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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)**

## **FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023**

The board of directors (the “Board”) of Capital Industrial Financial Services Group Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2023 with comparative figures for the year ended 31 December 2022. These final results have been reviewed by the Audit Committee of the Company.

### **CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

*For the year ended 31 December 2023*

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>Continuing operations</b>			
Revenue under sale and leaseback arrangements and entrusted loan arrangements	2	<b>188,021</b>	90,300
Revenue from supply chain management and financial technology business	2	<b>26,845</b>	275,880
Property leasing income	2	<b>4,419</b>	4,458
<b>Total revenue</b>		<b>219,285</b>	370,638
Cost of revenue under sale and leaseback arrangements		<b>(97,083)</b>	(20,684)
Cost of revenue from supply chain management and financial technology business		<b>(1,847)</b>	(263,122)
<b>Gross profit</b>		<b>120,355</b>	86,832

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
Other income	3	<b>18,580</b>	9,696
Other gains, net	4	<b>3,323</b>	36,310
Selling expenses		–	(3,317)
Administrative expenses		<b>(61,235)</b>	(53,480)
Changes in fair value of investment properties		<b>(3,192)</b>	(2,471)
Changes in fair value of financial assets at fair value through profit or loss		<b>267</b>	(1,530)
Net impairment losses on financial assets		<b>(24,905)</b>	(17,150)
Impairment loss on goodwill		–	(945)
<b>Operating profit</b>		<b>53,193</b>	53,945
Finance costs	5	<b>(1,307)</b>	(4,812)
Share of profit of an associate	10	<b>2,055</b>	523
<b>Profit before income tax</b>		<b>53,941</b>	49,656
Income tax expense	6	<b>(11,507)</b>	(16,178)
<b>Profit from continuing operations</b>		<b>42,434</b>	33,478
Loss from discontinued operation (attributable to equity holders of the Company)		–	(1,241)
<b>Profit for the year</b>		<b>42,434</b>	32,237
<b>Profit is attributable to:</b>			
Owners of the Company		<b>32,082</b>	14,526
Non-controlling interests		<b>10,352</b>	17,711
		<b>42,434</b>	32,237

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>Profit for the year</b>		<b>42,434</b>	32,237
<b>Other comprehensive loss arising from continuing operations</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Currency translation differences		(25,244)	(144,009)
Share of currency translation difference of an associate for using equity method		(1,155)	(7,573)
		<u>(26,399)</u>	<u>(151,582)</u>
<b>Other comprehensive loss arising from discontinued operation</b>			
<i>Items that will not be reclassified to profit or loss:</i>			
Currency translation differences		–	(3,704)
		<u>–</u>	<u>(3,704)</u>
<b>Total comprehensive income/(loss) for the year</b>		<b>16,035</b>	(123,049)
<b>Total comprehensive income/(loss) attributable to:</b>			
Owners of the Company		11,552	(108,635)
Non-controlling interests		4,483	(14,414)
		<u>16,035</u>	<u>(123,049)</u>
<b>Total comprehensive income/(loss) attributable to owners of the Company arising from:</b>			
Continuing operations		11,552	(103,690)
Discontinued operation		–	(4,945)
		<u>11,552</u>	<u>(108,635)</u>
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company:</b>			
Basic and diluted ( <i>HK cents</i> )		<b>0.81</b>	0.40
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>			
Basic and diluted ( <i>HK cents</i> )	8	<b>0.81</b>	0.37

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2023*

	<i>Notes</i>	<b>2023</b>	2022
		<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>626</b>	954
Right-of-use assets		<b>8,377</b>	8,213
Investment properties		<b>116,096</b>	133,202
Intangible assets	9	<b>71,806</b>	65,025
Interests in an associate	10	<b>84,851</b>	83,951
Receivables under sale and leaseback arrangements	11	<b>229,214</b>	333,229
Financial assets at fair value through profit or loss		<b>2,848</b>	2,809
Prepayments	12	<b>847</b>	3,814
Deferred tax assets		<b>465</b>	2,384
<b>Total non-current assets</b>		<b>515,130</b>	633,581
<b>Current assets</b>			
Receivables under sale and leaseback arrangements	11	<b>889,811</b>	756,885
Receivable under credit financing arrangement		<b>165,386</b>	168,453
Trade and bill receivables	12	<b>1,558</b>	15,033
Prepayments, deposits and other receivables	12	<b>19,898</b>	33,558
Amounts due from related parties		<b>3,864</b>	–
Restricted bank deposits		–	75,817
Cash and cash equivalents		<b>319,054</b>	322,904
<b>Total current assets</b>		<b>1,399,571</b>	1,372,650
<b>Total assets</b>		<b>1,914,701</b>	2,006,231
<b>EQUITY</b>			
Share capital	15	<b>39,846</b>	39,846
Reserves		<b>1,376,076</b>	1,377,222
<b>Capital and reserves attributable to owners of the Company</b>		<b>1,415,922</b>	1,417,068
Non-controlling interests		<b>340,578</b>	338,308
<b>Total equity</b>		<b>1,756,500</b>	1,755,376

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Loan from a related party		<b>9,810</b>	–
Lease liabilities		<b>5,472</b>	6,876
Deferred tax liabilities		<b>13,454</b>	20,619
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>28,736</b>	27,495
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Current liabilities</b>			
Trade and bills payables	<i>13</i>	<b>10,162</b>	84,974
Other payables and accruals	<i>13</i>	<b>109,682</b>	70,040
Secured bank borrowings	<i>14</i>	–	13,639
Loan from a related party		–	30,643
Contract liabilities		–	16
Lease liabilities		<b>3,924</b>	2,315
Current tax liabilities		<b>5,697</b>	21,733
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>129,465</b>	223,360
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total liabilities</b>		<b>158,201</b>	250,855
		<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
<b>Total equity and liabilities</b>		<b>1,914,701</b>	2,006,231
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# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

Capital Industrial Financial Services Group Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability. The addresses of the registered office is 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 and financial technology business.

The consolidated financial statements are presented in thousands of units of Hong Kong dollars (“HK\$’000”), unless otherwise stated.

### **Basis of preparation**

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention, except for the revaluation of financial assets at fair value through profit or loss and investment properties which are measured at fair value.

The preparation of the consolidated financial statements in conformity with HKFRSs require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

### ***New and amended standards adopted by the Group***

The Group has applied the following new and amended standards for the first time for the annual reporting period commencing from 1 January 2023:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform — Pillar Two Model Rules
HKFRS 17	Insurance Contracts
HKFRS 17	Amendments to HKFRS 17
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information

The adoption of the above new and amended standards did not have any significant financial impact on these consolidated financial statements.

### *Impact of amended standards and interpretations issued but not yet applied by the Group*

Certain amended standards and interpretations have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group.

		<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statement — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group has already commenced an assessment of the impact of the above amended standards and interpretations and does not expect to have a material impact on the Group's consolidated financial statements.

## **2 SEGMENT INFORMATION**

The Company's managing director, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The Group is currently organised into three operating divisions: sale and leaseback arrangements services, property leasing services and supply chain management and financial technology business.

Sale and leaseback arrangements service is engaging in collateral financing activities. Property leasing service is engaging in rental of properties. Supply chain management and financial technology business is engaged in supply chain management and financial technology services and trading of goods.

During the year ended 31 December 2022, the Group ceased the business of assets management and consultancy service, which engaged in provision of referral and corporate financial advisory services, and reclassified the relevant business as discontinued operation.

Segment results represent the profit or loss of each segment without allocation of central administration costs, changes in fair value of financial assets at FVPL, unallocated other income, impairment loss on goodwill, finance costs and share of profit of an associate. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

The following is an analysis of the Group's revenue and results by operating and reportable segments. Segment revenue reported below represents revenue generated from external customers. There were no inter-segment sales in the current and prior years.

	<u>Continuing operations</u>			<b>Total</b> <i>HK\$'000</i>
	<b>Sale and leaseback arrangements services</b> <i>HK\$'000</i>	<b>Property leasing services</b> <i>HK\$'000</i>	<b>Supply chain management and financial technology business</b> <i>HK\$'000</i>	
<b>During the year ended 31 December 2023</b>				
Revenue under sale and leaseback arrangements	188,021	-	-	188,021
Revenue from supply chain management and financial technology business	-	-	26,845	26,845
Property leasing income	-	4,419	-	4,419
	<u>188,021</u>	<u>4,419</u>	<u>26,845</u>	<u>219,285</u>
Segment revenue	<u>188,021</u>	<u>4,419</u>	<u>26,845</u>	<u>219,285</u>
Segment results	<u>48,961</u>	<u>773</u>	<u>4,202</u>	<u>53,936</u>
<b>Unallocated</b>				
Central administration costs				(16,768)
Changes in fair value of financial assets at FVPL				267
Other income ( <i>Note</i> )				15,758
Finance costs				(1,307)
Share of profit of an associate				2,055
Profit before tax				<u>53,941</u>



	Continuing operations			Sub-total	Discontinued operation	Total
	Sale and leaseback arrangements services	Property leasing services	Supply chain management and financial technology business		Assets management and consultancy services	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>During the year ended 31 December 2022</b>						
Revenue under sale and leaseback arrangements	90,147	–	–	90,147	–	90,147
Entrusted loan payment interest income	153	–	–	153	–	153
Revenue from supply chain management and financial technology business	–	–	12,317	12,317	–	12,317
Revenue from trading of goods	–	–	263,563	263,563	–	263,563
Property leasing income	–	4,458	–	4,458	–	4,458
Segment revenue	<u>90,300</u>	<u>4,458</u>	<u>275,880</u>	<u>370,638</u>	<u>–</u>	<u>370,638</u>
Segment results	<u>77,458</u>	<u>1,783</u>	<u>2,795</u>	<u>82,036</u>	<u>(1,241)</u>	<u>80,795</u>
<b>Unallocated</b>						
Central administration costs						(29,541)
Changes in fair value of financial assets at FVPL						(1,530)
Other income (Note)						2,440
Impairment loss on goodwill						(945)
Finance costs						(3,327)
Share of profit of an associate						523
Profit before tax						<u>48,415</u>

*Notes:* Unallocated other income represents interest income from bank deposits held by investment holding companies and government grant received from the Government of the PRC for the deduction of corporate income tax and value added tax and the Government of the Hong Kong Special Administrative Region under the Employment Support Scheme.

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

	Continuing operations 2023 HK\$'000	Discontinued operation 2023 HK\$'000	Total HK\$'000	Continuing operations 2022 HK\$'000	Discontinued operation 2022 HK\$'000	Total HK\$'000
<b>Segment assets</b>						
Sale and leaseback arrangements services	1,393,283	-	1,393,283	1,367,626	-	1,367,626
Supply chain management and financial technology business	259,536	-	259,536	158,276	-	158,276
Property leasing services	116,539	-	116,539	136,348	-	136,348
Assets management and consultancy services	-	-	-	-	42,647	42,647
Total segment assets	1,769,358	-	1,769,358	1,662,250	42,647	1,704,897
Interest in an associate	84,851	-	84,851	83,951	-	83,951
Financial assets at FVPL	2,848	-	2,848	2,809	-	2,809
Other unallocated assets	57,644	-	57,644	214,574	-	214,574
Consolidated assets	<u>1,914,701</u>	<u>-</u>	<u>1,914,701</u>	<u>1,963,584</u>	<u>42,647</u>	<u>2,006,231</u>
<b>Segment liabilities</b>						
Sale and leaseback arrangements services	121,520	-	121,520	111,092	-	111,092
Supply chain management and financial technology business	11,917	-	11,917	96,567	-	96,567
Property leasing services	102	-	102	95	-	95
Assets management and consultancy services	-	-	-	-	50	50
Total segment liabilities	133,539	-	133,539	207,754	50	207,804
Unallocated secured bank borrowings	-	-	-	33,082	-	33,082
Other unallocated liabilities	24,662	-	24,662	9,969	-	9,969
Consolidated liabilities	<u>158,201</u>	<u>-</u>	<u>158,201</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 interests in an associate, financial assets at FVPL and other unallocated assets (including primarily unallocated property, plant and equipment, receivable under credit financing arrangement, cash and cash equivalents and prepayments).
- all liabilities are allocated to reportable segments other than unallocated secured bank borrowings not for sale and leaseback arrangements services and other unallocated liabilities.

## Other segment information

### For the year ended 31 December 2023

	Continuing operations				Discontinued operation		Total HK\$'000
	Sale and leaseback arrangements services HK\$'000	Property leasing services HK\$'000	Supply chain management and financial technology business HK\$'000	Unallocated HK\$'000	Sub-total HK\$'000	Assets management and consultancy services HK\$'000	
Additions to non-current assets ( <i>Note</i> )	6	-	-	24	30	-	30
Depreciation of property, plant and equipment	242	3	13	87	345	-	345
Amortisation charge on intangible asset	-	-	1,331	-	1,331	-	1,331
Provision for impairment loss of receivables under sale and leaseback arrangements, net	25,123	-	-	-	25,123	-	25,123
Reversal of provision for impairment loss of trade receivables and other receivables	-	-	(218)	-	(218)	-	(218)
	<u>-</u>	<u>-</u>	<u>(218)</u>	<u>-</u>	<u>(218)</u>	<u>-</u>	<u>(218)</u>

### For the year ended 31 December 2022

	Continuing operations				Discontinued operation		Total HK\$'000
	Sale and leaseback arrangements services HK\$'000	Property leasing services HK\$'000	Supply chain management and financial technology business HK\$'000	Unallocated HK\$'000	Sub-total HK\$'000	Assets management and consultancy services HK\$'000	
Additions to non-current assets ( <i>Note</i> )	16	7	14	32	69	-	69
Depreciation of property, plant and equipment	235	38	71	204	548	-	548
Amortisation charge on intangible asset	-	-	1,351	-	1,351	-	1,351
Provision for impairment loss of receivables under sale and leaseback arrangements, net	16,959	-	-	-	16,959	-	16,959
Provision for impairment loss of trade receivables and other receivables	-	-	194	-	194	-	194
Impairment loss on goodwill	-	-	-	945	945	-	945
	<u>-</u>	<u>-</u>	<u>-</u>	<u>945</u>	<u>945</u>	<u>-</u>	<u>945</u>

*Note:* Non-current assets exclude goodwill, interests in an associate, financial assets at FVPL, deferred tax assets and right-of-use assets.

## Geographical information

The Group's revenue from external customers by location of the relevant subsidiary's operations and information about its non-current assets by location of assets are detailed below:

	Revenue from external customers					
	Continuing operations	Discontinued operation	Total	Continuing operations	Discontinued operation	Total
	2023	2023		2022	2022	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mainland China	218,613	-	218,613	369,992	-	369,992
Hong Kong	672	-	672	646	-	646
	<u>219,285</u>	<u>-</u>	<u>219,285</u>	<u>370,638</u>	<u>-</u>	<u>370,638</u>
	<b>Non-current assets</b>					
			<b>2023</b>		2022	
			<b>HK\$'000</b>		<b>HK\$'000</b>	
<b>Non-current assets (Note)</b>						
Mainland China			<b>344,473</b>		447,739	
Hong Kong			<b>19,365</b>		32,937	
			<u><b>363,838</b></u>		<u>480,676</u>	

*Note:* Non-current assets of the Group is arising from continuing operations, which exclude goodwill, interests in an associate, financial assets at FVPL, deferred tax assets and right-of-use assets.

### Information about major customers

Revenue from customers contributing over 10% of the total revenue from continuing operations of the Group under reportable segments for the corresponding years are as follows:

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Supply chain management and financial technology business:		
Customer A	<i>(Note)</i>	77,909
Customer B	<i>(Note)</i>	53,221
Customer C	<i>(Note)</i>	38,252
	<u>                    </u>	<u>                    </u>

*Note:* The corresponding customers did not contribute over 10% of the total revenue of the Group.

### Revenue recognised in relation to contract liabilities

The Group has recognised the following liabilities from continuing operations related to contracts with customers:

	<b>2023</b>	2022
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Contract liabilities	<u>                    </u>	<u>                    </u>
	–	16

Revenue from continuing operations recognised during the year ended 31 December 2023 that was included in the contract liabilities balance at the beginning of the year amounted to approximately HK\$16,000 (2022: HK\$10,115,000).

### 3 OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Continuing operations</b>		
<b>Interest income</b>		
— Bank deposits	3,122	8,963
— Deposit service interest income from a related party	426	—
— Credit financing arrangement income from a related party	8,096	—
	<u>11,644</u>	<u>8,963</u>
Government grant ( <i>Note</i> )	1,823	275
Management and financial advisory service income	1,022	—
Financial technical service income	2,868	—
Others	1,223	458
	<u>18,580</u>	<u>9,696</u>

*Note:* During the year, government grant of HK\$1,823,000 was received from the Government of the People's Republic of China for the deduction of corporate income tax and value added tax. (2022: government grant of HK\$264,000 was received from the Government of the Hong Kong Special Administrative Region under the Employment Support Scheme and HK\$11,000 was received from PRC Government for employment support.) There are no unfulfilled conditions or other contingencies attaching to these grants.

### 4 OTHER GAINS, NET

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Continuing operations</b>		
Loss on disposal of property, plant and equipment	—	(51)
Gain on early termination of lease arrangement	50	135
Recovery of receivables under sale and leaseback arrangements previously written-off	3,273	36,226
	<u>3,323</u>	<u>36,310</u>

## 5 FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Continuing operations</b>		
Interest on secured bank borrowings	19	9,231
Less: amounts included in cost of revenue under sale and leaseback arrangements	—	(5,163)
	<u>19</u>	<u>4,068</u>
Interest on loan from a related party	808	164
Interest on lease liabilities	480	580
	<u>1,307</u>	<u>4,812</u>

## 6 INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current income tax:		
— China enterprise income tax	<u>16,530</u>	<u>27,330</u>
Deferred income tax	<u>(5,023)</u>	<u>(11,152)</u>
Income tax expense from continuing operations	<u>11,507</u>	<u>16,178</u>

### Notes:

- (a) Hong Kong profits tax has been provided at the rate of 16.5% (2022: 16.5%) on the estimated assessable profits for the year ended 31 December 2023.
- (b) 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 2023 (2022:25%).

## 7 DIVIDENDS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Final dividend of 2022, declared and paid of HK\$0.3 cents (2021: HK\$0.3 cents) per ordinary share	11,954	11,954
Final dividend of 2023, proposed of HK\$0.4 cents (2022: HK\$0.3 cents) per ordinary share	<u>15,890</u>	<u>11,954</u>

On 24 March 2023, the Board has recommended the payment of a final dividend of HK\$0.3 cents per fully paid ordinary share, with total amount of approximately HK\$11,954,000 for the year ended 31 December 2022. The dividend was paid in July 2023.

On 25 March 2024, the Board has recommended the payment of a final dividend of HK\$0.4 cents per fully paid ordinary share, with total amount of approximately HK\$15,890,000 for the year ended 31 December 2023. The final dividend is subject to the shareholders' approval at the forthcoming annual general meeting. The final dividend proposed after 31 December 2023 has not been recognised as a liability as at 31 December 2023.

## 8 EARNINGS PER SHARE

### (a) Basic

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

	2023	2022
Profit from continuing operations attributable to equity holders of the Company ( <i>HK\$'000</i> )	32,082	15,767
Loss from discontinued operation attributable to equity holders of the Company ( <i>HK\$'000</i> )	—	(1,241)
	<u>32,082</u>	<u>14,526</u>
Weighted average number of ordinary shares ( <i>thousand</i> )	<u>3,984,519</u>	<u>3,984,640</u>
From continuing operations attributable to the ordinary equity holders of the Company ( <i>HK cents</i> )	0.81	0.40
From discontinued operation ( <i>HK cents</i> )	—	(0.03)
Total basic earnings per share attributable to the ordinary equity holders of the Company ( <i>HK cents</i> )	<u>0.81</u>	<u>0.37</u>

### (b) Diluted

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 year ended 31 December 2023 and 2022 as there was no dilutive potential shares during the year.



## 9 INTANGIBLE ASSETS

	<b>Goodwill</b> <i>HK\$'000</i>	<b>Supply chain financing platform</b> <i>HK\$'000</i>	<b>Total</b> <i>HK\$'000</i>
<b>At 1 January 2022</b>			
Cost	61,497	13,083	74,580
Accumulated amortisation	–	(7,473)	(7,473)
	<u>61,497</u>	<u>5,610</u>	<u>67,107</u>
Net book value	<u>61,497</u>	<u>5,610</u>	<u>67,107</u>
<b>Year ended 31 December 2022</b>			
Opening net book amount	61,497	5,610	67,107
Addition	–	6,133	6,133
Amortisation charge	–	(1,351)	(1,351)
Impairment	(945)	–	(945)
Exchange difference	(5,009)	(910)	(5,919)
	<u>55,543</u>	<u>9,482</u>	<u>65,025</u>
Closing net book value	<u>55,543</u>	<u>9,482</u>	<u>65,025</u>
<b>At 31 December 2022</b>			
Cost	55,543	17,640	73,183
Accumulated amortisation	–	(8,158)	(8,158)
	<u>55,543</u>	<u>9,482</u>	<u>65,025</u>
Net book value	<u>55,543</u>	<u>9,482</u>	<u>65,025</u>
<b>Year ended 31 December 2023</b>			
Opening net book amount	55,543	9,482	65,025
Addition	–	9,030	9,030
Amortisation charge	–	(1,331)	(1,331)
Exchange difference	(792)	(126)	(918)
	<u>54,751</u>	<u>17,055</u>	<u>71,806</u>
Closing net book value	<u>54,751</u>	<u>17,055</u>	<u>71,806</u>
<b>At 31 December 2023</b>			
Cost	54,751	26,388	81,139
Accumulated amortisation	–	(9,333)	(9,333)
	<u>54,751</u>	<u>17,055</u>	<u>71,806</u>
Net book value	<u>54,751</u>	<u>17,055</u>	<u>71,806</u>

## 10 INTERESTS IN AN ASSOCIATE

Set out below is the associate of the Group as at 31 December 2023. The entity listed below has share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held. The associate is accounted for using the equity method in these consolidated financial statements.

Name of entity	Nature of relationship	Principal activities	Place of business/country of incorporation	Effective % of ownership interest		Carrying amount	
				2023	2022	2023	2022
				%	%	HK\$'000	HK\$'000
京西商業保理有限公司 (Beijing West Business Factoring Company Limited*) (“Beijing West Business Factoring”)	Associate	Provision of factoring services in PRC	The PRC	41.41%	41.41%	84,851	83,951
						<b>2023</b>	2022
						<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Cost of investment in associate:</b>							
As at 31 December						<b>83,951</b>	92,930
Share of profits						<b>2,055</b>	523
Share of other comprehensive income						<b>(1,155)</b>	(7,573)
Dividend received						–	(1,929)
<b>Interests in an associate</b>						<b>84,851</b>	83,951

## 11 RECEIVABLES UNDER SALE AND LEASEBACK ARRANGEMENTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current assets	889,811	756,885
Non-current assets	<u>229,214</u>	<u>333,229</u>
	<u><b>1,119,025</b></u>	<u>1,090,114</u>

At 31 December, the Group's receivables under sale and leaseback arrangements were receivable as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within one year	889,811	756,885
Between 1 and 2 years	229,214	72,315
Between 2 and 3 years	<u>–</u>	<u>260,914</u>
	<u><b>1,119,025</b></u>	<u>1,090,114</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Analysed as:		
Current receivables under sale and leaseback arrangements (receivable within 12 months)	926,041	772,246
Non-current receivables under sale and leaseback arrangements (receivable after 12 months)	<u>239,263</u>	<u>339,516</u>
	<b>1,165,304</b>	1,111,762
Provision of impairment loss allowance	<u>(46,279)</u>	<u>(21,648)</u>
	<u><b>1,119,025</b></u>	<u>1,090,114</u>

## 12 TRADE AND BILL RECEIVABLES AND PREPAYMENT, DEPOSIT AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade and bill receivables ( <i>Note (iii)</i> )	1,558	15,061
Provision for impairment loss allowance	—	(28)
	<u>1,558</u>	<u>15,033</u>
Prepayments ( <i>Note (i)</i> )	1,086	7,650
Other receivables ( <i>Note (ii)</i> )	18,294	28,718
Deposits	1,507	1,340
Provision for impairment loss allowance	(142)	(336)
	<u>22,303</u>	<u>52,405</u>
Non-current	847	3,814
Current	<u>21,456</u>	<u>48,591</u>
	<u>22,303</u>	<u>52,405</u>

### Notes:

- (i) As at 31 December 2023, no prepayment was paid to the supplier in relation to the supply chain management and financial technology services (2022: HK\$3,615,000).
- (ii) As at 31 December 2023, other receivables of HK\$1,824,000 (2022: HK\$26,809,000) was receivable in relation to the purchase cost paid on behalf of customers under supply chain management and financial technology services in which the Group was acting as an agent.
- (iii) The credit terms of trade receivables are normally 30 to 90 days as at 31 December 2023. The maturity periods of bill receivables are normally 6 to 12 months as at 31 December 2023. The aging analysis of trade receivables and bill receivables is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 3 months	<u>1,558</u>	<u>15,061</u>

Due to the short-term nature of the trade and bill receivables, their carrying amounts are considered to be the same as their fair value. (2022: same)

The carrying amounts of the Group's trade and bill receivables are denominated in RMB. (2022: same)

### 13 TRADE AND BILLS PAYABLES, OTHER PAYABLES AND ACCRUALS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade and bills payables ( <i>Note (i)</i> )	<u>10,162</u>	<u>84,974</u>
Accrued salaries and bonuses	13,128	9,511
Accrued legal and professional fees	2,681	3,255
Security deposits received	52,441	29,957
Other tax payables	26,271	11,535
Interest payables	8	23
Others ( <i>Note (ii)</i> )	<u>15,153</u>	<u>15,759</u>
	<u>109,682</u>	<u>70,040</u>
	<u><u>119,844</u></u>	<u><u>155,014</u></u>

*Notes:*

- (i) The aging analysis of the trade and bills payables primarily based on invoice date was as follows:

	<b>As at 31 December</b>	
	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 30 days	10,162	84,653
31 to 90 days	<u>–</u>	<u>321</u>
	<u><u>10,162</u></u>	<u><u>84,974</u></u>

- (ii) As at 31 December 2023, include in others HK\$1,824,000 (2022: HK\$3,295,000) was payable in relation to the purchase cost payable to suppliers under supply chain management and financial technology services in which the Group was acting as an agent.

## 14 SECURED BANK BORROWINGS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Current portion</b>		
Secured bank borrowings	—	13,639

As at 31 December 2023 and 2022, the Group's secured bank borrowings were repayable in accordance with scheduled repayment dates as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Carrying amount repayable:		
Within 1 year	—	11,200
Carrying amount of secured bank borrowings that contain a repayable on demand clause (shown under current liabilities) but repayable:		
Within 1 year	—	2,439
	—	13,639

## 15 SHARE CAPITAL

	Number of shares	Amount HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2022, 31 December 2022 and 31 December 2023	<u>10,000,000,000</u>	<u>100,000</u>
Issued and fully paid:		
At 1 January 2022, 31 December 2022 and 31 December 2023	<u>3,984,639,703</u>	<u>39,846</u>

*Notes:*

During the year ended 31 December 2023, the Company repurchased 4,971,000 of its own shares. The total amount paid to repurchase the shares was approximately HK\$744,000.

Subsequent to the year ended 31 December 2023, all of the repurchased shares were cancelled and charged to share premium within shareholders' equity in February 2024.

## 16 ASSETS PLEDGED AS SECURITY

The carrying amount of assets pledged as security for non-current assets are:

	2023 HK\$'000	2022 HK\$'000
Investment properties ( <i>Note (a)</i> )	–	32,900
Receivables under sale and leaseback arrangements ( <i>Note (b)</i> )	<u>–</u>	<u>73,830</u>
	<u>–</u>	<u>106,730</u>

*Notes:*

- (a) 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 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.

## **FINAL DIVIDEND**

The Board has resolved to recommend a final dividend in the total amount of HK\$15.89 million for the year ended 31 December 2023 (2022: HK\$11.95 million), payable to shareholders whose names appear on the register of members of the Company at the close of business on Monday, 27 May 2024. Based on 3,972,575,703 ordinary shares of the Company in issue, such a final dividend would amount to HK0.4 cents per ordinary share.

Subject to shareholders' approval of the proposed final dividend at the Company's annual general meeting to be held on Wednesday, 22 May 2024, the final dividend is expected to be paid on or about Monday, 15 July 2024. For determining the entitlement to the final dividend, the register of members of the Company will be closed from Tuesday, 28 May 2024 to Thursday, 30 May 2024, inclusive, during such period no transfer of shares will be registered. In order to be qualified for the final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Tengis Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 27 May 2024.

For the avoidance of doubt, the Board reserves the right in its discretion to declare and pay dividends of any specified amount and the manner in which dividends are paid for any specified period. In deciding whether to recommend the payment of dividends, the Board will continue to take into account the factors set out in the dividend policy, which currently include the Group's actual and future operating conditions, profit, financial condition, liquidity requirements, cash disbursement and liquidity adequacy, investment needs, future prospects and individual factors that may be relevant.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 17 May 2024 to Wednesday, 22 May 2024, inclusive, during such period no transfer of shares of the Company will be registered. In order to qualify for the entitlement to attend and vote at the above meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 16 May 2024.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Group continued to push ahead the development philosophy of supply chain management and financial technology business, finance lease and commercial factoring as core businesses, and endeavored to become a service provider of a supply chain financial technology 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:

	<b>2023</b>	2022	
	<b>HK\$'000</b>	HK\$'000	Change
<b>Financial performance</b>			
Revenue from continuing operations	<b>219,285</b>	370,638	-41%
Gross profit margin from continuing operations (%)	<b>55%</b>	23%	32%
Profit for the year from continuing operations	<b>42,434</b>	33,478	27%
Profit attributable to owners of the Company	<b>32,082</b>	14,526	121%
<b>Key financial indicators</b>			
Total cash	<b>319,054</b>	322,904	-1%
Total assets	<b>1,914,701</b>	2,006,231	-5%
Total liabilities	<b>158,201</b>	250,855	-37%
Bank borrowings	–	13,639	-100%
Loan from a related party	<b>9,810</b>	30,643	-68%
Capital and reserves attributable to owners of the Company	<b>1,415,922</b>	1,417,068	-1%
Current ratio	<b>1,081%</b>	615%	76%
Basic earnings per share ( <i>HK cent</i> )	<b>0.81</b>	0.37	119%

## FINANCIAL OVERVIEW

The Group recorded profit attributable to owners of the Company of approximately HK\$32,082,000 for the year ended 31 December 2023, as compared with profit attributable to owners of the Company of approximately HK\$14,526,000 for the year ended 31 December 2022, which was mainly due to an increase in profit from the sale and leaseback arrangements services segment and the supply chain management and financial technology business segment, and an increase in other income and the share of profit of an associate. Revenue from continuing operations of the Group for the year ended 31 December 2023 was approximately HK\$219,285,000, which represented a significant decrease of approximately 41% when compared with that of approximately HK\$370,638,000 for the year 2022. The decrease was mainly attributable to a decrease in revenue from the supply chain management and financial technology business segment. The Group recorded a gross profit from continuing operations of approximately HK\$120,355,000 for the year ended 31 December 2023, representing a significant increase of approximately 39% when compared with the gross profit of approximately HK\$86,832,000 for the year 2022. The Group recorded a gross profit margin from continuing operations of approximately 55% for the year ended 31 December 2023, representing a significant increase when compared with the gross profit margin of approximately 23% for the year 2022. Basic earnings per share of the Group for the year ended 31 December 2023 was HK0.81 cent (2022: basic earnings per share was HK0.37 cent).

Revenue from continuing operations for the year ended 31 December 2023 was approximately HK\$219,285,000, representing a significant decrease of approximately 41% when compared with that of approximately HK\$370,638,000 for the year 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 product trading and logistics under the supply chain management and financial technology business segment since August 2022.

The Group recorded a gross profit from continuing operations of approximately HK\$120,355,000 for the year ended 31 December 2023, representing a significant increase of 39%, when compared with the gross profit of approximately HK\$86,832,000 for the year 2022. The Group recorded a gross profit margin from continuing operation of approximately 55% for the year ended 31 December 2023, representing a significant increase when compared with the gross profit margin from continuing operations of approximately 23% for the year 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 and financial technology 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 year ended 31 December 2023 amounted to approximately HK\$18,580,000 (2022: HK\$9,696,000), representing a significant increase of approximately 92%. The increase was mainly due to the increase in credit financing arrangement interest income, management and financial advisory service income, and financial technical service income from a related party.

Administrative expenses from continuing operations for the year ended 31 December 2023 amounted to approximately HK\$61,235,000 (2022: HK\$53,480,000), representing an increase of approximately 15%. The increase was mainly due to the increase in staff cost, and legal and professional expenses.

For the year ended 31 December 2023, share of profit of associates amounted to approximately HK\$2,055,000 (2022: HK\$523,000), as our associates continued to make contributions to the Group's profit.

## **BUSINESS REVIEW AND OUTLOOK**

The Group continued to push ahead the development philosophy of supply chain management and financial technology business, 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 individual consumer leasing market, and strive to meet our medium and long-term strategic goal of continuous growth in performance.

### **Sale and Leaseback 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 31 December 2023, approximately 26% (2022: 30%) of the total receivables under the sale and leaseback arrangements was due from the Group's largest sale and leaseback customer which is a related party of the Group. As at 31 December 2023, approximately 28% (2022: 58%) of the total receivables under the sale and leaseback arrangements was due from the Group's three (2022: five) largest sale and leaseback corporate customers, of which two such customers are related parties of the Group. Such related customers accounted for approximately 26% of the total receivables under sale and leaseback arrangements, and the remaining customer accounted for approximately 2% of the total receivables under the sale and leaseback arrangements.

### Customer Diversity Table

	<b>Receivables as at 31 December 2023 HK\$'000</b>	<b>%</b>
<b>Customers</b>		
Independent individual customers	<b>807,179</b>	<b>72</b>
Tonghua Steel Co., Ltd.*#	<b>290,793</b>	<b>26</b>
Jinyuan Huaxing Financial Leasing Co., Ltd.*^	<b>21,050</b>	<b>2</b>
Shougang Qian'an Iron and Steel Co., Ltd.*#	<b>3</b>	<b>0</b>

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.

^ 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, Jinyuan Huaxing Financial Leasing Co., Ltd. is independent of the Company and its connected person.

\* For identification purpose only

As at 31 December 2023, the Group had entered into 135,845 finance lease transactions of which 135,841 finance lease transactions were with independent individual customers, with principal amounts of approximately RMB8,300 in average. The Group's sale and leaseback customers are spread across industries such as manufacturing industries and individual mobile phone rental customers.

During the year, revenue from the sale and leaseback arrangements services segment increased by approximately 108% to approximately HK\$188,021,000 (2022: HK\$90,300,000), and the segment recorded a profit of approximately HK\$48,961,000 (2022: HK\$77,458,000). The increase in revenue from the sale and leaseback arrangements services segment was mainly due to the continuous expansion of the individual consumer leasing business while the decrease in segment's performance was mainly due to there was a recovery of receivables previously written off of approximately HK\$36,226,000 in last year.

### **Supply Chain Management and Financial Technology Business Segment**

During the year, revenue from the supply chain management and financial technology business segment was approximately HK\$26,845,000 (2022: HK\$275,880,000). The supply chain management and financial technology business segment recorded a profit of approximately HK\$4,202,000 (2022: HK\$2,795,000). The supply chain management and financial technology 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. In 2023, the supply chain management and financial technology segment has fully shifted to and focused on the electronic multi-tier transfer of creditor's rights certificates (the "Shougang Credit Certificate") and related businesses for the steel industry chain. Based on the business application scenarios of core enterprises, this business provides negotiable, apportionable and financeable electronic creditor's rights certificate to core enterprises. In November 2022, the Shougang Credit Certificate was officially online and put into operation. It is an electronic certificate created by the Group under Shougang SCF Platform that utilise blockchain technology to create immutable and traceable digital representation of suppliers' account receivable due from anchor enterprises that suppliers can use for payment and financing purposes, and to serve the upstream and downstream of the steel industry chain. The successful of business transformation led to a significant decrease in revenue but substantially improved segment gross profit 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. During the year, the Group has issued Shougang Credit Certificate via the Shougang SCF Platform with an aggregate amount of approximately RMB12.48 billion; an aggregate amount of approximately RMB10.07 billion of financing enabled by using Shougang Credit Certificate; there are approximately 2,378 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 habit 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 and financial technology 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.

### **Property Leasing Services Segment**

During the year, revenue from the property leasing services segment slightly decreased to approximately HK\$4,419,000 (2022: HK\$4,458,000), and the segment recorded a HK\$773,000 (2022: HK\$1,783,000). The revenue from the property leasing services segment remains stable. The decrease in profit recorded in segment results was mainly attributable to the decrease in fair value of investment properties of the property leasing services segment during the year of approximately HK\$3,192,000, which was more than last year (2022: decrease in fair value of investment properties of approximately HK\$2,471,000).

## **Assets Management and Consultancy Services Segment**

During the year, revenue and the segment result from the assets management and consultancy services segment was Nil (2022: revenue was Nil and a segment loss of approximately HK\$1,241,000). The assets management and consultancy services segment was discontinued in last year.

In terms of risk management, the Company implements a prudent risk management and control strategy, builds a sound and reliable risk control system, and establishes a risk control decision support system with the help of information technology, optimizes and improves the efficiency of risk control decision-making, effectively helps the Group's business develop steadily, enhances the Group's long-term investment value, and lays the foundation for the Group's sustainable development.

Looking ahead into 2024, under the policy environment and market environment of promoting financial innovation, the Group 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.

## LIQUIDITY, FINANCING RESOURCES AND FINANCING ACTIVITIES

The Group aims to maintain stable funding sources and financing is arranged to balance between business requirements and cash flows. The financial leverage of the Group as at 31 December 2023 as compared to 31 December 2022 is summarized below:

	<b>31 December 2023 HK\$'000</b>	31 December 2022 HK\$'000
Total borrowings		
Current borrowings	–	44,282
Non-current borrowings	<b>9,810</b>	–
Sub-total	<b>9,810</b>	44,282
Total cash		
Cash and cash equivalents	<b>319,054</b>	322,904
Total equity	<b>1,756,500</b>	1,755,376
Total assets	<b>1,914,701</b>	2,006,231
Financial Leverage		
Current ratio	<u><b>1,081%</b></u>	<u>615%</u>

As at 31 December 2023, the Group had cash and cash equivalents of approximately HK\$319,054,000 (31 December 2022: HK\$322,904,000), which were mainly denominated in Hong Kong dollars, US dollars and Renminbi. The decrease was mainly attributable to the repayment of loan from a related party of approximately HK\$30,479,000.



As at 31 December 2023, the Group's borrowings amounted to approximately HK\$9,810,000 (2022: HK\$44,282,000) and none of which (2022: HK\$44,282,000) was repayable within twelve months from 31 December 2023 and of which approximately HK\$9,810,000 were repayable after twelve months from 31 December 2023 (2022: Nil). During the year, the Group obtained new loan from a related party of approximately HK\$9,810,000 and has no new bank borrowings (2022: new loan from a related party of approximately HK\$29,724,000 and new bank borrowings of approximately of HK\$70,000,000) for the financial leasing business and working capital of the Group. All borrowings bore interest at market rates.

## **CAPITAL STRUCTURE**

The capital and reserves attributable to owners of the Company amounted to approximately HK\$1,415,922,000 as at 31 December 2023 (31 December 2022: HK\$1,417,068,000). The decrease was mainly due to the exchange differences arising on translation of approximately HK\$19,664,000 in total during the year. The Company did not issue any new shares during the year. As at 31 December 2023, the issued share capital of the Company was approximately HK\$39,846,000 (represented by approximately 3,984,640,000 issued ordinary shares).

## **MATERIAL ACQUISITION, DISPOSALS AND SIGNIFICANT INVESTMENT**

During the year, the Group had no material acquisitions, disposals and significant investment.

## **CHARGE ON ASSETS**

As at 31 December 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 Mainland 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 31 December 2023, the Group had no significant foreign exchange exposure.

## **CONTINGENT LIABILITIES**

The Group had no significant contingent liabilities as at 31 December 2023.

## EMPLOYEES

As at 31 December 2023, the Group employed 59 (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 year ended 31 December 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

During the year ended 31 December 2023, the Company repurchased a total of 4,971,000 shares on the Stock Exchange at an aggregate consideration (before expenses) of HK\$744,278. All such repurchased shares were subsequently cancelled.

Particulars of the shares repurchased during the year are set out below:

Month of repurchase in 2023	Number of shares repurchased	Consideration per share		Aggregate consideration paid HK\$
		Highest HK\$	Lowest HK\$	
December	<u>4,971,000</u>	0.160	0.139	<u>744,278</u>
Total	<u><u>4,971,000</u></u>			<u><u>744,278</u></u>

Save as disclosed above, 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 or otherwise) during the year.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Company has complied with the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) during the financial year ended 31 December 2023.

## **SCOPE OF WORK OF PRICEWATERHOUSECOOPERS**

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group’s auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by PricewaterhouseCoopers on the preliminary announcement.

## **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 year.

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

Hong Kong, 25 March 2024

*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); 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*