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CSC HOLDINGS LIMITED
中策資本控股有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 235)

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2023

The Board of Directors (the “**Board**”) of CSC Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023 together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	<i>Notes</i>	2023 HK\$'000	2022 HK\$'000
Revenue	3	71,886	323,579
Trading income		–	188,301
Dividend income		152	540
Interest income		69,845	130,669
Commission, handling income and others		1,889	4,069
Purchases and related expenses		–	(188,070)
Other income	5	41,894	9,010
Other gain and loss, net		(2)	237
Staff costs		(33,427)	(29,512)
Other expenses		(46,798)	(32,212)
Net loss on financial assets at fair value through profit or loss	6	(7,121)	(8,086)
Provision for impairment losses under expected credit loss model, net of reversal	9	(12,020)	(216,698)
Finance costs	7	(898)	(13,098)

	<i>Notes</i>	2023 HK\$'000	2022 <i>HK\$'000</i>
Profit (loss) before tax		13,514	(154,850)
Income tax credit (expense)	8	<u>13,274</u>	<u>(34,399)</u>
Profit (loss) for the year attributable to owners of the Company	9	<u>26,788</u>	<u>(189,249)</u>
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net fair value loss on debt instruments at fair value through other comprehensive income		(17,659)	(41,883)
Provision for impairment loss on debt instruments at fair value through other comprehensive income included in profit or loss	9	11,519	7,301
Exchange differences arising on translation of financial statements of foreign operations		<u>(57)</u>	<u>–</u>
Other comprehensive expense for the year		<u>(6,197)</u>	<u>(34,582)</u>
Total comprehensive income (expense) for the year attributable to owners of the Company		<u>20,591</u>	<u>(223,831)</u>
Earnings (loss) per share attributable to owners of the Company			
– Basic	11	<u>HK0.13 cent</u>	<u>HK(0.93) cent</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		7,595	10,346
Right-of-use assets		36,631	10,769
Goodwill		4,000	4,000
Club debentures		1,928	1,928
Debt instruments at fair value through other comprehensive income	12	–	22,077
Loan receivables	13	127,002	–
Deferred tax assets		6,276	1,315
		<hr/>	<hr/>
Total non-current assets		183,432	50,435
Current assets			
Debt instruments at fair value through other comprehensive income	12	4,418	–
Loan receivables	13	640,230	1,020,598
Trade and other receivables	14	127,183	140,638
Income tax recoverable		207	5,798
Financial assets at fair value through profit or loss	15	9,912	17,033
Cash and cash equivalents		1,312,947	1,005,561
		<hr/>	<hr/>
Total current assets		2,094,897	2,189,628
Current liabilities			
Trade and other payables	16	27,888	37,899
Income tax payable		3,200	2,200
Lease liabilities		9,730	7,940
		<hr/>	<hr/>
Total current liabilities		40,818	48,039
Net current assets		2,054,079	2,141,589
		<hr/>	<hr/>
Total assets less current liabilities		2,237,511	2,192,024
Non-current liability			
Lease liabilities		25,783	887
		<hr/>	<hr/>
Net assets		2,211,728	2,191,137
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital		3,216,110	3,216,110
Reserves		(1,004,382)	(1,024,973)
		<hr/>	<hr/>
Total equity		2,211,728	2,191,137
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Notes:

1. Basis of preparation of consolidated financial statements and material accounting policy information

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) and by the Hong Kong Companies Ordinance (the “**Hong Kong Companies Ordinance**”).

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period.

The consolidated financial statements are presented in Hong Kong dollar (“**HK\$**”), which is also the functional currency of the Company and all values are rounded to the nearest thousand (HK\$’000) except otherwise indicated.

The financial information relating to the years ended 31 December 2023 and 2022 included in this preliminary final results announcement for the year ended 31 December 2023 does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2023 in due course.

The Company’s auditor has reported on the financial statements of the Group for both years. The auditor’s reports are unqualified; do not include a reference to any matters to which the auditor draws attention by way of emphasis without qualifying its reports; and do not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. Application of new and amendments to HKFRSs

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to Hong Kong Accounting Standard (“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
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

2.1 Impacts on application of Amendments to HKAS 8 “Definition of Accounting Estimates”

The Group has applied the amendments for the first time in the current year. The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current year has had no material impact on the consolidated financial statements.

2.2 Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”

The Group has applied the amendments for the first time in the current year. HKAS 1 “Presentation of Financial Statements” is amended to replace all instances of the term “significant accounting policies” with “material accounting policy information”. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 “Making Materiality Judgements” (the “**Practice Statement**”) is also amended to illustrate how an entity applies the “four-step materiality process” to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group’s financial positions and performance but has affected the disclosure of the Group’s accounting policies set out in the note to the consolidated financial statements.

3. Revenue

An analysis of the Group’s revenue for the year is as follows:

	2023 <i>HK\$’000</i>	2022 <i>HK\$’000</i>
Trading of coke products	–	188,301
Dividend income from financial assets at fair value through profit or loss (“ FVTPL ”)	152	540
Interest income from securities margin financing business	7,315	7,146
Interest income from money lending business	62,530	123,523
Arrangement fee income from money lending business	–	200
Commission and handling income from securities brokerage business	1,889	3,869
	71,886	323,579

Disaggregation of revenue from contracts with customers and reconciliation of total revenue:

	Investment in securities <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2023					
Types of goods and services					
Commission, handling income and others	–	–	–	1,889	1,889
Revenue from contracts with customers	–	–	–	1,889	1,889
Dividend income	152	–	–	–	152
Interest income	–	–	62,530	7,315	69,845
Total revenue	152	–	62,530	9,204	71,886

For the year ended 31 December 2022

Types of goods and services					
Commission, handling income and others	–	–	200	3,869	4,069
Trading income	–	188,301	–	–	188,301
Revenue from contracts with customers	–	188,301	200	3,869	192,370
Dividend income	540	–	–	–	540
Interest income	–	–	123,523	7,146	130,669
Total revenue	540	188,301	123,723	11,015	323,579

During the years ended 31 December 2023 and 2022, the revenue is recognised at a point in time except for dividend income and interest income which fall outside the scope of HKFRS 15.

The Group recognised revenue from trading of coke products during the year ended 31 December 2022. The Group acted as the principal for such transactions as it controlled the specified goods before they were transferred to the customer and it was primarily responsible for fulfilment of the promise to provide the goods. Performance obligations were satisfied at a point in time once control of the goods had been transferred to the customers. For trading business, the Group normally allowed credit period for trade customers ranging from 30 to 180 days.

Brokerage commission income is recognised on a trade date basis when the relevant transactions are executed. Other service income is recognised when the related services are rendered.

This is consistent with the revenue information disclosed for each operating segment.

4. Segment information

The following is an analysis of the Group's revenue and results by operating segments, based on information provided to the chief operating decision maker, for the purposes of allocating resources and assessment of segment performance. This is also the basis upon which the Group is arranged and organised.

The Group's operating segments under HKFRS 8 are as follows:

- (i) Investment in securities
- (ii) Trading of coke products ("**Trading**")
- (iii) Money lending
- (iv) Securities brokerage

Segment revenues and results

The following is an analysis of the Group's revenue and results by operating segments:

	Investment in securities <i>HK\$'000</i>	Trading <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 December 2023					
Segment revenue					
External sales/sources	152	–	62,530	9,204	71,886
Results					
Segment results	(26,543)	11,010	69,917	9,640	64,024
Other income					20,137
Other gain and loss, net					(2)
Central administrative expenses					(69,747)
Finance costs					(898)
Profit before tax					13,514
Income tax credit					13,274
Profit for the year					26,788
For the year ended 31 December 2022					
Segment revenue					
External sales/sources	540	188,301	123,723	11,015	323,579
Results					
Segment results	(15,164)	3,614	(92,210)	8,918	(94,842)
Other income					2,860
Other gain and loss, net					217
Central administrative expenses					(49,987)
Finance costs					(13,098)
Loss before tax					(154,850)
Income tax expense					(34,399)
Loss for the year					(189,249)

Segment (loss) profit represents the loss incurred/profit earned by each segment without allocation of certain other income, certain other gain and loss, net, central administrative expenses (including depreciation of property, plant and equipment and right-of-use assets), finance costs and income tax credit (expense).

Segment assets and liabilities

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Segment assets		
Investment in securities	14,772	47,406
Trading	225,648	214,688
Money lending	1,119,941	1,213,184
Securities brokerage	297,414	290,062
	<hr/>	<hr/>
Total segment assets	1,657,775	1,765,340
Property, plant and equipment	7,595	10,346
Right-of-use assets	36,631	10,769
Cash and cash equivalents	567,004	442,624
Other unallocated assets	9,324	10,984
	<hr/>	<hr/>
Consolidated assets	2,278,329	2,240,063
	<hr/> <hr/>	<hr/> <hr/>
Segment liabilities		
Investment in securities	20	60
Trading	20	60
Money lending	4,321	13,398
Securities brokerage	21,375	17,941
	<hr/>	<hr/>
Total segment liabilities	25,736	31,459
Other payables	5,352	8,640
Lease liabilities	35,513	8,827
	<hr/>	<hr/>
Consolidated liabilities	66,601	48,926
	<hr/> <hr/>	<hr/> <hr/>

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

- all assets are allocated to operating segments other than property, plant and equipment, right-of-use assets, certain cash and cash equivalents and certain other assets; and
- all liabilities are allocated to operating segments other than certain other payables and lease liabilities.

5. Other income

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank interest income	38,269	8,076
Government grants (<i>Note</i>)	–	911
Others	3,625	23
	<u>41,894</u>	<u>9,010</u>

Note: During the year ended 31 December 2022, the Group received government grants of HK\$911,000 in respect of COVID-19-related subsidies which were related to the Employment Support Scheme provided by the Hong Kong Government.

6. Net loss on financial assets at fair value through profit or loss

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Net unrealised loss on financial assets at FVTPL	7,121	6,973
Net realised loss on sales of financial assets at FVTPL	–	1,113
	<u>7,121</u>	<u>8,086</u>

7. Finance costs

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Interest on borrowings	–	39
Interest on notes payable	–	12,726
Interest on lease liabilities	898	333
	<u>898</u>	<u>13,098</u>

8. Income tax credit (expense)

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax (charge) credit comprises:		
Current tax		
– Hong Kong Profits Tax	(1,000)	(2,310)
– Others	(6)	–
Over(under)provision in prior years		
– Hong Kong Profits Tax	9,319	(3,548)
	8,313	(5,858)
Deferred tax	4,961	(28,541)
Income tax credit (expense) recognised in profit or loss	13,274	(34,399)

Under the two-tiered profits rates regime of Hong Kong Profits Tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. Profit (loss) for the year

Profit (loss) for the year has been arrived at after charging (crediting) the following items:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Staff costs		
– directors' emoluments	8,623	8,373
– other staff salaries, wages and other benefits	24,019	20,398
– retirement benefit scheme contributions, excluding directors	785	741
Total staff costs	<u>33,427</u>	<u>29,512</u>
Provision for impairment loss on debt instruments at fair value through other comprehensive income ("FVTOCI")	11,519	7,301
(Reversal of) provision for impairment loss on loan receivables	(10,263)	209,397
Provision for impairment loss on other receivables	<u>10,764</u>	–
Total impairment losses	<u>12,020</u>	<u>216,698</u>
Auditor's remuneration	1,784	1,880
Depreciation of property, plant and equipment	2,795	2,918
Depreciation of right-of-use assets	10,100	7,474
Cost of inventories recognised as expenses	–	187,981

10. Dividends

No dividend was paid or proposed for the year ended 31 December 2023 (2022: nil), nor has any dividend been proposed since the end of the reporting period (2022: nil).

11. Earnings (loss) per share

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit (loss):		
Profit (loss) for the year attributable to owners of the Company for the purpose of calculating basic earnings (loss) per share	<u>26,788</u>	<u>(189,249)</u>

2023	2022
'000	'000

Number of shares:

Weighted average number of ordinary shares for the purpose
of calculating basic earnings (loss) per share

20,385,254	20,385,254
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Diluted earnings (loss) per share for the years ended 31 December 2023 and 2022 are not presented as there were no dilutive potential ordinary shares in issue during both years.

12. Debt instruments at fair value through other comprehensive income

2023	2022
HK\$'000	HK\$'000

Listed investments, at fair value:

– Debt securities listed overseas (2022: overseas) with fixed
interest at 9.50% (2022: 9.50%) per annum and maturity date
on 29 March 2024 (2022: 29 March 2024)

4,418	22,077
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Analysed as:

Current portion

4,418	–
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Non-current portion

–	22,077
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4,418	22,077
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At 31 December 2023 and 31 December 2022, debt instruments at FVTOCI were stated at fair values which were determined based on the quoted market closing prices.

The Group provided impairment allowance of HK\$11,519,000 (2022: HK\$7,301,000) on debt instruments at FVTOCI for the current year.

13. Loan receivables

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Fixed-rate loan receivables	1,253,368	1,527,714
Less: impairment allowance	<u>(486,136)</u>	<u>(507,116)</u>
	<u>767,232</u>	<u>1,020,598</u>
Analysed as:		
Current portion	640,230	1,020,598
Non-current portion	<u>127,002</u>	<u>–</u>
	<u>767,232</u>	<u>1,020,598</u>
Analysed as:		
Secured	760,314	1,010,076
Unsecured	<u>6,918</u>	<u>10,522</u>
	<u>767,232</u>	<u>1,020,598</u>

At 31 December 2023, the range of interest rates and maturity dates attributed to the Group's performing loan receivables were 8.5% to 13% (2022: 9% to 13%) per annum and from 4 March 2024 to 31 March 2026 (2022: 31 January 2023 to 8 September 2023) respectively.

An analysis of the Group's fixed-rate loan receivables by their respective contractual maturity dates is as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Fixed-rate loan receivables:		
Within one year or on demand	640,230	1,020,598
In more than one year but not more than two years	7,797	–
In more than two years but not more than five years	<u>119,205</u>	<u>–</u>
	<u>767,232</u>	<u>1,020,598</u>

The Group reversed impairment allowance of HK\$10,263,000 (2022: provided impairment allowance of HK\$209,397,000) on loan receivables for the current year.

14. Trade and other receivables

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables of securities brokerage business:		
– Cash clients (<i>Note (i)</i>)	938	1,924
– Margin clients (<i>Note (i)</i>)	106,293	116,484
– Hong Kong Securities Clearing Company Limited (“HKSCC”) (<i>Note (i)</i>)	640	–
	<u>107,871</u>	<u>118,408</u>
Other receivables (<i>Note (ii)</i>)	19,312	22,230
	<u>127,183</u>	<u>140,638</u>

Notes:

- (i) For securities brokerage business, the normal settlement terms of trade receivables from cash clients and HKSCC are two days after trade date. The trade receivables from cash and margin clients and HKSCC with carrying amounts totalling HK\$107,871,000 (2022: HK\$118,408,000) were not past due at the end of the reporting period.

Margin clients are required to pledge securities as collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them individually is determined based on a discount on the market value of the securities pledged to the Group. Any excess in lending ratio will trigger a margin call for which the client concerned has to make good the shortfall. At 31 December 2023, the market value of the securities pledged by the clients to the Group as collateral for margin financing amounted to HK\$528,386,000 (2022: HK\$630,152,000).

- (ii) Included in other receivables were unrestricted deposits of HK\$405,000 (2022: HK\$266,000) placed with securities brokers. The remaining balance of other receivables represented mainly interest receivables, prepayment and deposits for office use.

The Group provided impairment allowance of HK\$10,764,000 (2022: nil) on other receivables for the current year.

15. Financial assets at fair value through profit or loss

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Listed investments, at fair value:		
– Equity securities listed in Hong Kong (<i>Note</i>)	9,912	17,033
	<u>9,912</u>	<u>17,033</u>
Analysed as:		
Current portion	9,912	17,033
	<u>9,912</u>	<u>17,033</u>

Note: The fair values of the listed equity securities were determined based on the quoted market closing prices available on the Hong Kong Stock Exchange.

16. Trade and other payables

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables of securities brokerage business:		
– Cash clients (<i>Note</i>)	14,936	17,090
– Margin clients (<i>Note</i>)	6,312	485
– HKSCC (<i>Note</i>)	–	275
	<u>21,248</u>	<u>17,850</u>
Accrued charges and other payables	6,640	20,049
	<u>6,640</u>	<u>20,049</u>
	27,888	37,899
	<u>27,888</u>	<u>37,899</u>

Note: For securities brokerage business, the normal settlement terms of trade payables to cash and margin clients and HKSCC are two days after trade date.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: nil).

BUSINESS REVIEW

During the year ended 31 December 2023 (“FY2023”), the Group continued to principally engage in the business of investment in securities, trading, money lending as well as securities brokerage.

The Group was operating in a challenging business environment under a complex macroeconomic setting resulting mainly from the prevailing geopolitical tensions, high inflation and interest rate hikes in the US, and market uncertainties brought by the Russia-Ukraine war. However, global economic activities have slowly returned to their normality following the containment of the pandemic. In the local context, economic recovery was slower than expected following the reopening of border with Mainland China in early 2023, against a backdrop of global economic uncertainties and slowdown of China’s economy. Facing these challenges and uncertainties, the Group had adopted a cautious and disciplined approach in managing its businesses throughout the year. For FY2023, the Group recorded a decrease in revenue by 78% to HK\$71,886,000 (2022: HK\$323,579,000), mainly due to the decrease in interest income from the money lending operation and the temporary halt of the Group’s commodities trading activities with its customers in Europe. Nevertheless, the Group recorded a turnaround of its results by posting a profit attributable to owners of the Company of HK\$26,788,000 (2022: loss of HK\$189,249,000), mainly attributed to the reversal of provision for impairment loss on loan receivables of HK\$10,263,000, in contrast to the provision of HK\$209,397,000 made in last year.

Investment in Securities

The Group generally acquires securities listed on the Hong Kong Stock Exchange or other recognised stock exchanges and over-the-counter markets with good liquidity that can facilitate swift execution of securities transactions, and sometimes directly from target companies. For making investment or divestment decision on securities of individual target company, references will usually be made to the latest financial information, news and announcements issued by the target company, investment analysis reports that the Company has access to, as well as industry or macroeconomic news. When deciding on acquiring securities to be held for long-term purpose, particular emphasis will be placed on the past financial performance of the target company including its sales and profit growth, financial healthiness, dividend policy, business prospects, industry and macroeconomic outlook. When deciding on acquiring securities to be held other than for long-term purpose, in addition to the factors mentioned, references will also be made to prevailing market sentiments on different sectors of the investment markets. In terms of return, for long-term securities investments, the Company mainly emphasises on return of investment in the form of capital appreciation and dividend/interest income. For securities investments other than for long-term holding, the Company mainly emphasises on return of investment in the form of trading gains.

At 31 December 2023, the Group's securities investments comprised (i) a financial asset at FVTPL portfolio comprising equity securities listed in Hong Kong valued at HK\$9,912,000 (2022: HK\$17,033,000); and (ii) a debt instrument at FVTOCI portfolio comprising debt securities listed on overseas stock exchange valued at HK\$4,418,000 (2022: HK\$22,077,000). As a whole, the Group's securities investments recorded a revenue of HK\$152,000 (2022: HK\$540,000) and a loss of HK\$26,543,000 (2022: HK\$15,164,000).

Financial assets at FVTPL

At 31 December 2023, the Group held a financial asset at FVTPL portfolio amounting to HK\$9,912,000 measured at market/fair value. During FY2023, the portfolio generated a revenue of HK\$152,000 (2022: HK\$540,000) representing dividends from equity securities. The Group recognised a net loss on financial assets at FVTPL of HK\$7,121,000 (2022: net unrealised loss of HK\$6,973,000 and net realised loss of HK\$1,113,000, totalling HK\$8,086,000) which represented the net unrealised loss arising from the decrease in fair value of the listed equity securities held by the Group at the year end.

The Group is committed to closely monitor the financial performance of its financial asset at FVTPL portfolio through making investment and divestment decisions on individual securities from time to time based on, amongst others, the internal assessments on prospects of the individual securities and publicly available information of the investee companies.

At 31 December 2023, the Group's financial asset at FVTPL portfolio of HK\$9,912,000 comprised mainly the equity shares of a property company listed on the Hong Kong Stock Exchange.

Debt instruments at FVTOCI

At 31 December 2023, the Group's debt instrument at FVTOCI portfolio of HK\$4,418,000 was measured at market/fair value. During FY2023, the Group's debt instrument at FVTOCI portfolio did not generate any revenue (2022: nil). According to the maturity profile of the debt securities, the debt instruments at FVTOCI were classified as current assets. During FY2023, the Group had not acquired or disposed of any debt securities.

At the year end, primarily owing to a fall in market/fair value of the debt instruments, a net fair value loss on the debt instrument at FVTOCI portfolio of HK\$17,659,000 (2022: HK\$41,883,000) was recognised as other comprehensive expense.

For FY2023, the Group recognised impairment loss of HK\$11,519,000 (2022: HK\$7,301,000) on debt instruments at FVTOCI as the credit risks of the debt instruments had further increased since initial recognition. During FY2023, the expected loss given default of the debt instruments, which were corporate bonds issued by a property company based in the Mainland, had significantly increased owing to the continued defaults of the bond issuer in making interest and principal payments for its indebtedness. As the Group expected the deterioration of the financial position of this bond issuer would ultimately further affect the collection of contractual cash flows from its bonds, a provision for impairment loss on debt instruments at FVTOCI of HK\$11,519,000 was recognised in profit or loss with a corresponding adjustment to other comprehensive income.

The Group performs impairment assessment on the debt instruments held under the expected credit loss (“ECL”) model. The measurement of ECL is a function of the probability of default and loss given default (i.e., the magnitude of the loss if there is a default), with the assessment of the probability of default and loss given default is based on historical data and forward-looking information. In determining the ECL on the Group’s debt instruments for the year, the management had taken into account factors including the defaults of the bond issuer in making payments of interest and principal for its indebtedness, and forward-looking information including the future macroeconomic conditions affecting the operations of the bond issuer. There had been no change in the method used in determining the impairment loss on debt instruments at FVTOCI from the prior financial year.

At 31 December 2023, the Group’s debt instrument at FVTOCI portfolio of HK\$4,418,000 comprised the debt securities of a Mainland based property company.

Trading

During FY2023, the Group’s trading operation did not generate any revenue (2022: HK\$188,301,000) as its commodities trading activities with its customers in Europe were in temporary halt owing to volatile market conditions, particularly in terms of pricing. The profit of the operation of HK\$11,010,000 (2022: HK\$3,614,000) represented mainly the interest income earned from the cash deposit reserved for pledging as security for the bank trade credit facilities. The management will closely follow the market conditions of the commodity market in Europe and will step up its effort in seizing business opportunities with a view to improving the results of the operation.

Money Lending

The Group’s money lending business is conducted through CS Credit Limited, U Credit (HK) Limited and Chap Yik Limited, all are wholly-owned subsidiaries of the Company, and are licensed to conduct money lending activities under the Money Lenders Ordinance. The Group aims to make loans that could be covered by sufficient collateral, preferably commercial and residential properties in Hong Kong, and to borrowers with

good credit history. The Group has a stable source of loan deals from its own business network and its marketing agents. For FY2023, the operation recorded a decrease in revenue of 49% to HK\$62,530,000 (2022: HK\$123,723,000) while recorded a turnaround of its results by posting a profit of HK\$69,917,000 (2022: loss of HK\$92,210,000). The management had been prudent in granting new loans during the year primarily because the pace of recovery of the Hong Kong economy was slower than expected. The operation recorded a decrease in revenue mainly resulting from the lower average amount of performing loans advanced to borrowers during FY2023, whilst the turnaround of the operation's results was mainly attributed to the reversal of provision for impairment loss on loan receivables of HK\$10,263,000, in contrast to the provision of HK\$209,397,000 made in last year.

The Group performs impairment assessment on loan receivables under the ECL model. The measurement of ECL is a function of the probability of default, the loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default (i.e., the magnitude of the loss after accounting for value of the collateral if there is a default). The assessment of probability of default and loss given default is based on historical data and forward-looking information, whilst the valuation of the properties and assets pledged to the Group as collateral are, where appropriate, performed by independent professional valuers engaged by the Group at each reporting date for the purpose of determining ECL. In accordance with the Group's loan impairment policy, the amount of ECL is updated at each reporting date to reflect the changes in credit risk on loan receivables since initial recognition. At the year end, the impairment allowance recognised primarily represented the credit risk involved in collectability of certain default and non-default loans determined under the Group's loan impairment policy, with reference to factors including the credit history and financial conditions of the borrowers, the ageing of the overdue balances, the realisation value of the collateral pledged to the Group, and forward-looking information including the future macroeconomic conditions affecting the borrowers.

The Group has a system in place to closely monitor the recoverability of its loan portfolio, its credit monitoring measures include regular collateral value review against market information and regular communication with the borrowers of their financial positions, through which the Group will be able to keep updated with the latest credit profile and risk associated with each individual borrower and could take appropriate actions for loan recovery at the earliest time. If circumstances require, the Group will commence legal actions against the borrowers for recovery of the overdue loans and take possession of the collateral pledged. As at 31 December 2023, the balance of impairment allowance decreased by 4% or HK\$20,980,000 to HK\$486,136,000 (2022: HK\$507,116,000), which comprised a sum of HK\$87,425,000 being impairment provision for the current year, a sum of HK\$97,688,000 being reversal of impairment provision owing to settlement of loans and improvement in credit quality of certain borrowers, and a sum of HK\$33,397,000 being derecognition of impairment provision due to the modification of terms of a loan. There had been no change in the method used in determining the impairment allowance on loan receivables from the prior financial year.

The gross carrying amount of the Group's loan portfolio decreased by 18% or HK\$274,346,000 to HK\$1,253,368,000 (2022: HK\$1,527,714,000) was mainly a result of loan repayments from borrowers. The net carrying value of the loan portfolio, after impairment allowance, amounted to HK\$767,232,000 (2022: HK\$1,020,598,000) at the year end and details of the portfolio are as follows:

Category of borrowers	Approximate weighting to the carrying amount of the Group's loan portfolio %	Interest rate per annum %	Maturity
Individual	30.72	10.375-18.00	Within one year
Corporate	52.73	8.00-18.00	Within one year
Corporate	16.55	8.50-12.00	Over one year but within three years
	<u>100.00</u>		

At 31 December 2023, 99% (2022: 99%) of the carrying amount of the loan portfolio (after impairment allowance) was secured by collateral including properties in Hong Kong, listed equity securities and debt securities, with the remaining 1% (2022: 1%) being unsecured. At the year end, the loans made to all borrowers were term loans of which an amount of HK\$640,230,000 (2022: HK\$1,020,598,000) was due within one year, HK\$7,797,000 (2022: nil) was due over one year but within two years and HK\$119,205,000 (2022: nil) was due over two years but within three years. The loan(s) made to the largest borrower and the five largest borrowers represented 39% (2022: 32%) and 86% (2022: 73%) respectively of the Group's loan portfolio (on a net of impairment allowance basis) at the year end.

Securities Brokerage

The Group's securities brokerage business is conducted through CS Wealth Securities Limited, a wholly-owned subsidiary of the Company licensed by the Hong Kong Securities and Futures Commission to engage in dealing in securities activities (i.e., Type 1 regulated activity). For FY2023, the overall revenue of the operation decreased by 16% to HK\$9,204,000 (2022: HK\$11,015,000) whilst its profit increased by 8% to HK\$9,640,000 (2022: HK\$8,918,000). The decrease in revenue of the operation was the combined effect of the decrease in its brokerage commission income, which dropped by 51% to HK\$1,889,000 (2022: HK\$3,869,000), resulting mainly from the weaker investor sentiment and general decline in turnover of the Hong Kong securities market during the year, and the increase in its interest income from margin financing by 2% to HK\$7,315,000 (2022: HK\$7,146,000), mainly due to the higher average amount of margin loans advanced to clients during the year. The increase in profit of the operation was primarily due to the increase in its bank interest income by 302% to HK\$4,422,000 (2022: HK\$1,100,000).

In April 2022, the Group completed the acquisition of an asset management company which is licensed by the Hong Kong Securities and Futures Commission to engage in advising on securities and asset management activities (i.e., Type 4 and 9 regulated activities). It is the plan that this company will engage in fund management activities for equity, fixed income as well as alternative investments, which are activities expected to create synergies with the Group's securities brokerage operation.

Overall Results

For FY2023, the Group recorded a turnaround of its results by posting a profit attributable to owners of HK\$26,788,000 (2022: loss of HK\$189,249,000) and a basic earnings per share of HK0.13 cent (2022: loss per share of HK0.93 cent). The Group reported a total comprehensive income attributable to owners of the Company of HK\$20,591,000 (2022: total comprehensive expense of HK\$223,831,000) which included a net fair value loss on debt securities of HK\$17,659,000 (2022: HK\$41,883,000). The profit results recorded by the Group were mainly due to the reversal of provision for impairment loss on loan receivables of HK\$10,263,000, in contrast to the provision of HK\$209,397,000 made in last year.

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

For FY2023, the Group financed its businesses mainly by funds generated from operations and credit facilities available from financial institutions. At the year end, the Group had current assets of HK\$2,094,897,000 (2022: HK\$2,189,628,000) and liquid assets comprising cash and cash equivalents as well as listed financial assets at FVTPL (excluding clients' money held relating to the Group's securities brokerage business) totalling HK\$1,302,603,000 (2022: HK\$1,005,961,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$40,818,000 (2022: HK\$48,039,000), was at a ratio of about 51.3 (2022: 45.6).

At 31 December 2023, the Group's trade and other receivables amounted to HK\$127,183,000 (2022: HK\$140,638,000), which mainly comprised trade receivables from margin clients of the securities brokerage business of HK\$106,293,000 (2022: HK\$116,484,000). At the year end, the market value of the securities pledged by the clients to the Group as collateral for margin financing amounted to HK\$528,386,000 (2022: HK\$630,152,000), mainly because the market value of those securities pledged to the Group exceeded the margin client receivables on an individual basis, no impairment allowance was provided on these receivables accordingly. At the year end, the Group had deferred tax assets amounting to HK\$6,276,000 (2022: HK\$1,315,000), which were principally related to the allowance for ECL of loan receivables at the year end.

At 31 December 2023, the equity attributable to owners of the Company amounted to HK\$2,211,728,000 (2022: HK\$2,191,137,000) and was equivalent to an amount of approximately HK10.85 cents (2022: HK10.75 cents) per share of the Company. The increase in equity attributable to owners of the Company of HK\$20,591,000 was mainly due to the profit earned by the Group during the year.

The Group's gearing ratio, calculated on the basis of total liabilities of HK\$66,601,000 (2022: HK\$48,926,000) divided by equity attributable to owners of the Company of HK\$2,211,728,000 (2022: HK\$2,191,137,000), was about 3% (2022: 2%).

The decrease in the Group's finance costs to HK\$898,000 (2022: HK\$13,098,000) was mainly a result of the absence of interest payable for interest bearing notes which were all redeemed during the prior years.

The Group's interest income from banks increased by 374% to HK\$38,269,000 (2022: HK\$8,076,000) over last year, mainly resulted from additional surplus funds on hand and the general rise in bank deposit rates.

With the amount of liquid assets on hand as well as the credit facilities granted by financial institutions, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

PROSPECTS

With the full relaxation of anti-COVID measures in many countries including Mainland China and Hong Kong, and that global economic activities have returned to their normality following the containment of the pandemic, along with the economic stimulus measures announced by the Hong Kong Government in its 2024-25 Budget, the Group is prudently optimistic about the prospects of its businesses in the medium to long term, although the prevailing geopolitical tensions, the ongoing Russia-Ukraine war, and the recent Israel-Hamas conflict are all adding uncertainties to the market. Going forward, the management will continue to adopt a cautious and disciplined approach in managing the Group's businesses, as well as in seizing new business and investment opportunities which are expected to bring long-term benefits to the Group. The management continues to evaluate several investment opportunities in respect of target companies which are engaged in the financial industry, with a view to enlarging the scale of the Group's operation and diversifying its business and income base. Announcements will be made to inform shareholders as and when appropriate for significant development of these investment opportunities.

CORPORATE GOVERNANCE

The Company had complied with all the applicable code provisions of the Corporate Governance Code set out in Appendix 14 (renamed as Appendix C1 since 31 December 2023) to the Listing Rules for the year ended 31 December 2023.

AUDIT COMMITTEE

The audited consolidated financial statements of the Company for the year ended 31 December 2023 have been reviewed by the Audit Committee and duly approved by the Board under the recommendation of the Audit Committee.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

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

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

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board
CSC Holdings Limited
Dr. Or Ching Fai
Chairman

Hong Kong, 25 March 2024

As at the date of this announcement, the Board comprises one Non-executive Director, namely Dr. Or Ching Fai (Chairman); three Executive Directors, namely Mr. Sue Ka Lok (Chief Executive Officer), Mr. Chow Kam Wah and Mr. Chow Man Wai, Tony; and four Independent Non-executive Directors, namely Ms. Ma Yin Fan, Mr. Chow Yu Chun, Alexander, Mr. Leung Hoi Ying and Mr. Lam Kin Fung, Jeffrey.