables	60,149	28,670
Amounts due to minority interests of subsidiaries	<u>–</u>	<u>3,823</u>
	<u>70,227</u>	<u>46,860</u>
	<u><u>108,346</u></u>	<u><u>64,949</u></u>

The trade payables are interest-free and with normal credit terms ranging from 30 to 120 days.

At the end of each reporting period, the ageing analysis of the trade payables based on invoice date is as follows:

	At 30 June 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
Within 30 days	29,239	16,647
31 to 60 days	4,587	1,259
61 to 90 days	3,474	69
Over 90 days	819	114
	<u>38,119</u>	<u>18,089</u>

16. INTEREST-BEARING BORROWINGS

	At 30 June 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
Bank borrowings – unsecured	7,483	721
Other borrowings – unsecured	43,138	–
	<u>50,621</u>	<u>721</u>
Less: Amounts due within one year shown under current liabilities	<u>(7,483)</u>	<u>(721)</u>
	<u>43,138</u>	<u>–</u>

17. LEASE LIABILITIES

	At 30 June 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
Analysed for reporting purposes:		
Current liabilities	14,557	13,518
Non-current liabilities	10,722	12,949
	<u>25,279</u>	<u>26,467</u>

The leases of certain premises for retail stores in Malaysia call for additional rentals, which will be based on a certain percentage of revenue of the operations being undertaken therein pursuant to the terms and conditions as stipulated in the respective tenancy agreements. As the future revenue of these retail stores could not be accurately determined as at the end of the reporting period, the relevant contingent rental has not been included. Such variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liabilities and therefore are charged to profit or loss (included in “other rental and related expenses”) in the accounting period in which they are incurred.

During the six months ended 30 June 2023, the Group has not received rent concessions during the period of severe social distancing and travel restriction measures introduced to constrain the spread of COVID-19. The amount received was approximately RMBNil (*six months ended 30 September 2022: received approximately RMB419,000*) which was recognised as other income in Note 5.

Certain leases impose a restriction that the right-of-use assets can only be used by the Group. For leases over shoplots, the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease.

The total cash outflow for leases (including other rental and related expenses in Note 6) for the six months ended 30 June 2023 was approximately RMB8,938,000 (*six months ended 30 September 2022: approximately RMB11,686,000*).

Commitments and present value of lease liabilities:

	Lease payments		Present value of lease payments	
	At 30 June 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)	At 30 June 2023 <i>RMB'000</i> (unaudited)	At 31 December 2022 <i>RMB'000</i> (audited)
Amounts payable:				
Within one year	15,206	14,191	14,557	13,518
More than one year, but not exceeding two years	8,220	9,857	8,118	9,585
More than two years, but not exceeding five years	2,798	3,425	2,604	3,364
	<u>26,224</u>	<u>27,473</u>		
Future finance charges	<u>(945)</u>	<u>(1,006)</u>		
Present value of lease liabilities	<u>25,279</u>	<u>26,467</u>	25,279	26,467
Less: Amounts due for settlement within 12 months			<u>(14,557)</u>	<u>(13,518)</u>
Amounts due for settlement after 12 months			<u>10,722</u>	<u>12,949</u>

At 30 June 2023, the weighted average effective interest rate for the lease liabilities of the Group was 3.56% (*31 December 2022: 3.44%*) per annum.

18. SHARE CAPITAL

	<i>Notes</i>	Number of shares	HK\$	Equivalent to RMB'000
Ordinary share of HK\$0.01 each				
At 1 April 2022 (audited), 31 December 2022 (audited) and 30 June 2023 (unaudited)		<u>2,000,000,000</u>	<u>20,000,000</u>	<u>18,232</u>
Issued and fully paid:				
At 1 April 2022 (audited)		500,000,000	5,000,000	4,474
Shares issued for acquisition of subsidiaries (<i>note a</i>)		<u>98,992,805</u>	<u>989,928</u>	<u>877</u>
		598,992,805	5,989,928	5,351
Shares issued under exercising of share options (<i>note b</i>)		<u>47,840,000</u>	<u>478,400</u>	<u>420</u>
At 30 June 2023 (unaudited)		<u>646,832,805</u>	<u>6,468,328</u>	<u>5,771</u>

Notes:

- (a) On 6 September 2022, 98,992,805 new ordinary shares of HK\$2.98 each of the Company issued as the consideration shares for the acquisition of Positive Oasis Limited. Share capital and share premium of approximately HK\$990,000 (equivalent to approximately RMB877,000) and HK\$294,999,000 (equivalent to approximately RMB256,981,000) respectively were recorded based on the quoted price of the shares as the date of acquisition.
- (b) During the six months ended 30 June 2023, 47,840,000 share options were exercised to subscribe for 47,840,000 ordinary shares of the Company at a consideration of RMB127,909,000 of which RMB420,000 was credited to the share capital and the balance RMB127,489,000 was credited to the share premium account. Amount of RMB41,897,000 has been transferred from share option reserve to the share premium account.

19. SHARE OPTION SCHEME

The Company operates a share option scheme (the “**Scheme**”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants include the full-time and part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company’s subsidiaries. The Scheme became effective on 23 March 2020 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

At 30 September 2022, the number of shares in respect of which options had been granted under the Scheme was 47,840,000, representing 8.0% the shares of the Company in issue at that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of the grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 10 days from the date of the offer, upon payment of a nominal consideration of HK\$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and vests immediately and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of the offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer; and (iii) the nominal value of the Company's shares on the date of the offer.

Share options do not confer rights on the holder to dividends or to vote at shareholders' meetings.

Detail of share options outstanding during the six months ended 30 June 2023 and nine months ended 31 December 2022 are as follows:

Name	Date of grant	Exercisable period	Exercise price	Outstanding as at 1 April 2022	Grant during the period	Outstanding as at 31 December 2022	Exercise during the period	Outstanding as at 30 June 2023
Employee	30 September 2022	30 September 2022 – 29 September 2024	HK\$3.048	-	47,840,000	47,840,000	(47,840,000)	-
Exercisable at the end of the period				-		47,840,000		-

All the share options were exercised during the six months ended 30 June 2023 (nine months ended 31 December 2022: Nil). The share options outstanding at 31 December 2022 had a weighted average exercise price of approximately HK\$3.048 and a weighted average remaining contractual life of approximately 1.75 years.

The fair value of the share options granted on 30 September 2022 determined at the date of grant using the Binomial Option Pricing Model was approximately HK\$1.0237.

The following assumptions were used to calculate the fair values of the share options.

	30 September 2022
Grant date share price	HK3.020
Exercise price	HK3.048
Option life	2 years
Expected volatility (<i>Note</i>)	57.75%
Dividend yield	0%
Risk-free interest rate	3.77%

Note:

Expected volatility for options was based on historical daily price movements of the Company over a historical period over the previous two years with respect to the option life.

The Binomial model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varied with different variables of certain subjective assumptions.

During the six months ended 30 September 2022, an amount of share-based payment expenses in respect of the Company's share options of HK\$48,976,000 (equivalent to RMB41,897,000) had been recognised in the condensed consolidated statement of profit or loss and other comprehensive income with a corresponding adjustment recognised in the Group's share option reserve.

20. ACQUISITION OF SUBSIDIARIES

For the six months ended 30 June 2023

Acquisition of 中保科技創新(珠海)有限公司 (“Zhongbao Technology Creation (Zhuhai) Company Limited”) (“Zhongbao Tech”)

On 10 March 2023, the Company entered into capital injection agreement with Zhongbao Tech pursuant to which the Company agreed to inject cash of RMB24,500,000 into Zhongbao Tech. Upon completion of the injection, the Company has 49% equity interests in Zhongbao Tech. The transaction was completed on 14 March 2023.

Zhongbao Tech is engaged in the provision of service to provide insurance companies, insurance intermediaries and other insurance participants with safe and efficient solutions for application of digital Renminbi in PRC.

As the Group has irrevocable right to appoint three directors of Zhongbao Tech's board of directors out of a total five directors. In the view of the Group, the Group can direct all the relevant financing and operating decisions relating to daily activities of Zhongbao Tech by simple majority votes. Accordingly, Zhongbao Tech is classified as subsidiary of the Group.

The directors believe that the acquisition of Zhongbao Tech will complement the Group's new business strategy which involves a digital Renminbi in PRC and would facilitate better implementation of the strategies of the Company which is to expand its development in the digital payment solutions related business in the PRC market.

The identifiable assets acquired and liabilities assumed of the Zhongbao Tech at the date of acquisition were as follows.

	14 March 2023 <i>RMB'000</i>
Intangible assets	125
Prepayments, deposits and other receivables	48,968
Bank balance and cash	907
	<hr/>
Total identifiable net assets	50,000
Less: non-controlling interests	(25,500)
	<hr/>
Total consideration	24,500
	<hr/> <hr/>
Net cash inflow from acquisition of subsidiary	907
	<hr/> <hr/>

For the six months ended 30 September 2022

Acquisition of Positive Oasis Limited

On 21 July 2022, the Company entered into an agreement with an independent third party to acquire 100% equity interest in Positive Oasis Limited and its subsidiaries (“**Oasis Group**”). The total consideration of the acquisition amounted to HK\$137,600,000 which has been satisfied by the issuing of 98,992,805 ordinary shares of the Company. Oasis Group was engaged in the provision of digital payment solution related business and provision of accounts receivable financing service in the PRC. The acquisition was completed on 6 September 2022.

The directors believe that the acquisition of the Oasis Group will complement the Group’s new business strategy which involves a digital payment solution related business and would facilitate better implementation of the strategies of the Company which is to expand its development in the digital payment solutions related business in the PRC market.

The identifiable assets acquired and liabilities assumed of the Oasis Group at the date of acquisition were as follows.

	6 September 2022 <i>RMB’000</i>
Trade receivables	116,960
Other receivables	9
Other payables and accruals	(1)
	<hr/>
Total identifiable net assets	116,968
Goodwill	140,890
	<hr/>
Total purchase consideration	257,858
	<hr/> <hr/>
Total purchase consideration – Settled by issuing ordinary shares of the Company	257,858
	<hr/> <hr/>

No revenue and no profit/loss contributed to the Group for the period from the acquisition dates.

21. RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in the Interim Financial Statements, during the six months ended 30 June 2023 and 30 September 2022, further information of the related party transactions is set out below.

(a) Related party transactions of the Group:

Name of the related party	Nature of transaction	Six months ended 30 June 2023 <i>RMB’000</i> (unaudited)	Six months ended 30 September 2022 <i>RMB’000</i> (unaudited)
Dato’ Ng Kwang Hua and Dato’ Ng Chin Kee	Rental expenses	<u>84</u>	<u>55</u>

(b) **Remuneration for key management personnel (including directors) of the Group:**

	Six months ended 30 June 2023 RMB'000 (unaudited)	Six months ended 30 September 2022 RMB'000 (unaudited)
Salaries, discretionary bonus, allowances and other benefits in kind	2,618	2,374
Contributions to defined contribution plan	107	175
	<hr/> 2,725 <hr/>	<hr/> 2,549 <hr/>

22. MAJOR NON-CASH TRANSACTIONS

In addition to the information disclosed elsewhere in the Interim Financial Statements, the Group had the following major non-cash transactions:

During the six months ended 30 June 2023, the Group entered into certain lease arrangements in respect of leased assets with capital value at the inception of leases of approximately RMB6,927,000 (*six months ended 30 September 2022: approximately RMB9,652,000*).

23. COMMITMENTS

Commitments under operating leases

The Group as lessor

The Group leases out its investment properties under operating leases with average lease terms of three years. The future aggregate minimum rental receivables under non-cancellable operating leases are as follows:

	Six months ended 30 June 2023 RMB'000 (unaudited)	Six months ended 30 September 2022 RMB'000 (unaudited)
Within one year	209	86
Between one and two years	194	2
Between two and five years	87	–
	<hr/> 490 <hr/>	<hr/> 88 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Due to the resumption of orders and productions that were initially impacted by the outbreak of COVID-19 and the continuous increase in customers' demand for financial support to improve working capital efficiency in the post-COVID period, as well as the contribution from new businesses related to digital renminbi (RMB), the Group recorded a significant increase in revenue for the six months ended 30 June 2023 (the "**Reporting Period**").

During the Reporting Period, the Group recorded a revenue, gross profit and profit before taxation of approximately RMB876.3 million, RMB256.4 million and RMB64.3 million, respectively, representing a significant increase of approximately 177.1% and 196.7% and a significant turnaround of approximately RMB120.6 million (six months ended 30 September 2022: loss of approximately RMB56.3 million), respectively, as compared to the same for the six months ended 30 September 2022.

In light of the above growing trend, the Group intends to further diversify and expand the mining of digital RMB application scenarios, and provides digital payment platform and support services. Based on the huge market of insurance technology scenarios, consumer technology scenarios, and digital supply chain scenarios of the Group's through its subsidiaries, it is anticipated that the Group's financial performance will continue to grow.

Apart from the above, the Group is one of the largest retailers of optical products in Malaysia. The Group provides a wide range of optical product retail and franchise businesses, and the Board has been paying attention to the business opportunities in the overall market during the Reporting Period.

Financial Review

Revenue

During the Reporting Period, the Group recorded a revenue growth of approximately RMB560.1 million or approximately 177.1% from approximately RMB316.2 million for the six months ended 30 September 2022 (the "**Corresponding Period**") to approximately RMB876.3 million. Out of the Group's total revenue of approximately RMB876.3 million, each of the revenue generated from the PRC and Malaysia contributed approximately RMB786.4 million (for the Corresponding Period: approximately RMB186.4 million) and approximately RMB89.9 million (for the Corresponding Period: RMB129.8 million), representing approximately 89.7% (for the Corresponding Period: approximately 59.0%) and approximately 10.3% (for the Corresponding Period: approximately 41.0%) of the Group's total revenue, respectively. Such significant growth was driven by (i) a significant increase in revenue generated from the Group's digital supply chain financial services due to the increasing demand for financial support from customers to improve working capital efficiency during the post-COVID period; (ii) the contributions from new cooperations conducted by the Group in the areas of digital payment and solutions during the Reporting Period; and (iii) a significant increase in revenue generated from the digital retail payment solutions trading business due to the resumption of orders and productions that were initially impacted by the outbreak of COVID-19.

Other income and other gains

The Group's other income and other gains decreased by approximately RMB0.3 million or approximately 7.2% from approximately RMB4.2 million for the Corresponding Period to approximately RMB3.9 million for the Reporting Period. The decrease was mainly arising from the increase of loan interest income but offset by the decrease of bank interest income.

Gross profit and gross profit margin

The Group's gross profit increased by approximately RMB170.0 million or approximately 196.7% from approximately RMB86.4 million for the Corresponding Period to approximately RMB256.4 million for the Reporting Period. Such increase was mainly contributed by the increase in the Group's revenue. The Group's gross profit margin increased from approximately 27.3% for the Corresponding Period to approximately 29.3% for the Reporting Period, primarily due to the higher gross profit margin from new businesses related to digital renminbi.

Selling and distribution costs

The Group's selling and distribution costs increased by approximately RMB116.1 million or approximately 236.9% from approximately RMB49.0 million for the Corresponding Period to approximately RMB165.1 million for the Reporting Period, which is in line with the increase in revenue.

Administrative expenses

The Group's administrative expenses decreased by approximately RMB77.0 million or approximately 79.0% from approximately RMB97.4 million for the Corresponding Period to approximately RMB20.4 million for the Reporting Period, primarily due to there are no share-based payment expenses in the Reporting Period (approximately RMB41.9 million in the Corresponding Period); and (ii) a significant decrease of provision for legal claim from approximately RMB35.0 million in the Corresponding Period to approximately RMB1.4 million in the Reporting Period.

Finance costs

The Group's finance costs increased by approximately RMB1.7 million or approximately 367.5% from approximately RMB0.5 million for the Corresponding Period to approximately RMB2.2 million for the Reporting Period, primarily attributable to the significant increase in the interest incurred from the interest-bearing borrowings in the Reporting Period.

Income tax expense

The Group's income tax expense decreased by approximately RMB2.9 million or approximately 40.2% from approximately RMB7.3 million for the Corresponding Period to approximately RMB4.4 million for the Reporting Period despite the Group incurred profit from the Reporting Period. The decrease mainly due to there are no assessable profits in or derived from the business in the PRC and the taxable profit derived from the business in Malaysia is decreased.

Net profit for the period

The Group's net profit for the period recorded a significant turnaround of approximately RMB123.5 million from a net loss of approximately RMB63.6 million to a profit of approximately RMB59.9 million, primarily attributable to the increase in the Group's revenue.

Liquidity, Financial Resources and Capital Structure

Financial resources

The Group generally finances its operations with internally generated funds, banking facilities and fund raised from issuing shares. As at 30 June 2023, the Group's bank balances and cash (excluding fixed deposits with licensed banks) amounted to approximately RMB37.3 million (31 December 2022: approximately RMB68.0 million). As at 30 June 2023, approximately 89.9% (31 December 2022: approximately 61.0%) was denominated in Malaysian Ringgit ("RM"), approximately 2.4% (31 December 2022: approximately 33.0%) was denominated in Hong Kong dollar ("HKD"), approximately 0.1% (31 December 2022: approximately 5.6%) was denominated in United States dollar ("USD") and approximately 7.6% (31 December 2022: approximately 0.4%) was denominated in RMB.

For the Reporting Period, the Group generated net cash inflow from operating activities of approximately RMB87.8 million (31 December 2022: approximately RMB48.7 million). The Group was able to fulfill its repayment obligations when they became due.

Banking facilities and lease facilities

As at 30 June 2023, the Group had interest-bearing borrowings of approximately RMB51.0 million (31 December 2022: approximately RMB0.7 million). The Group's interest-bearing borrowings carried weighted average effective interest rates of approximately 7.10% (31 December 2022: approximately 4.35%) per annum. The carrying amount of the interest-bearing borrowings was denominated in RMB.

The Group's lease liabilities primarily represented payment obligations under the tenancy agreements the Group had entered into in respect of outlets for its self-owned retail stores, leasehold improvements and motor vehicles under hire purchase. The total lease liabilities as at 30 June 2023 was approximately RMB25.3 million (31 December 2022: approximately RMB26.5 million), all denominated in RMB and RM. The weighted average effective interest rate for the lease liabilities of the Group was approximately 3.56% (31 December 2022: approximately 3.44%) per annum as at 30 June 2023.

Capital structure

As at 30 June 2023, the Group's total equity and liabilities amounted to approximately RMB700.9 million and approximately RMB202.8 million respectively (31 December 2022: approximately RMB485.7 million and approximately RMB111.0 million respectively).

Gearing ratio

The Group's gearing ratio was approximately 0.04 times (31 December 2022: approximately 0.05 times) and remains low.

Current ratio

The Group's current ratio was approximately 3.19 times and has no significant change from approximately 3.32 times as at 31 December 2022.

Pledge of assets

As at 30 June 2023, fixed deposits with licensed banks of approximately RMB2.2 million (31 December 2022: approximately RMB2.2 million) are pledged as securities for a banking facility granted to the Group. None of such facility was utilised by the Group as at 30 June 2023.

Capital commitments

The Group did not have any material commitments as at 30 June 2023 (31 December 2022: Nil).

Contingent liabilities

As at 30 June 2023, the Group did not have any significant contingent liabilities (31 December 2022: Nil).

Employees and remuneration policies

The Group's business is highly service-oriented; therefore, it is crucial for the Group to attract, motivate and retain qualified employees. The Group's staff costs have been and will continue to be one of the major components affecting its results of operations. For the Reporting Period, the Group incurred staff costs of approximately RMB30.3 million (for the Corresponding Period: approximately RMB76.0 million), representing a decrease of approximately 60.1% from the Corresponding Period. The decrease was mainly due to no share-based payment expenses in the Reporting Period (approximately RMB41.9 million in the Corresponding Period). As at 30 June 2023, the Group had a total of 480 employees (31 December 2022: 457 employees) among whom 83 (31 December 2022: 75) were based in PRC and 397 (31 December 2022: 382) were based in Malaysia.

Foreign currency exposure

Save for certain bank balances were denominated in RMB, HKD, Singapore dollar and USD, the Group has minimal exposure to foreign currency risk. During the Reporting Period, the Group operated with most of their transaction denominated in RMB, RM and HKD, there is no significant currency mismatch in its operational cashflow and the Group is not exposed to any significant foreign currency exchange risk in operations. The Group currently does not have a hedging policy in respect of foreign currency transactions, assets and liabilities. The Management monitors the foreign currency exposure from time to time and will consider hedging significant foreign currency exposure should the need arise.

Significant investment held

As at 30 June 2023, the Group did not hold any significant investments (31 December 2022: Nil).

Material acquisitions or disposals

The Group did not have any material acquisition or disposals of subsidiaries or associated companies during the Reporting Period.

Dividends

The Board did not recommend the payment of interim dividend for the Reporting Period.

Use of Proceeds

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 15 April 2020 (the “**Listing**”) with a total of 500,000,000 offer shares issued based on the final offer price of HKD1.00 per offer share, the aggregate net proceeds, after deducting the related underwriting fee, incentive and estimated expenses paid and payable by the Company in relation to the Listing, received by the Company were approximately HKD91.1 million or approximately RM50.3 million (based on exchange rate of RM0.5517:HKD1). There was no change in the intended use of net proceeds as previously disclosed in the prospectus of the Company dated 28 March 2020 (the “**Prospectus**”). As at 30 June 2023, the net proceeds had been utilised as follows:

	Net proceeds <i>RM million</i>	Amount unutilised as at 31 December 2022 <i>RM million</i>	Amount utilised during the six months ended 30 June 2023 <i>RM million</i>	Amount unutilised as at 30 June 2023 <i>RM million</i>	Expected time frame for utilisation <i>(Note 2)</i>
Set up 36 self-owned retail stores <i>(Note 1)</i>	28.1	23.8	0.6	23.2	31 March 2024
Upgrade and renovate 25 self-owned retail stores	5.1	5.0	1.5	3.5	31 March 2024
Promote recognition of the Group’s 11 retail brands and to further market the Group’s Own Brands optical products	4.7	3.1	0.9	2.2	31 March 2024
Develop optical lab for the production of lenses	5.5	5.5	–	5.5	31 March 2024
Upgrade the Group’s information technology systems and acquire an RMS and upgrade its POS systems	4.3	2.4	0.1	2.3	31 March 2024
General working capital	2.6	–	–	–	Fully utilised
Total	50.3	39.8	3.1	36.7	

Notes:

- In view of the uncertainty heightened by the COVID-19 pandemic in previous years, there was a delay in the time frame for the opening of the retail stores at this point in time. For the Reporting Period, the Group has set up 2 self-owned retail stores.
- In view of the uncertainty heightened by the COVID-19 pandemic and prolonged Movement Control Order and National Recover Plan imposed by the Malaysian government in previous years, there has been a delay in the utilisation of the net proceeds than the planned schedule of utilisation as disclosed in the Prospectus. Nevertheless, the Group intends to continue to apply the unutilised net proceeds of approximately RM36.7 million in accordance with the section headed “Future Plan and Use of Proceeds” in the Prospectus.

As disclosed above, the actual application of the net proceeds was slower than expected and such delay was mainly due to the impact of the COVID-19 pandemic in previous years, which has caused obstacles, closures and movement restrictions to the retail industry to a very large extent. The Group strives to minimise the impact on its operation caused thereby and has adopted a prudent approach for utilising the net proceeds effectively and efficiently for the long term benefit and development of the Group, which is in the interest of our shareholders and the Group.

Please refer to the section headed “Future Plans and Use of Proceeds” in the Prospectus for details.

CORPORATE GOVERNANCE

Compliance with the Code on Corporate Governance Practices

The Company has, during the Reporting Period, applied and complied with the principles in the code of corporate governance practices (the “**CG Code**”) set out in Appendix 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) released by the Stock Exchange.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) 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, all the Directors have confirmed that they have fully complied with the Model Code during the Reporting Period.

Audit Committee

The terms of reference of the audit committee of the Company (the “**Audit Committee**”) are in compliance with the CG Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee include but are not limited to, make recommendation to the Board on the appointment, re-appointment and removal of the external auditor; and to assist the Board in fulfilling its oversight responsibilities in relation to the Group’s financial reporting, internal control procedure, risk management processes and external audit functions, and corporate governance responsibilities.

The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Yau Tung Shing, Mr. Chu Hoi Kan and Ms. Jiao Jie. The chairman of the Audit Committee is Mr. Yau Tung Shing. The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group for the Reporting Period.

Events after the Reporting Period

There are no significant events subsequent to 30 June 2023 which would materially affect the Group's operating and financial performance as at the date of this announcement.

Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

Publication of Interim Results

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk as well as the Company's website at <http://www.mogglobal.com>. The interim report of the Group for the six months ended 30 June 2023 will be despatched to the shareholders and published on the aforementioned websites in due course.

ACKNOWLEDGEMENT

I would like to express our sincere appreciation and gratitude to our stakeholders, including our valued customers, shareholders, business partners and suppliers for their confidence and support in the Group and look forward to their continuous support in the future. To the management team of the Group and members of our staff, the Board would like to thank you for your hard work, loyalty and dedication.

By Order of the Board
MOG Digitech Holdings Limited
Zhou Yue
Executive Director

Hong Kong, 31 July 2023

As at the date of this announcement, the Company has three executive Directors, namely Mr. Deng Zhihua (Chairman), Ms. Tang Tsz Yuet and Mr. Zhou Yue, and three independent non-executive Directors, namely Mr. Yau Tung Shing, Mr. Chu Hoi Kan and Ms. Jiao Jie.

In the case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.