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首惠产融
首惠產業金融服務集團有限公司*
CAPITAL INDUSTRIAL FINANCIAL SERVICES GROUP LIMITED
(Incorporated in Bermuda with limited liability)
 (Stock Code: 730)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

INTERIM RESULTS

The board of directors (the “Board”) of Capital Industrial Financial Services Group 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. These interim results have been reviewed by the Audit Committee of the Board of the Company (“Audit Committee”) and the Company’s auditor.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	<i>Notes</i>	Six months ended 30 June	
		2023	2022
		HK\$’000	HK\$’000
		(Unaudited)	(Unaudited) (Restated)
Continuing operations			
Revenue under sale and leaseback arrangements	4	86,499	43,445
Revenue from supply chain management business	4	11,220	79,818
Property leasing income	4	2,301	2,332
Total revenue		100,020	125,595
Cost of revenue under sale and leaseback arrangements		(44,415)	(5,274)
Cost of revenue from supply chain management business		(1,862)	(72,992)

		Six months ended 30 June	
		2023	2022
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
			(Restated)
Gross profit		53,743	47,329
Other income	5	9,827	3,219
Other gains		–	5,464
Provision for impairment of receivables, net		(3,468)	(4,382)
Selling expenses		–	(1,208)
Administrative expenses		(20,303)	(22,082)
Change in fair value of investment properties		100	2,927
Change in fair value of financial assets at fair value through profit or loss		(575)	(945)
Operating profit		39,324	30,322
Finance costs	7	(875)	(2,333)
Share of profit of an associate	15	1,878	441
Profit before income tax		40,327	28,430
Income tax expense	8	(10,207)	(9,598)
Profit from continuing operations		30,120	18,832
Loss from discontinued operation (attributable to equity holders of the Company)		–	(1,264)
Profit for the period	6	30,120	17,568
Profit is attributable to:			
Owners of the Company		22,406	9,302
Non-controlling interests		7,714	8,266
		30,120	17,568

	Six months ended 30 June	
	2023	2022
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (Restated)
Profit for the period	<u>30,120</u>	<u>17,568</u>
Other comprehensive loss arising from continuing operations		
<i>Items that will not be reclassified to profit or loss:</i>		
Currency translation differences	(53,113)	(61,109)
Share of currency translation difference of an associate for using equity method	<u>(2,690)</u>	<u>(3,253)</u>
Other comprehensive loss for the period	<u>(55,803)</u>	<u>(64,362)</u>
Other comprehensive loss arising from discontinued operation		
<i>Item that will not be reclassified to profit or loss:</i>		
Currency translation differences	<u>–</u>	<u>(1,576)</u>
Total comprehensive loss for the period	<u>(25,683)</u>	<u>(48,370)</u>
Total comprehensive loss attributable to:		
Owners of the Company	(23,943)	(43,657)
Non-controlling interests	<u>(1,740)</u>	<u>(4,713)</u>
	<u>(25,683)</u>	<u>(48,370)</u>
Total comprehensive loss attributable to owners of the Company arising from:		
Continuing operations	(23,943)	(40,817)
Discontinued operation	<u>–</u>	<u>(2,840)</u>
	<u>(23,943)</u>	<u>(43,657)</u>
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:		
Basic and diluted (<i>HK cents</i>)	9 <u>0.56</u>	<u>0.26</u>
Earnings per share for profit attributable to the ordinary equity holders of the Company:		
Basic and diluted (<i>HK cents</i>)	9 <u>0.56</u>	<u>0.23</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

		30 June	31 December
		2023	2022
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	<i>10</i>	723	954
Right-of-use assets		6,873	8,213
Investment properties	<i>11</i>	117,680	133,202
Intangible assets	<i>12</i>	62,330	65,025
Interest in an associate	<i>15</i>	83,099	83,951
Receivables under sale and leaseback arrangements	<i>13</i>	291,038	333,229
Financial assets at fair value through profit or loss		2,140	2,809
Prepayments		3,439	3,814
Deferred tax assets		721	2,384
		<hr/>	<hr/>
Total non-current assets		568,043	633,581
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Current assets			
Receivables under sale and leaseback arrangements	<i>13</i>	748,934	756,885
Receivable under credit financing arrangement	<i>20(g)</i>	162,690	168,453
Trade and bill receivables	<i>14</i>	3,426	15,033
Prepayments, deposits and other receivables		11,380	33,558
Restricted bank deposits		–	75,817
Cash and cash equivalents		378,239	322,904
		<hr/>	<hr/>
Total current assets		1,304,669	1,372,650
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Total assets		1,872,712	2,006,231
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		30 June	31 December
		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Audited)
EQUITY			
Share capital	18	39,846	39,846
Reserves		<u>1,341,325</u>	<u>1,377,222</u>
Capital and reserves attributable to owners of the Company			
Non-controlling interests		<u>1,381,171</u>	1,417,068
		<u>334,355</u>	<u>338,308</u>
Total equity		<u><u>1,715,526</u></u>	<u><u>1,755,376</u></u>
LIABILITIES			
Non-current liabilities			
Lease liabilities		5,516	6,876
Deferred tax liabilities		<u>19,021</u>	<u>20,619</u>
Total non-current liabilities		<u><u>24,537</u></u>	<u><u>27,495</u></u>
Current liabilities			
Trade and bill payables		8,291	84,974
Other payables and accruals		85,352	70,040
Secured bank borrowings	16	–	13,639
Loan from a related party	20(h)	30,514	30,643
Contract liabilities		–	16
Lease liabilities		2,315	2,315
Current tax liabilities		<u>6,177</u>	<u>21,733</u>
Total current liabilities		<u><u>132,649</u></u>	<u><u>223,360</u></u>
Total liabilities		<u><u>157,186</u></u>	<u><u>250,855</u></u>
Total equity and liabilities		<u><u>1,872,712</u></u>	<u><u>2,006,231</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Capital Industrial Financial Services Group Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office is at Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda.

The Company is an investment holding company. The principal activities of its significant subsidiaries are provision of sale and leaseback arrangements services, property leasing services and supply chain management business. This condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

This condensed consolidated interim financial information has not been audited.

2 BASIS OF PREPARATION

This condensed consolidated interim financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This condensed consolidated interim financial information does not include all the notes of the type normally included in the annual financial statements, accordingly, it should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The functional currency of the Company is Renminbi (“RMB”) while this condensed consolidated interim financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated. Exchange differences relating to the translation of the assets and liabilities of the subsidiaries with the same functional currency with the Company (i.e. RMB) to the presentation currency of the Group (i.e. HK\$) are recognised directly in other comprehensive income and accumulated translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

Certain comparative information for the six months ended 30 June 2022 has been restated in order to disclose the discontinued operation separately from the continuing operations.

3 ESTIMATES

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2022.

4 SEGMENT INFORMATION

The chief operating decision-maker ("CODM") has been identified as the Executive Directors. The Executive Directors review the Group's internal report in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The CODM considers the business from service perspective and assess the performance of the operating segments based on a measure of adjusted profit before income tax before unallocated income/expenses for the purpose of allocating resources and assessing performance.

The Group is currently organised into three operating divisions: sale and leaseback arrangements services, property leasing services and supply chain management business. The assets management and consultancy services was discontinued in 2022.

	Continuing operations				Discontinued operation	
	Sale and leaseback arrangements services	Property leasing services	Supply chain management business	Sub-total	Assets management and consultancy services	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2023						
(unaudited)						
Revenue under sale and leaseback arrangements	86,499	-	-	86,499	-	86,499
Revenue from supply chain management services	-	-	11,220	11,220	-	11,220
Property leasing income	-	2,301	-	2,301	-	2,301
Segment revenue	<u>86,499</u>	<u>2,301</u>	<u>11,220</u>	<u>100,020</u>	<u>-</u>	<u>100,020</u>
Segment results	<u>34,994</u>	<u>2,197</u>	<u>5,113</u>	<u>42,304</u>	<u>-</u>	<u>42,304</u>

	Continuing operations			Sub-total <i>HK\$'000</i>	Discontinued operation Assets management and consultancy services	Total <i>HK\$'000</i>
	Sale and leaseback arrangements services <i>HK\$'000</i>	Property leasing services <i>HK\$'000</i>	Supply chain management business <i>HK\$'000</i>			
Unallocated						
Central administration costs						(8,020)
Other income (<i>Note</i>)						5,424
Changes in fair value of financial assets at FVPL						(575)
Finance costs						(684)
Share of profit of an associate						1,878
Profit before income tax						<u>40,327</u>

	Continuing operations			Sub-total <i>HK\$'000</i> (Restated)	Discontinued operation Assets management and consultancy services	Total <i>HK\$'000</i> (Restated)
	Sale and leaseback arrangements services <i>HK\$'000</i> (Restated)	Property leasing services <i>HK\$'000</i> (Restated)	Supply chain management business <i>HK\$'000</i> (Restated)			
For the six months ended 30 June 2022 (unaudited)						
Revenue under sale and leaseback arrangements	43,445	–	–	43,445	–	43,445
Revenue from supply chain management services	–	–	79,818	79,818	–	79,818
Property leasing income	–	2,332	–	2,332	–	2,332
Segment revenue	<u>43,445</u>	<u>2,332</u>	<u>79,818</u>	<u>125,595</u>	<u>–</u>	<u>125,595</u>
Segment results	<u>34,616</u>	<u>5,141</u>	<u>2,053</u>	<u>41,810</u>	<u>(1,264)</u>	<u>40,546</u>

	Continuing operations				Discontinued operation	
	Sale and leaseback arrangements services	Property leasing services	Supply chain management business	Sub-total	Assets management and consultancy services	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Unallocated						
Central administration costs						(11,479)
Changes in fair value of financial assets at FVPL						(945)
Other income (<i>Note</i>)						444
Finance costs						(1,841)
Share of profit of an associate						441
Profit before income tax						<u>27,166</u>

Note:

Unallocated other income represents credit financing arrangement interest income from a related party and interest income from bank deposits held by investment holding companies.

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

	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total
	30 June 2023	30 June 2023		31 December 2022	31 December 2022	
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Segment assets						
Sale and leaseback arrangements services	1,338,916	-	1,338,916	1,367,626	-	1,367,626
Supply chain management business	74,143	-	74,143	158,276	-	158,276
Property leasing services	117,852	-	117,852	136,348	-	136,348
Assets management and consultancy services	-	-	-	-	42,647	42,647
Total segment assets	1,530,911	-	1,530,911	1,662,250	42,647	1,704,897
Interest in an associate	83,099	-	83,099	83,951	-	83,951
Financial assets at FVPL	2,140	-	2,140	2,809	-	2,809
Other unallocated assets	256,562	-	256,562	214,574	-	214,574
Consolidated assets	<u>1,872,712</u>	<u>-</u>	<u>1,872,712</u>	<u>1,963,584</u>	<u>42,647</u>	<u>2,006,231</u>

	Continuing operations 30 June 2023 HK\$'000 (Unaudited)	Discontinued operation 30 June 2023 HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Continuing operations 31 December 2022 HK\$'000 (Audited)	Discontinued operation 31 December 2022 HK\$'000 (Audited)	Total HK\$'000 (Audited)
Segment liabilities						
Sale and leaseback arrangements services	99,482	-	99,482	111,092	-	111,092
Supply chain management business	6,683	-	6,683	96,567	-	96,567
Property leasing services	106	-	106	95	-	95
Assets management and consultancy services	-	-	-	-	50	50
Total segment liabilities	106,271	-	106,271	207,754	50	207,804
Unallocated secured bank and other borrowings	30,514	-	30,514	33,082	-	33,082
Other unallocated liabilities	20,401	-	20,401	9,969	-	9,969
Consolidated liabilities	<u>157,186</u>	<u>-</u>	<u>157,186</u>	<u>250,805</u>	<u>50</u>	<u>250,855</u>

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than interest in an associate, financial assets at FVPL and other unallocated assets (including primarily unallocated property, plant and equipment, cash and cash equivalents, deferred tax assets and prepayments).
- all liabilities are allocated to reportable segments other than unallocated secured bank and other borrowings not for sale and leaseback arrangements services and other unallocated liabilities (including primarily unallocated other payables and accruals, lease liabilities and deferred tax liabilities).

5 OTHER INCOME

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Continuing operations		
Interest income		
– bank deposits	2,630	3,034
– credit financing arrangement income from a related party (Note 20(b))	4,152	–
	<u>6,782</u>	<u>3,034</u>
Government grant (Note)	2,343	88
Others	702	97
	<u>9,827</u>	<u>3,219</u>

Note: During the six months ended 30 June 2023, government grant of HK\$2,343,000 was received from the Government of the People's Republic of China for the deduction of value added tax. During the six months ended 30 June 2022, government grant of HK\$88,000 was received from the Government of the Hong Kong Special Administrative Region under the Employment Support Scheme.

6 PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Continuing operations		
Profit for the period has been arrived at after charging:		
Legal and professional fees	2,330	469
Employee benefit expenses	13,247	13,500
Depreciation of property, plant and equipment	210	351
Amortisation of intangible assets	692	920
Depreciation of right-of-use assets	1,163	2,197

7 FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Continuing operations		
Interest on bank borrowings and bill receivables	159	6,381
Less: amounts included in costs of sale and leaseback arrangements	(141)	(4,388)
Interest on loan from a related party	<u>631</u>	<u>–</u>
	649	1,993
Interest on lease liabilities	<u>226</u>	<u>340</u>
	875	2,333

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax:		
– PRC	<u>9,546</u>	<u>8,381</u>
Deferred income tax	<u>661</u>	<u>1,217</u>
Income tax expense	10,207	9,598
Income tax expense from continuing operations	10,207	9,598
Income tax expense from discontinued operation	<u>–</u>	<u>–</u>
	10,207	9,598

Note:

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the six months ended 30 June 2023 (six months ended 30 June 2022: 25%).

9 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited) (Restated)
Profit from continuing operations attributable to equity holders of the Company (HK\$'000)	22,406	10,566
Loss from discontinued operation attributable to equity holders of the Company (HK\$'000)	—	(1,264)
	<u>22,406</u>	<u>9,302</u>
Weighted average number of ordinary shares (thousand)	<u>3,984,640</u>	<u>3,984,640</u>
From continuing operations attributable to the ordinary equity holders of the Company (HK cents)	0.56	0.26
From discontinued operation (HK cents)	—	(0.03)
Total basic earnings per share attributable to the ordinary equity holders of the Company (HK cents)	<u>0.56</u>	<u>0.23</u>

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. No diluted earnings per share for the six months ended 30 June 2023 and 2022 as there was no dilutive potential shares during the periods.

10 MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group had no addition of property, plant and equipment (six months ended 30 June 2022: HK\$53,000).

11 INVESTMENT PROPERTIES

	30 June 2023	31 December 2022
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Recurring fair value measurements		
Residential property units located in Hong Kong	20,500	32,900
Commercial property units located in Mainland China	97,180	100,302
	<u>117,680</u>	<u>133,202</u>

For the six months ended 30 June 2023, no unrealised gain relating to investment properties is recognised in profit or loss (six months ended 30 June 2022: HK\$2,927,000).

For the six months ended 30 June 2023, investment property of HK\$12,500,000 (six months ended 30 June 2022: Nil) has been disposed of through the disposal of a subsidiary.

All of the Group's property interests held to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of the Group's investment properties at 30 June 2023 and 31 December 2022 have been arrived at on the basis of a valuation carried out on those dates by Ravia Global Appraisal Advisory Limited, an independent qualified professional valuer not connected with the Group. Ravia Global Appraisal Advisory Limited is a registered firm of Hong Kong Institute of Surveyors, and has appropriate qualifications and experience. The valuation was arrived at by reference to market evidence of transaction prices for similar properties in the same location and conditions and where appropriate by capitalisation of rental income from properties.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

12 INTANGIBLE ASSETS

	Goodwill <i>HK\$'000</i>	Supply chain financing platform <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 31 December 2022 (Audited)			
Cost	55,543	17,640	73,183
Accumulated amortisation	—	(8,158)	(8,158)
Net book value	<u>55,543</u>	<u>9,482</u>	<u>65,025</u>
Six months ended 30 June 2023 (Unaudited)			
Opening net book amount	55,543	9,482	65,025
Amortisation charge	—	(692)	(692)
Exchange difference	(1,729)	(274)	(2,003)
Closing net book value	<u>53,814</u>	<u>8,516</u>	<u>62,330</u>
At 30 June 2023 (Unaudited)			
Cost	53,814	17,345	71,159
Accumulated amortisation	—	(8,829)	(8,829)
Net book value	<u>53,814</u>	<u>8,516</u>	<u>62,330</u>

Amortisation expense of approximately HK\$692,000 (2022: HK\$920,000) was charged in administration expense.

Goodwill has been allocated to two individual cash generating units (“CGU”), comprising:

- Sale and leaseback arrangements services segment – South China International Leasing Co., Ltd. (“South China Leasing”), and
- Supply chain management business segment – 北京京西供應鏈管理有限公司 (Beijing Jingxi Supply Chain Management Co., Ltd.*).

During the six months ended 30 June 2023 and 2022, the directors determine that there is no impairment of the CGU represented by sale and leaseback arrangements services and supply chain management business.

* For identification purpose only

13 RECEIVABLES UNDER SALE AND LEASEBACK ARRANGEMENTS

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Current assets	748,934	756,885
Non-current assets	<u>291,038</u>	<u>333,229</u>
	<u>1,039,972</u>	<u>1,090,114</u>

At 30 June 2023, the Group's receivables under sale and leaseback arrangements were repayable as follows:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within one year	748,934	756,885
Between 1 and 2 years	204,474	72,315
Between 2 and 3 years	<u>86,564</u>	<u>260,914</u>
	<u>1,039,972</u>	<u>1,090,114</u>

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Analysed as:		
Current receivables under sale and leaseback arrangements (receivable within 12 months)	767,627	772,246
Non-current receivables under sale and leaseback arrangements (receivable after 12 months)	<u>296,994</u>	<u>339,516</u>
	1,064,621	1,111,762
Provision of impairment loss allowance	<u>(24,649)</u>	<u>(21,648)</u>
	<u>1,039,972</u>	<u>1,090,114</u>

As at 30 June 2023, the Group's receivables under sale and leaseback arrangements were not yet overdue (31 December 2022: same).

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Fixed-rate receivables under sale and leaseback arrangements	931,713	840,390
Variable-rate receivables under sale and leaseback arrangements	108,259	249,724
	<u>1,039,972</u>	<u>1,090,114</u>

The interest rates represent prevailing People's Bank of China Renminbi Lending Rate ("PBC rate") or Offshore Chinese Renminbi Hong Kong Interbank Offered Rate ("CNH HIBOR") as at 30 June 2023 and 31 December 2022, respectively.

Effective interest rates per annum of the above receivables under sale and leaseback arrangements for the period are as follows:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Effective interest rates		
Fixed-rate receivables	5.0% to 11.0%	5.0% to 12.0%
Variable-rate receivables	<u>5.5% to 5.5%</u>	<u>5.5% to 5.5%</u>

Interest rate of variable-rate receivables is reset when there is a change of the prevailing PBC rate or CNH HIBOR.

As at 30 June 2023, no receivables under sale and leaseback arrangements (31 December 2022: HK\$73,830,000) have been pledged against specific bank borrowings granted to the Group. The pledges will be released upon the settlement of bank borrowings.

14 TRADE AND BILL RECEIVABLES

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade and bill receivables	3,426	15,061
Provision for impairment loss allowance	—	(28)
	<u>3,426</u>	<u>15,033</u>

The credit terms of trade receivables are normally 30 to 90 days as at 31 December 2022 and 30 June 2023. The maturity periods of bill receivables are normally 6 to 12 months as at 31 December 2022 and 30 June 2023. The aging analysis of trade receivables and bill receivables based on invoice date is as follows:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within 3 months	<u>3,426</u>	<u>15,061</u>

15 INTEREST IN AN ASSOCIATE

The carrying amount of interest in an associate has changed as follows:

	For the six months ended 30 June 2023 HK\$'000 (Unaudited)	For the year ended 31 December 2022 HK\$'000 (Audited)
At beginning of period/year	83,951	92,930
Share of operating profits	1,838	523
Share of other comprehensive loss	(2,690)	(7,573)
Dividend received	—	(1,929)
Interest in an associate	<u>83,099</u>	<u>83,951</u>

Included in cost of investment in an associate of the Group, is goodwill of approximately HK\$23,458,000 as at 30 June 2023 (31 December 2022: approximately HK\$24,212,000). As at 30 June 2023 and 2022, the management considers that there is no impairment indicator for the investment in an associate.

16 SECURED BANK BORROWINGS

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Current portion		
Secured bank borrowings	—	13,639

As at 30 June 2023, the Group's borrowings was fully settled. As at 31 December 2022, the Group's borrowings were repayable in accordance with scheduled repayment dates as follows:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Carrying amount repayable:		
Within 1 year	—	11,200
Carrying amount of bank borrowings that contain a repayable on demand clause (shown under current liabilities) but repayable:		
Within 1 year	—	2,439
	—	13,639

At 31 December 2022, the borrowing of HK\$2,439,000 and HK\$11,200,000 were denominated in HK\$ and Renminbi ("RMB") respectively.

The ranges of effective interest rates on the Group's secured bank borrowings are as follows:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Effective interest rate:		
Variable-rate secured bank borrowings	—	4.75% to 5.77%

17 DISCONTINUED OPERATION

During the year ended 31 December 2022, the management decided to cease the operation of the assets management and consultancy services of the Group. Consequently, the operating segment of assets management and consultancy services is reported as a discontinued operation. Financial information relating to the discontinued operation is set out below.

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue	<u>–</u>	<u>–</u>
Gross profit	–	–
Other income	–	317
Expenses	<u>–</u>	<u>(1,581)</u>
Loss before income tax	–	(1,264)
Income tax expense	<u>–</u>	<u>–</u>
Loss from discontinued operation	–	(1,264)
Other comprehensive loss		
Currency transaction differences	<u>–</u>	<u>(1,576)</u>
Total comprehensive loss from discontinued operation	<u><u>–</u></u>	<u><u>(2,840)</u></u>
Net cash used in operating activities	<u>–</u>	<u>(2,563)</u>
Net decrease in cash and cash equivalents	<u><u>–</u></u>	<u><u>(2,563)</u></u>

Certain comparative information for the six months ended 30 June 2022 has been restated in order to disclose the discontinued operation separately from the continuing operations.

18 SHARE CAPITAL

	Number of shares	Amount <i>HK\$'000</i>
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023	<u>3,984,639,703</u>	<u>39,846</u>

19 ASSETS PLEDGED AS SECURITY

As at 30 June 2023 and 31 December 2022, the Group had the following assets pledged as security of bank borrowings:

- (a) As at 30 June 2023, no investment property was pledged to bank to secure for bank borrowings. As at 31 December 2022, the Group's investment properties with an aggregate carrying value of HK\$32,900,000 were pledged to banks to secure for bank borrowings with outstanding amount of HK\$2,439,000.
- (b) As at 30 June 2023, no receivable under sale and leaseback arrangements was pledged to banks to secure for bank borrowing. As at 31 December 2022, the Group's receivables under sale and leaseback arrangements with a carrying value of HK\$73,830,000 were pledged to banks to secure for bank borrowings with outstanding amount of HK\$11,200,000.

20 RELATED PARTY DISCLOSURE

The Controlling Shareholder of the Company defined under the Listing Rules is Wheeling Holdings Limited which is a wholly-owned subsidiary of Shougang Group Co., Ltd., a state-owned enterprise under the direct supervision of the State Council of the PRC. Accordingly, the Company and the Group are ultimately controlled by Shougang Group Co., Ltd. The transactions and those balances with Shougang Group Co., Ltd. and its subsidiaries (collectively referred as “Shougang Group”) and other PRC government-related financial institutions are disclosed below:

(a) Key management personnel compensation

Key management personnel includes directors (executive, non-executive and external directors) and the senior management of the Group. The compensation paid or payable to key management personnel is shown below:

	Six months ended 30 June	
	2023 <i>HK\$'000</i> (Unaudited)	2022 <i>HK\$'000</i> (Unaudited)
Wages, salaries and other benefits	2,066	3,768
Retirement benefit scheme contribution	<u>102</u>	<u>27</u>
Total employee benefit expenses	<u><u>2,168</u></u>	<u><u>3,795</u></u>

(b) Transactions with related parties

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Revenue under sale and leaseback arrangements (Note ii)		
Subsidiaries of Shougang Group	8,554	16,517
Associate of Shougang Group	—	684
	<u>8,554</u>	<u>17,201</u>
Revenue from supply chain management services (Note i)		
Subsidiaries of Shougang Group	<u>2,843</u>	<u>—</u>
Credit financing arrangement interest income (Note i)		
Subsidiaries of Shougang Group	<u>4,152</u>	<u>—</u>
Management fee expenses (Note i)		
Subsidiaries of Shougang Group	<u>42</u>	<u>1,440</u>
Lease payments (Note i)		
Subsidiary of Shougang Group	<u>240</u>	<u>1,173</u>
Purchase of trading goods (Note iii)		
Subsidiaries of Shougang Group	—	43,581
Associate of Shougang Group	—	25,735
	<u>—</u>	<u>69,316</u>
Entrusted loan payment interest income (Note ii)		
Subsidiary of Shougang Group	<u>—</u>	<u>61</u>

Notes:

- (i) The transactions were carried out in accordance with relevant lease and other agreements.
- (ii) The transactions were carried out in accordance with relevant sale and leaseback and loan agreements summarised as below:
 - (1) Pursuant to the sale and leaseback agreement, South China Leasing provided sale and leaseback amounting to RMB20,000,000 to Tengzhou Eastern Steel Cord Co. Ltd, an associate of Shougang Group, for a term of 18 months commenced from June 2021.
 - (2) The Company entered into the master facility agreement with Shougang Group Co., Ltd., pursuant to which the Company has conditionally agreed to provide or procure its subsidiaries to provide the uncommitted facilities to Shougang Group Co., Ltd. and/or its subsidiaries in an aggregate principal amount of up to RMB2,000,000,000 for a term of 3 years commenced from August 2021.
- (iii) The transactions were carried out in accordance with relevant master purchase agreement with Beijing Shougang Co., Ltd. for an annual cap of RMB1,000,000,000 for a term of 3 years commenced from August 2021.

(c) Outstanding balance arising from sale and leaseback business

Included in receivables under sale and leaseback arrangements of the Group as disclosed in Note 13, there are receivables under sale and leaseback arrangements from subsidiaries of Shougang Group with total carrying amount of HK\$291,839,000 (31 December 2022: HK\$346,970,000) as at 30 June 2023.

(d) Outstanding balance arising from supply chain management services

Included in trade and bill receivables of the Group as disclosed in Note 14, there are receivables from supply chain management services for the service fee charge on behalf of the Group with total carrying amount of HK\$1,822,000 (31 December 2022: Nil) as at 30 June 2023 and there are carrying amount of HK\$476,000 (31 December 2022: Nil) for the service fee charge from subsidiaries of Shougang Group.

(e) Amounts due from related parties

Included in prepayments, deposits and other receivables, there are amounts due from related parties with carrying amount of HK\$2,278,000 (31 December 2022: HK\$3,615,000) in relation to purchase product as at 30 June 2023. The balances are unsecured, repayable on demand and interest free.

(f) Amounts due to related parties

Included in other payables and accruals, there are amounts due to related parties with carrying amount of HK\$442,000 (31 December 2022: HK\$1,359,000) in relation to technical support services as at 30 June 2023. The balances are unsecured, repayable on demand and interest free.

(g) Receivable under credit financing arrangement

At 30 June 2023, the balance of HK\$162,690,000 (31 December 2022: HK\$168,453,000) is unsecured, repayable on demand and carried interest of 5% per annum (31 December 2022: 5% per annum). Interest receivable for credit financing arrangement of HK\$1,537,000 (31 December 2022: Nil) is included in prepayments, deposits and other receivables.

(h) Loans from a related party

At 30 June 2023, the balance of HK\$30,514,000 (31 December 2022: HK\$30,643,000) is unsecured, repayable on demand and carried interest of 4.1% per annum (31 December 2022: 4.1% per annum).

(i) Deposits in a related company

Included in cash and cash equivalents as at 30 June 2023, there are demand deposits of HK\$77,006,000 (31 December 2022: Nil) placed in a financial institution, which is a subsidiary of the Shougang Group. The interest rate of the demand deposits is 0.35% per annum (2022: Nil).

(j) Investment in related companies

At 30 June 2023, the Group's financial assets at FVPL included listed securities of 12,370,000 shares (31 December 2022: 12,370,000 shares) of Shougang Century Holdings Limited ("Shougang Cent") with carrying amount of HK\$2,140,000 (31 December 2022: HK\$2,721,000).

As at 31 December 2022, the Group's financial assets at FVPL included listed securities of 46,000 shares of Shoucheng Holdings Limited ("Shoucheng") with carrying amount of HK\$87,400. For the six months period ended 30 June 2023, the Group disposed of all the shares of Shoucheng.

Shougang Cent and Shoucheng are associates of Shougang Group.

(k) Transaction and balance with other PRC government-related entities

Apart from the transactions and balances with the Shougang Group as disclosed in Note 20(b), 20(c), 20(d), 20(e), 20(f), 20(g), 20(h) and 20(i), and the investments in related companies as disclosed in Note 20(j), the Group has entered into various transactions in its ordinary course of business including deposit placements, borrowings and other general banking facilities, with certain banks and financial institutions which are government-related entities. As at 30 June 2023, 100% and 0% (31 December 2022: 100% and 0%), respectively, of bank balances and bank borrowings are held with these government-related financial institutions.

INTERIM DIVIDEND

The Board did not declare an interim dividend for the six months ended 30 June 2023 (2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Industrial Financial Services continued to push ahead the development philosophy of financial leasing, commercial factoring and supply chain management services as core businesses, and endeavored to become a service provider of a supply chain financing platform characterised by integrating industry and finance to support for industrial upgrading. The Group maintained stable growth in results by seeking progress while ensuring stability, discovering its own potential and constantly making improvement and enhancement in its ability to respond to market changes.

KEY FINANCIAL PERFORMANCE INDICATORS

The key financial performance indicators are analysed as below:

	Six months ended 30 June		
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>	+ /(-) change
Financial performance			
Revenue from continuing operations	100,020	125,595	-20%
Gross profit margin from continuing operations (%)	54%	38%	16%
Profit for the period from continuing operations	30,120	18,832	60%
Profit attributable to owners of the Company	22,406	9,302	141%
Basic earnings per share (<i>HK cents</i>)	0.56	0.23	143%
	30 June	31 December	+ /(-)
	2023	2022	Change
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Key financial indicators			
Total cash	378,239	322,904	17%
Total assets	1,872,712	2,006,231	-7%
Total liabilities	157,186	250,855	-37%
Bank borrowings	-	13,639	-100%
Capital and reserves attributable to owners of the Company	1,381,171	1,417,068	-3%
Current ratio	984%	615%	369%

FINANCIAL OVERVIEW

The Group recorded profit attributable to owners of the Company of approximately HK\$22,406,000 for the six months ended 30 June 2023, representing a significant increase of 141% as compared with profit attributable to owners of the Company of approximately HK\$9,302,000 for the six months ended 30 June 2022. Revenue from continuing operations of the Group for the six months ended 30 June 2023 was approximately HK\$100,020,000, which represented a decrease of approximately 20% when compared with that of approximately HK\$125,595,000 for the same period of 2022. These decreases were mainly attributable to a decrease in revenue from the supply chain management business segment. The Group recorded a gross profit from continuing operations of approximately HK\$53,743,000 for the six months ended 30 June 2023, representing an increase of approximately 14% when compared with the gross profit from continuing operations of approximately HK\$47,329,000 for the same period of 2022. The Group recorded a gross profit margin from continuing operations of approximately 54% for the six months ended 30 June 2023, representing an increase when compared with the gross profit margin from continuing operations of approximately 38% for the same period of 2022. Basic earnings per share of the Group for the six months ended 30 June 2023 was HK0.56 cents (six months ended 30 June 2022: basic earnings per share was HK0.23 cents).

Revenue from continuing operations for the six months ended 30 June 2023 was approximately HK\$0.10 billion, representing a decrease of approximately 20% when compared with that of approximately HK\$0.13 billion for the same period of 2022. The decrease was mainly attributable to the business transformation in accordance with market condition, the suspension of business covering full-process services including steel products trading and logistics under the supply chain management business segment since August 2022.

The Group recorded a gross profit from continuing operations of approximately HK\$53,743,000 for the six months ended 30 June 2023, representing an increase of approximately 14%, when compared with the gross profit from continuing operations of approximately HK\$47,329,000 for the same period of 2022. The Group recorded a gross profit margin from continuing operations of approximately 54% for the six months ended 30 June 2023, representing a significant increase when compared with the gross profit margin from continuing operations of approximately 38% for the same period of 2022, which was mainly attributable to (i) the successful business transformation and launched of Supply Chain Financial Platform (the “Shougang SCF Platform”) in late 2022 for the supply chain management business which has higher gross profit margin and (ii) the continuous expansion of sale and leaseback arrangements services.

Other income from continuing operations for the six months ended 30 June 2023 amounted to approximately HK\$9,827,000 (six months ended 30 June 2022: HK\$3,219,000), representing an increase of approximately 205%. The increase was mainly due to the increase in credit financing arrangement interest income from a related party and government grant.

Administrative expenses from continuing operations for the six months ended 30 June 2023 amounted to approximately HK\$20,303,000 (six months ended 30 June 2022: HK\$22,082,000), representing a decrease of approximately 8%. The decrease was mainly due to the reduction in administrative staff cost, depreciation of right-of-use assets and the consultancy and management services provided by Shougang Holdings (Hong Kong) Limited has been terminated since last year.

For the six months ended 30 June 2023, share of profit of an associate amounted to approximately HK\$1,878,000 (six months ended 30 June 2022: profit of HK\$441,000), continued to make contribution to the Group's profit.

BUSINESS REVIEW AND OUTLOOK

The Group continued to push ahead the development philosophy of supply chain management services, financial leasing and commercial factoring as core businesses, endeavored to become a supply chain financial technology and service platform characterised by integrating industry and finance, and gave full play to the important role of financial services in empowering real economy. Taking advantage of our industrial advantages and competitive edges, we focus on the provision of customized and comprehensive financial service solutions to the steel industry and upstream and downstream customers on the industry chain for different business scenarios including the C-end market, and strive to meet our medium- and long-term strategic goal of continuous growth in performance.

Sale and Lease Back Arrangements Services Segment

An indirectly owned subsidiary of the Company, South China International Leasing Co., Ltd. ("South China Leasing"), principally engages in the provision of financial leasing in the PRC. The principal mode of finance lease offered by South China Leasing mainly include direct leasing and sale and leaseback arrangements. The major source of fund for this business is loans from banks and internal resources of the Group.

Direct leasing: Under this arrangement, the lessee designates the supplier of the selected equipment. Then the lessee, the equipment supplier, and South China Leasing sign a tripartite leasing contract pursuant to which South China Leasing will pay the equipment supplier for the equipment after acceptance of the equipment by the lessee and the lessee will pay South China Leasing rent for the use of the equipment based on the agreed terms.

Sale and leaseback: Under this arrangement, the lessee sells the subject equipment to South China Leasing and signs an equipment sale and purchase contract with South China Leasing. Then South China Leasing signs a sale-and-leaseback contract with the lessee. South China Leasing will pay the lessee for the equipment and the lessee will pay South China Leasing rent for using the equipment based on the agreed terms.

South China Leasing focuses on steel companies and domestic conglomerates as well as their upstream and downstream customers as its core customer groups as it would enable the Group to earn a stable revenue stream with a considerably lower risk exposure. Most customers of South China Leasing in the PRC are obtained through (a) referrals from business partners of existing customers, banks or peers and (b) marketing and sales effort from South China Leasing.

As at 30 June 2023, approximately 28% (31 December 2022: 30%) of the total receivables under the sale and leaseback arrangement was due from the Group's largest sale and leaseback customer which is a related party of the Group. As at 30 June 2023, approximately 38% (31 December 2022: 58%) of the total receivables under the sale and leaseback arrangement was due from the Group's five largest sale and leaseback customers, of which two such customers are related parties of the Group. Such related customers accounted for approximately 28% of the total receivables under sale and leaseback arrangement, and the remaining three customers accounted for approximately 6%, 4% and 0% of the total receivables under the sale and leaseback arrangement respectively.

Customer Diversity Table

Customers	Receivables	
	as at 30 June 2023	
	HK\$'000	%
Independent individual customers	639,812	62
Tonghua Steel Co., Ltd.*#	291,836	28
Jinyuan Huaxing Financial Leasing Co., Ltd.*^	60,389	6
Rugao Port Group Co., Ltd.^	47,870	4
Hangzhou Big Box Automobile Service Co., Ltd.	62	0
Shougang Qian'an Iron and Steel Co., Ltd.*#	3	0

Notes:

Tonghua Steel Co., Ltd.* and Shougang Qian'an Iron and Steel Co., Ltd.* are subsidiaries of Shougang Group Co., Ltd., Shougang Group Co., Ltd., a company established in the PRC, which is the holding company of Wheeling Holdings Limited, which in turn, Wheeling Holdings Limited is the controlling shareholder of the Company. Therefore, Tonghua Steel Co., Ltd.* and Shougang Qian'an Iron and Steel Co., Ltd.* are connected persons of the Company.

^ Rugao Port Group Co., Ltd is a limited liability company established in the PRC. It is principally engaged in coal and timber trading and the provision of port logistic services in Rugao City, Jiangsu Province, the PRC. Jinyuan Huaxing Financial Leasing Co., Ltd.* is a limited liability company principally engaged in the business of finance leases in Shangrao City, Jiangxi Province, the PRC. Therefore, Rugao Port Group Co., Ltd. and Jinyuan Huaxing Financial Leasing Co., Ltd. are independent of the Company and its connected persons.

* For identification purpose only

As at 30 June 2023, the Group had entered into 90,331 finance lease transactions of which 90,322 finance lease transactions were with independent individual customers, with principal amounts ranged from approximately RMB750 to RMB150 million. The Group's sale and leaseback customers are spread across diverse industries such as manufacturing industries, property development, trading and port logistics services provider, intelligent car wash service provider, and individual mobile phone rental customers.

During the period under review, revenue from the sale and leaseback arrangements services segment increased by approximately 99% to approximately HK\$86,499,000 (six months ended 30 June 2022: HK\$43,445,000), and the segment results recorded a profit of approximately HK\$34,994,000 (six months ended 30 June 2022: HK\$34,616,000). The increase in revenue from the sale and leaseback arrangements services segment was mainly due to the continuous expansion of the C-end consumer leasing business. The profit recorded in segment results remains stable and continued to make significant contribution to the Group's profit.

Supply Chain Management Business Segment

During the period under review, revenue from the supply chain management business segment was approximately HK\$11,220,000 (six months ended 30 June 2022: HK\$79,818,000). The supply chain management business segment results recorded a profit of approximately HK\$5,113,000 (six months ended 30 June 2022: HK\$2,053,000). The supply chain management business segment refers to a business model based on real trade, relying on logistics and centering around the capital flow control. Such business model enables a win-win situation for various participating entities, which include steel enterprises, banks and logistics companies, through the design and management of financial products. The supply chain management business segment has suspended its trading of goods business since August 2022 and built the Shougang SCF Platform under blockchain technology for the electronic multi-tier transfer of creditor's right certificates (the "Shougang Credit Certificate"), which was officially launched in late 2022, resulting in successful business transformation. This business transformation led to a significant decrease in revenue but substantially improved segment gross profit margin and performance.

2023 is the opening year of the Group to build a supply chain financial services platform after its business reshaping. The Group regards the supply chain financial services business as its top development priority, in an effort to establish a new development pattern. As of 30 June 2023, the Group has issued Shougang Credit Certificate via the Shougang SCF Platform with an aggregate amount of approximately RMB5.13 billion; there are approximately 1,858 suppliers and 2 financial institutions registered in Shougang SCF Platform. Operational data and performance match with the management's expectations. The Group will further sort out procurement needs in the supply chain, analyze the settlement habits and settlement cycles of each category and supplier, so as to formulate diversified Shougang Credit Certificate products and pricing strategies to cover more application scenarios in the supply chain and gain more recognition. In addition to the existing Shougang Credit Certificate, the Group will continue to develop different products to diversify its product offerings. By doing so, the Group helps to resolve the problems faced by small-to-medium sized suppliers in business scenarios with diversified product offerings, such as financing difficulties, high financing costs, high risk control costs, credit period mismatch and inventory backlog.

In addition, the Group will focus on the supply chain management business in the future, and continue to improve the intelligent construction level of the Shougang SCF Platform. Based on the actual businesses of supply chain finance, the Group will make use of the advantages of high-techs, innovate the design and create synergies for its other businesses.

Assets Management and Consultancy Services Segment

During the period under review, revenue from the assets management and consultancy services segment was Nil (six months ended 30 June 2022: Nil), while the segment results was nil (six months ended 30 June 2022: a loss of HK\$1,264,000). The change in segment results was mainly due to downsizing and discontinued of the consultancy business in 2022.

Property Leasing Services Segment

During the period under review, revenue from the property leasing services segment decreased to approximately HK\$2,301,000 (six months ended 30 June 2022: HK\$2,332,000), while the segment results recorded a profit of approximately HK\$2,197,000 (six months ended 30 June 2022: a profit of approximately HK\$5,141,000). The revenue from the property leasing services segment remains stable. The decrease in profit recorded in segment results was mainly attributable to the increase in fair value of investment properties of the property leasing services segment during the period of approximately HK\$100,000 which was less than the same period of last year (six months ended 30 June 2022: increase in fair value of investment properties of HK\$2,927,000).

Under the policy environment and market environment of promoting financial innovation, Capital Industrial Financial Services will grasp opportunities brought by the policies in relation to China's innovation of modern supply chain area and the upgrading strategies of industries in which target core enterprises operate to provide innovative financial products and service portfolios to those target core enterprises and their upstream and downstream customer groups, so as to serve the real economy. Through our supply chain financing platform, we will provide accessible financing to our small-to-medium sized enterprises customers to lower financing costs and enhance the stability of supply chains, which will bring low cost funds and equity capital to our customers and optimise their capital structure, help the Group to achieve sustainable growth in its business scale and create greater business value for our customers, shareholders and society.

In terms of risk management infrastructure, prudent and effective risk management can help in tapping the commercial value of long-term investments, as well as laying a solid foundation for the Group's sustainable development. We will put emphasis on strengthening our risk control system, introducing information technology platform, and adjusting our management and control strategies in a timely manner and continuously improving our management by improving and optimising our risk control mechanism. In addition, we will also continue to promote the development of our online risk management platform based on asset securitisation and industry supply chain business so as to provide an effective tool for the Group's risk management.

LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

The Group has been focusing on maintaining stable funding sources and financing is arranged to match business requirements and cash flows. The financial leverage of the Group as at 30 June 2023 as compared to 31 December 2022 is summarised below:

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Total borrowings		
Current borrowings	30,514	44,282
Non-current borrowings	–	–
Sub-total	30,514	44,282
Total cash		
Cash and cash equivalents	378,239	322,904
Total equity	1,715,526	1,755,376
Total assets	1,872,712	2,006,231
Financial leverage		
Current ratio	<u>984%</u>	<u>615%</u>

As at 30 June 2023, the Group had cash and cash equivalents of approximately HK\$378,239,000 (31 December 2022: HK\$322,904,000), which were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The increase was mainly attributable to the net cash generated from financing activities of approximately HK\$60,306,000.

As at 30 June 2023, the Group's borrowings amounted to approximately HK\$30,514,000, of which approximately HK\$30,514,000 were repayable on demand or within twelve months from 30 June 2023 and none of which were repayable after twelve months from 30 June 2023. During the period under review, the Group did not obtain any new borrowings as the working capital for the Group's operations. All borrowings bore interest at market rates.

CAPITAL STRUCTURE

The capital and reserves attributable to owners of the Company amounted to approximately HK\$1,381,171,000 as at 30 June 2023 (31 December 2022: HK\$1,417,068,000). The decrease was mainly due to the exchange differences arising from translation during the period totalling approximately HK\$46,349,000. The Company did not issue any new shares during the period under review. The issued share capital of the Company was approximately HK\$39,846,000 (represented by approximately 3,984,640,000 issued ordinary shares).

MATERIAL ACQUISITIONS, DISPOSALS AND SIGNIFICANT INVESTMENT

During the six months ended 30 June 2023, the Group had no material acquisitions, disposals and significant investment.

CHARGE ON ASSETS

As at 30 June 2023, the Group had no charge on its assets.

FOREIGN EXCHANGE EXPOSURE

The normal operations and investments of the Group are mainly in Hong Kong and China, with revenue and expenditure denominated in Hong Kong dollars and Renminbi. The Directors believe that the Group does not have significant foreign exchange exposure. However, if necessary, the Group will consider using forward exchange contracts to hedge against foreign exchange exposures. As at 30 June 2023, the Group has no significant foreign exchange exposure.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2023.

EMPLOYEES

As at 30 June 2023, the Group employed 55 (31 December 2022: 50) full time employees (excluding those under the payroll of associates of the Group). The Group remunerated its employees mainly with reference to the prevailing market practice, individual performance and work experience. Other benefits such as medical coverage, insurance plan, mandatory provident fund and discretionary bonus are also available to employees of the Group. Remuneration packages are reviewed either annually or through special increment.

During the six months ended 30 June 2023, the Company and its subsidiaries have not paid or committed to pay to any individual any amount as an inducement to join or upon joining the Company and/or its subsidiaries.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities (whether on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or otherwise) during the period under review.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining good corporate governance standard and procedures to safeguard the interests of all shareholders and to enhance accountability and transparency.

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange during the six months ended 30 June 2023.

AUDIT COMMITTEE

The Audit Committee comprised four members including three Independent Non-executive Directors, namely Mr. Tam King Ching, Kenny as Chairman, Mr. Ng Man Fung, Walter and Ms. On Danita, and one Non-executive Director, namely Mr. Huang Donglin.

The Audit Committee is accountable to the Board. It focuses primarily on financial reporting related matters, such as reviewing financial information and overseeing financial reporting related systems and controls. The Committee also advises the Board on high-level risk related matters, risk management and internal control, including advising on risk assessment and oversight of the internal audit function.

The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2023.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all management and staff for their hard work and dedication throughout the period.

By order of the Board
Capital Industrial Financial Services Group Limited
Sun Yajie
Chairman

Hong Kong, 25 August 2023

As at the date of this announcement, the Board comprises Ms. Sun Yajie (Chairman); Mr. Liang Hengyi (Managing Director); Mr. Tian Gang (Executive Director); Mr. Huang Donglin (Non-executive Director); Ms. Qiao Yufei (Non-executive Director); Mr. Tam King Ching, Kenny (Independent Non-executive Director); Mr. Ng Man Fung, Walter (Independent Non-executive Director) and Ms. On Danita (Independent Non-executive Director).

* For identification purpose only