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DOYEN INTERNATIONAL HOLDINGS LIMITED

東銀國際控股有限公司

(incorporated in Hong Kong with limited liability)

(Stock Code: 668)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Doyen International Holdings Limited (the “**Company**”) hereby announces the unaudited consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Note	Six months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	4	35,073	60,710
Purchases		(1,747)	(20,975)
Staff costs		(5,769)	(8,289)
Other tax expenses		(2,423)	(2,719)
Depreciation of property, plant and equipment		(4)	(5)
Depreciation of right-of-use assets		(963)	(1,548)
Other operating expenses		(3,153)	(4,856)
Other gains and losses	5	(4,295)	(1,528)
Other income		174	671
Profit from operations		16,893	21,461

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)*For the six months ended 30 June 2023*

		Six months ended 30 June	
		2023	2022
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
Finance income	6	930	217
Finance costs	6	(41)	(270)
Finance income/(costs) – net	6	889	(53)
Profit before tax		17,782	21,408
Income tax expense	7	(7,113)	(7,897)
Profit for the period		10,669	13,511
Attributable to:			
Owners of the Company		6,980	8,349
Non-controlling interests		3,689	5,162
		10,669	13,511
Earnings per share	9		
		<i>HK cents</i>	<i>HK cents</i>
Basic and diluted		0.55	0.66

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Profit for the period	10,669	13,511
Other comprehensive expenses, net of nil tax		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>(52,175)</u>	<u>(80,588)</u>
Total comprehensive expenses for the period	<u>(41,506)</u>	<u>(67,077)</u>
Attributable to:		
Owners of the Company	(34,987)	(50,085)
Non-controlling interests	<u>(6,519)</u>	<u>(16,992)</u>
	<u>(41,506)</u>	<u>(67,077)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	<i>Note</i>	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment		33	21
Right-of-use assets		3,442	4,241
Investment properties		285,666	278,690
Intangible assets		7,096	7,096
Deferred tax assets		<u>33,114</u>	<u>26,674</u>
		<u>329,351</u>	<u>316,722</u>
Current assets			
Loan receivables	10	513,367	520,074
Trade receivables		9,895	11,037
Prepayments, deposits and other receivables		5,476	2,485
Financial assets at fair value through profit or loss		6,039	6,894
Bank and cash balances		<u>95,048</u>	<u>147,319</u>
		<u>629,825</u>	<u>687,809</u>
Current liabilities			
Accruals and other payables		29,070	26,413
Amounts due to related companies		1,305	1,429
Lease liabilities		1,701	1,830
Current tax liabilities		<u>25,097</u>	<u>30,259</u>
		<u>57,173</u>	<u>59,931</u>
Net current assets		<u>572,652</u>	<u>627,878</u>
Total assets less current liabilities		<u>902,003</u>	<u>944,600</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)*At 30 June 2023*

	30 June 2023 HK\$'000 (unaudited)	31 December 2022 HK\$'000 (audited)
Non-current liabilities		
Lease liabilities	1,720	2,400
Deferred tax liabilities	<u>1,236</u>	<u>1,647</u>
	<u>2,956</u>	<u>4,047</u>
NET ASSETS	<u>899,047</u>	<u>940,553</u>
Capital and reserves		
Share capital	1,174,378	1,174,378
Reserves	<u>(445,346)</u>	<u>(410,359)</u>
Equity attributable to owners of the Company	729,032	764,019
Non-controlling interests	<u>170,015</u>	<u>176,534</u>
TOTAL EQUITY	<u>899,047</u>	<u>940,553</u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Doyen International Holdings Limited (the “**Company**”) was incorporated in Hong Kong with limited liability. The address of its registered office and principal place of business is Suite 2206, 22nd Floor, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong. The Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The Company together with its subsidiaries (collectively referred to as the “**Group**”) are principally engaged in investment properties holding in the People’s Republic of China (“**PRC**”), provision of financing to customers in the PRC and Hong Kong (the “**Dongkui Business**”), investment holding, sales of flowers and plants and distressed assets management.

In the opinion of the directors (the “**Directors**”) of the Company, as at 30 June 2023, Money Success Limited, a company incorporated in the British Virgin Islands (“**BVI**”), is the immediate parent; Wealthy In Investments Limited, a company incorporated in the BVI, is the ultimate parent and Mr. Lo Siu Yu (“**Mr. Lo**”) is the ultimate controlling party of the Company.

2. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange.

The financial information relating to the year ended 31 December 2022 that is included in these unaudited condensed financial statements for the six months ended 30 June 2023 as comparative information does not constitute the statutory annual consolidated financial statements of the Company for that year but is derived from those consolidated financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the consolidated financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 622(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company’s auditor has reported on those consolidated financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis with qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

These condensed financial statements should be read in conjunction with the 2022 annual financial statements. The accounting policies (including the significant judgements made by management in applying the Group’s accounting policies and the key source of estimation uncertainty) and methods of computation used in the preparation of these condensed financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2022 except as stated below.

3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2023. HKFRSs comprise individual Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not have any significant effect on the condensed financial statements. The Group has not early adopted any other standard interpretation or amendment that has been issued but is not yet effective.

4. SEGMENT INFORMATION

Operating segments are identified and reported in the manner consistent with internal reports of the Group that are regularly reviewed by the chief operating decision-maker (the “CODM”) in order to assess performance and allocate resources. The CODM, has been defined as the executive Directors who assess the performance of the operating segments based on the profit and loss generated.

The CODM reviews the business principally from an industry perspective and has identified four (2022: four) reportable segments. No operating segments have been aggregated to form the following reportable segments:

Investment properties holding	–	properties investment and rental activities
Dongkui business	–	provision of loan financing
Sales of flowers and plants	–	selling of flowers, seedings and plants
Distressed assets management	–	provision of distressed assets management

The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different marketing strategies.

The operation of 重慶寶旭商業管理有限公司 (for identification purpose, Chongqing Baoxu Commercial Property Management Ltd.) (“**Chongqing Baoxu**”) represents the operating and reportable segment of investment properties holding and sales of flowers and plants.

The operation of 三亞清石實業有限公司 (for identification purpose, Sanya Qingshi Industrial Co., Ltd.) (“**Sanya Qingshi**”) represents the operating and reportable segment of investment properties holding.

The operation of 東葵融資租賃(上海)有限公司 (for identification purpose, Dongkui Financial Leasing (Shanghai) Co. Ltd.) (“**Shanghai Dongkui**”) and 東銳商業保理(上海)有限公司 (for identification purpose, Dongrui Factoring (Shanghai) Ltd.) (“**Shanghai Dongrui**”) represents the operating and reportable segment of Dongkui business.

The operation of Shanghai Dongkui represents the operating and reportable segment of distressed assets management.

The measure used for reporting segment profit/(loss) is “profit/(loss) after tax”.

4. SEGMENT INFORMATION (continued)

Information about operating segment profit or loss:

	Investment properties holding HK\$'000 (unaudited)	Dongkui business HK\$'000 (unaudited)	Sales of flowers and plants HK\$'000 (unaudited)	Distressed assets management HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Six months ended 30 June 2023					
Disaggregated by timing of revenue recognition					
Point in time	–	–	1,243	–	1,243
Over time	<u>6,420</u>	<u>27,410</u>	<u>–</u>	<u>–</u>	<u>33,830</u>
Revenue from external customers	6,420	27,410	1,243	–	35,073
Inter-segment revenue	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Reportable segment revenue	6,420	27,410	1,243	–	35,073
Purchases	(654)	–	(1,093)	–	(1,747)
Depreciation of property, plant and equipment	(3)	(1)	–	–	(4)
Depreciation of right-of-use assets	–	(198)	–	–	(198)
Finance income	98	749	–	–	847
Finance costs	–	–	–	–	–
Income tax expense	(1,037)	(4,708)	(38)	–	(5,783)
Segment profit after tax	<u><u>3,367</u></u>	<u><u>20,062</u></u>	<u><u>113</u></u>	<u><u>–</u></u>	<u><u>23,542</u></u>
Six months ended 30 June 2022					
Disaggregated by timing of revenue recognition					
Point in time	–	–	20,629	–	20,629
Over time	<u>7,628</u>	<u>32,453</u>	<u>–</u>	<u>–</u>	<u>40,081</u>
Revenue from external customers	7,628	32,453	20,629	–	60,710
Inter-segment revenue	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Reportable segment revenue	7,628	32,453	20,629	–	60,710
Purchases	(963)	–	(20,012)	–	(20,975)
Depreciation of property, plant and equipment	(3)	(2)	–	–	(5)
Depreciation of right of use assets	–	(191)	–	(621)	(812)
Finance income	82	77	–	9	168
Finance costs	(210)	–	–	–	(210)
Income tax expense	(1,253)	(7,582)	(154)	–	(8,989)
Segment profit/(loss) after tax	<u><u>3,604</u></u>	<u><u>20,743</u></u>	<u><u>616</u></u>	<u><u>(3,351)</u></u>	<u><u>21,612</u></u>

4. SEGMENT INFORMATION (continued)

Reconciliation of segment profit or loss:

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue		
Total revenue of reportable segments and consolidated revenue	<u>35,073</u>	<u>60,710</u>
Profit or loss		
Total profit of reportable segments after tax	23,542	21,612
Unallocated amounts:		
Staff costs	(4,220)	(3,881)
Depreciation of right-of-use assets	(765)	(736)
Fair value gain on financial assets at fair value through profit and loss	(855)	1,418
Gain on disposal of subsidiary	–	608
Exchange losses – net	(3,440)	(3,958)
Finance income	83	49
Finance costs	(41)	(60)
Other corporate expenses	<u>(3,635)</u>	<u>(1,541)</u>
Consolidated profit after tax for the period	<u>10,669</u>	<u>13,511</u>

5. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Fair value (losses)/gains on financial assets at fair value through profit or loss	(855)	1,418
Gain on disposal of a subsidiary	–	608
Exchange losses – net	<u>(3,440)</u>	<u>(3,554)</u>
	<u>(4,295)</u>	<u>(1,528)</u>

6. FINANCE INCOME AND COSTS

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Finance income		
Interest income on bank deposits	930	217
Finance costs		
Interest on lease liabilities	(41)	(270)
	<u>889</u>	<u>(53)</u>

7. INCOME TAX EXPENSE

Income tax has been recognised in profit or loss as follows:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax		
PRC Enterprise Income Tax (“EIT”)	7,113	7,897

No provision for Hong Kong Profits Tax is made since the Group has no assessable profits for the six months ended 30 June 2023 and 2022.

PRC EIT has been provided at a rate of 25% (2022: 25%).

Under the PRC EIT law, dividends received by foreign investors from investment in foreign-invested enterprises in respect of their profits earned since 1 January 2008 are subject to withholding tax of 5% to 10% unless reduced by treaty. Accordingly, deferred tax has been recognised for undistributed retained profits of PRC subsidiaries at a rate of 10% to the extent that the profits will be distributed in the foreseeable future.

8. DIVIDENDS

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2023 and 2022.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the following:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the period attributable to owners of the Company)	<u>6,980</u>	<u>8,349</u>
	Six months ended 30 June	
	2023	2022
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation	<u>1,274,039</u>	<u>1,274,039</u>

No diluted earnings per share for the six months ended 30 June 2023 and 2022 were presented as there were no potential ordinary shares in issue for both 2023 and 2022.

10. LOAN RECEIVABLES

	30 June	31 December
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Loan receivables	522,390	529,523
Less: Loss allowances	<u>(9,023)</u>	<u>(9,449)</u>
	<u>513,367</u>	<u>520,074</u>
Analysis as:		
Non-current portion	–	–
Current portion	<u>513,367</u>	<u>520,074</u>

As at 30 June 2023, the Group's loans to customers of approximately HK\$517.9 million (2022: approximately HK\$525.2 million) were secured by collaterals such as a property or trade receivables (2022: a property or trade receivables) of the relevant customers and repayable by instalments within two (2022: two) years from the draw-down dates. The effective interest rate on such loans ranged from 8.0% to 15.4% (2022: 8.0% to 15.4%) per annum.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS

BUSINESS REVIEW

For six months ended 30 June 2023, Doyen International Holdings Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) recorded revenue of approximately HK\$35.1 million (2022: approximately HK\$60.7 million), representing a year-on-year decrease of 42.17%. The decrease in total revenue was mainly due to the decrease in the sales of flowers and plants.

For the six months ended 30 June 2023, the Company recorded a profit for the period of approximately HK\$10.7 million (2022: profit of approximately HK\$13.5 million). It was mainly due to fair value losses arising from financial assets at fair value through profit or loss. For the six months ended 30 June 2023, a loss of approximately HK\$0.9 million (2022: profit of approximately HK\$1.4 million) was generated from financial assets at fair value through profit or loss in the first half of 2023, this item had a negative impact on the profit for the period in the first half of 2023.

The profit for the period attributable to owners of the Company for the six months ended 30 June 2023 is approximately HK\$7.0 million (2022: approximately HK\$8.3 million).

Dongkui Business

東葵融資租賃(上海)有限公司 (for identification purpose, Dongkui Financial Leasing (Shanghai) Co., Ltd. (“**Shanghai Dongkui**”)), a subsidiary in which the Company owns 77.58% equity interest, is principally engaged in the provision of secured loan financing, short-term loan business, factoring and refactoring business (collectively, the “**Dongkui Business**”).

In the first half of 2023, with ongoing conflicts between Russia and Ukraine, tensions between the People’s Republic of China (the “**PRC**”) and the United States, interest rate hikes in the Western countries like the United States and the United Kingdom to cope with the problem of high inflation. Meanwhile, the post-pandemic economic recovery is fall short of anticipation, with weaken consumption and numerous cases of enterprises and governmental platforms debt default, causing the increase of market environment risks for Shanghai Dongkui and its relevant businesses. Through the discussion and analysis by the management, in order to cope with volatile economic environment and reduce operating risk, Shanghai Dongkui continued to invest its resources in short-cycle and low risk factoring and refactoring business, at the same time, reduce the scale of investment as appropriate in general for the second half of 2022.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS (continued)

BUSINESS REVIEW (continued)

Dongkui Business (continued)

For the six months ended 30 June 2023, the Dongkui Business segment contributed revenue of approximately HK\$27.4 million (2022: revenue of approximately HK\$32.5 million), representing a decrease of approximately 15.69%. This segment has recorded profit after tax of approximately HK\$20.1 million (2022: profit after tax of approximately HK\$20.7 million). Such decrease was due to the active scaling down of investing on factoring and refactoring business, and the reduced segment was used for commercial properties acquisition and increase of short-term banking investment product.

As at 30 June 2023, the Group entered into short-term loan and factoring and refactoring agreements with 14 (31 December 2022:14) borrowers.

As at 30 June 2023, the Group's total loan receivables amounted to approximately HK\$513.4 million (2022: approximately HK\$520.1 million). The breakdown of the loan receivables of the Group as at 30 June 2023, categorising into the three segments in the loan financing segment, namely loan financing business, short-term loan business, factoring and refactoring business is as follows:

	30 June 2023	30 June 2023	30 June 2023	31 December 2022	31 December 2022	31 December 2022
	Gross carrying amount	Loss allowances	Net carrying amount	Gross carrying amount	Loss allowances	Net carrying amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
Loan financing business	–	–	–	–	–	–
Short-term loan business	31,438	(7,800)	23,638	33,027	(8,168)	24,859
Factoring and refactoring business	490,952	(1,223)	489,729	496,496	(1,281)	495,215
Total	<u>522,390</u>	<u>(9,023)</u>	<u>513,367</u>	<u>529,523</u>	<u>(9,449)</u>	<u>520,074</u>

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS (continued)

BUSINESS REVIEW (continued)

Dongkui Business (continued)

Short-term Loan Business

Shanghai Dongkui is now providing short-term loan business for a company, 儋州中誠裝修有限公司 (for identification purpose, Dan Zhou Zhongcheng Decoration Co., Ltd (“**Dan Zhou Zhongcheng**”)) with a project amount of RMB25.0 million (equivalent to approximately HK\$27.0 million). As at 22 October 2021, Dan Zhou Zhongcheng has not repaid the loan of RMB25.0 million (equivalent to approximately HK\$27.0 million) together with all outstanding accrued interest (i.e. interest of approximately RMB0.3 million (equivalent to approximately HK\$0.3 million) on the last instalment of payment), totalling approximately RMB25.3 million (equivalent to approximately HK\$27.3 million). Accordingly, the Company has sought legal advice and instituted legal proceedings in the Suburban People’s Court of Sanya City, Hainan Province (the “**Sanya Court**”) against Dan Zhou Zhongcheng and the guarantor. On 26 September 2022, Shanghai Dongkui received a judgment from the Sanya Court dated 18 June 2022 regarding the Legal Proceeding in its favour. The Judgment ordered, amongst others, that (1) Dan Zhou Zhongcheng to pay Shanghai Dongkui the outstanding loan of RMB25.0 million (equivalent to approximately HK\$27.0 million) with the accrued interests from 21 September 2021 to the date of the repayment of all the outstanding amount calculated based on the principal amount of RMB25.0 million (equivalent to approximately HK\$27.0 million) and annual interest rate of 15.40%; (2) Dan Zhou Zhongcheng to pay Shanghai Dongkui RMB0.3 million (equivalent to approximately HK\$0.3 million) as the legal fee; (3) the guarantor is jointly and severally liable for the repayment obligations of Dan Zhou Zhongcheng of the debts; and (4) Shanghai Dongkui has priority rights in satisfying its claim in relation to the debts from the proceeds of converting the property of the guarantor, a villa in Longwan, Peninsula, Nanbian Hailu, Sanya PRC (the “**Property**”) into money, auction or sale such property. The Property is successfully auctioned on 20 March 2023, being sold to an independent third party at a price of approximately RMB28.8 million (equivalent to approximately HK\$31.1 million). An amount of approximately RMB23.6 million (equivalent to approximately HK\$25.5 million), after deduction of miscellaneous costs and expenses as directed by the Sanya Court, was repaid to the Group on 24 July 2023 to partially settle its liabilities under such agreements. The Group is in the process of seeking legal advice on the steps to be taken to recover the remaining outstanding amount under the judgment. For further details, please refer to the announcements of the Company dated 21 October 2019, 23 October 2020, 25 October 2021, 28 September 2022 and 26 July 2023.

Factoring/Refactoring Business

On 15 September 2022, 東銳商業保理(上海)有限公司 (for identification purpose, Dongrui Factoring (Shanghai) Ltd. (“**Shanghai Dongrui**”)), a wholly-owned subsidiary of Shanghai Dongkui, entered into a refactoring business with 江蘇鵬輝融資租賃有限公司 (for identification purpose, Jiangsu Penghui Financial Leasing Co., Ltd. (“**Jiangsu Penghui**”)), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB34.7 million (equivalent to approximately HK\$37.5 million) assigned to Jiangsu Penghui from the factoring customers of Jiangsu Penghui for a term of 1 year from the date of execution of the refactoring agreement, with the refactoring principal amount of approximately RMB31.4 million (equivalent to approximately HK\$33.9 million) and an interest rate of 10.63% per annum.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS (continued)

BUSINESS REVIEW (continued)

Dongkui Business (continued)

Factoring/Refactoring Business (continued)

On 27 September 2022, Shanghai Dongrui entered into a refactoring agreement with 重慶璞美苗木有限公司 (for identification purpose, Chongqing Pumei Miaomu Company Ltd. (“**Chongqing Pumei**”)), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB40.3 million (equivalent to approximately HK\$43.5 million) assigned to Chongqing Pumei from the factoring customers of Chongqing Pumei for a term of 1 year from the date of execution of the refactoring agreement, with the factoring principal amount of RMB36 million (equivalent to approximately HK\$38.9 million) and an interest rate of 12.00% per annum. For further details, please refer to the announcement of the Company dated 27 September 2022.

On 17 October 2022, Shanghai Dongrui entered into a factoring business with Chongqing Pumei, pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB11.8 million (equivalent to approximately HK\$12.7 million) assigned to Chongqing Pumei from the factoring customers of Chongqing Pumei for a term of 1 year from the date of execution of the factoring agreement, with the factoring principal amount of RMB10.5 million (equivalent to approximately HK\$11.3 million) and an interest rate of 12.00% per annum.

On 19 December 2022, Shanghai Dongrui entered into a refactoring agreement with Chongqing Pumei, pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB6.2 million (equivalent to approximately HK\$6.7 million) assigned to Chongqing Pumei from the factoring customers of Chongqing Pumei for a term of 1 year from the date of execution of the refactoring agreement, with the factoring principal amount of RMB5.5 million (equivalent to approximately HK\$5.9 million) and an interest rate of 12.00% per annum.

On 14 October 2022, Shanghai Dongrui entered into a factoring agreement with 重慶潮豐聯物資有限公司 (for identification purpose, Chongqing Chaofung United Material Supplies Ltd. (“**Chongqing Chaofung**”)), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB49.8 million (equivalent to approximately HK\$53.8 million) assigned to Chongqing Chaofung from the factoring customers of Chongqing Chaofung for a term of 1 year from the date of execution of the factoring agreement, with the factoring principal amount of RMB45 million (equivalent to approximately HK\$48.6 million) and an interest rate of 10.50% per annum. For further details, please refer to the announcement of the Company dated 14 October 2022.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS (continued)

BUSINESS REVIEW (continued)

Dongkui Business (continued)

Factoring/Refactoring Business (continued)

On 14 October 2022, Shanghai Dongrui entered into a factoring agreement with 重慶奧遠物資有限公司 (for identification purpose, Chongqing Aoyuan Materials Company Ltd. (“**Chongqing Aoyuan**”)), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB11.1 million (equivalent to approximately HK\$12.0 million) assigned to Chongqing Aoyuan from the factoring customers of Chongqing Aoyuan for a term of 1 year from the date of execution of the factoring agreement, with the factoring principal amount of RMB10 million (equivalent to approximately HK\$10.8 million) and an interest rate of 10.50% per annum. For further details, please refer to the announcement of the Company dated 14 October 2022.

On 17 October 2022, Shanghai Dongrui entered into a factoring agreement with 重慶茂同裝飾工程有限公司 (for identification purpose, Chongqing Maotong Decoration Engineering Company Ltd. (“**Chongqing Maotong**”)), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB51.9 million (equivalent to approximately HK\$56.1 million) assigned to Chongqing Maotong from the factoring customers of Chongqing Maotong for a term of 1 year from the date of execution of the factoring agreement, with the factoring principal amount of RMB46.5 million (equivalent to approximately HK\$50.2 million) and an interest rate of 11.52% per annum. For further details, please refer to the announcement of the Company dated 17 October 2022.

On 19 December 2022, Shanghai Dongrui entered into a factoring agreement with Chongqing Maotong, pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB6.7 million (equivalent to approximately HK\$7.2 million) assigned to Chongqing Maotong from the factoring customers of Chongqing Maotong for a term of 1 year from the date of execution of the factoring agreement, with the factoring principal amount of RMB6 million (equivalent to approximately HK\$6.5 million) and an interest rate of 12.00% per annum.

On 17 October 2022, Shanghai Dongrui entered into a refactoring agreement 1 with 深圳盛世嘉誠保理有限公司 (for identification purpose, Shenzhen Sheng Shi Jia Cheng Factoring Company Ltd. (“**Sheng Shi**”)), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB3.4 million (equivalent to approximately HK\$3.7 million) assigned to Sheng Shi from the factoring customers of Sheng Shi for a term of 1 year from the date of execution of the refactoring agreement 1, with the factoring principal amount of approximately RMB3.0 million (equivalent to approximately HK\$3.2 million) and an interest rate of 10.63% per annum. On 31 October 2022, Shanghai Dongrui entered into a refactoring agreement 2, pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB29.8 million (equivalent to approximately HK\$32.2 million) assigned to Sheng Shi from the factoring customers of Sheng Shi for a term of 1 year from the date of execution of the refactoring agreement 2, with the factoring principal amount of approximately RMB26.9 million (equivalent to approximately HK\$29.1 million) and an interest rate of 10.60% per annum. For further details, please refer to the announcement of the Company dated 31 October 2022.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS (continued)

BUSINESS REVIEW (continued)

Dongkui Business (continued)

Factoring/Refactoring Business (continued)

On 3 November 2022, Shanghai Dongrui entered into a refactoring agreement with Sheng Shi, pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB18 million (equivalent to approximately HK\$19.4 million) assigned to Sheng Shi from the factoring customers of Sheng Shi for a term of 1 year from the date of execution of the refactoring agreement, with the factoring principal amount of approximately RMB16.3 million (equivalent to approximately HK\$17.6 million) and an interest rate of 10.62% per annum.

On 3 November 2022, Shanghai Dongrui entered into a refactoring agreement with 磐嶼商業保理有限公司 (for identification purpose, Pun Yu Commercial Factoring Ltd. (“**Pun Yu**”)), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB55.2 million (equivalent to approximately HK\$59.6 million) assigned to Pun Yu from the factoring customers of Pun Yu for a term of 1 year from the date of execution of the refactoring agreement, with the factoring principal amount of approximately RMB49.9 million (equivalent to approximately HK\$53.9 million) and an interest rate of 10.62% per annum. For further details, please refer to the announcement of the Company dated 3 November 2022.

On 4 November 2022, Shanghai Dongrui entered into a factoring agreement with 重慶柏翠苗木有限公司 (for identification purpose, Chongqing Baicui Tree Nurseries Company Ltd. (“**Chongqing Baicui**”)), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB55.9 million (equivalent to approximately HK\$60.4 million) assigned to Chongqing Baicui from the factoring customers of Chongqing Baicui for a term of 1 year from the date of execution of the factoring agreement, with the factoring principal amount of RMB50 million (equivalent to approximately HK\$54.0 million) and an interest rate of 11.78% per annum. For further details, please refer to the announcement of the Company dated 4 November 2022.

On 19 December 2022, Shanghai Dongrui entered into a factoring agreement with Chongqing Baicui, pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB2.8 million (equivalent to approximately HK\$3.0 million) assigned to Chongqing Baicui from the factoring customers of Chongqing Baicui for a term of 1 year from the date of execution of the factoring agreement, with the factoring principal amount of RMB2.5 million (equivalent to approximately HK\$2.7 million) and an interest rate of 12.00% per annum.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS (continued)

BUSINESS REVIEW (continued)

Dongkui Business (continued)

Factoring/Refactoring Business (continued)

On 15 September 2022, Shanghai Dongrui entered into a 2022 re-factoring agreement with 國昀瑞業 (深圳) 商業保理有限公司 (for identification purpose, Guojun Xiuer (Shenzhen) Commercial Factoring Ltd. (“**Guojun Xiuer**”)), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB6.5 million (equivalent to approximately HK\$7.0 million) assigned to Guojun Xiuer from the factoring customers of Guojun Xiuer for a term of 1 year from the date of execution of the 2022 re-factoring agreement, with the factoring principal amount of approximately RMB5.9 million (equivalent to approximately HK\$6.4 million) and an interest rate of 10.63% per annum.

On 15 September 2022, Shanghai Dongrui entered into the factoring agreement 1 with 上海翺眩實業有限公司 (for identification purpose, Shanghai Hongxuan Industrial Company Ltd. (“**Shanghai Hongxuan**”)), pursuant to which Shanghai Dongrui agreed to provide financing being secured by accounts receivable of approximately RMB10.6 million (equivalent to approximately HK\$11.4 million) assigned to Shanghai Hongxuan from the factoring customers of Shanghai Hongxuan for a period of 1 year from the date of signing of the factoring agreement 1 with the factoring principal amount of RMB9.5 million (equivalent to approximately HK\$10.3 million) and an interest rate of 12.00% per annum. On 28 November 2022, Shanghai Dongrui and Shanghai Hongxuan entered into the factoring agreement 2, pursuant to which Shanghai Dongrui agreed to provide financing being secured by accounts receivable of approximately RMB41.3 million (equivalent to approximately HK\$44.6 million) assigned to Shanghai Hongxuan from the factoring customers of Shanghai Hongxuan for a period of 1 year from the date of signing of the factoring agreement 2 with the factoring principal amount of RMB36.9 million (equivalent to approximately HK\$39.9 million) and an interest rate of 12.00% per annum. Please refer to the announcement of the Company dated 28 November 2022.

On 19 December 2022, Shanghai Dongrui entered into the factoring agreement with Shanghai Hongxuan, pursuant to which Shanghai Dongrui agreed to provide financing being secured by accounts receivable of approximately RMB6.7 million (equivalent to approximately HK\$7.2 million) assigned to Shanghai Hongxuan from the factoring customers of Shanghai Hongxuan for a period of 1 year from the date of signing of the factoring agreement with the factoring principal amount of RMB6 million (equivalent to approximately HK\$6.5 million) and an interest rate of 12.00% per annum.

On 19 April 2023, Shanghai Dongrui entered into a factoring agreement with 重慶嘉望商貿有限公司 (for identification purpose, Chongqing Jia Wang Trading Ltd. (“**Chongqing Jia Wang**”)), pursuant to which, Shanghai Dongrui agreed to provide financing secured by the accounts receivables of approximately RMB21.1 million (equivalent to approximately HK\$22.8 million) assigned to Guojun Xiuer from the factoring customers of Chongqing Jia Wang for a period of 1 year from the date of signing of the factoring agreement, with the factoring principal amount of RMB19 million (equivalent to approximately HK\$20.5 million) and an interest rate of 11.00% per annum. Please refer to the announcement of the Company dated 19 April 2023.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS (continued)

BUSINESS REVIEW (continued)

Dongkui Business (continued)

Factoring/Refactoring Business (continued)

On 29 June 2023, Shanghai Dongrui, entered into the factoring agreement with 武漢合縱創展貿易有限公司 (for identification purpose, Wuhan Hezong Chuangzhan Trade Company Ltd. (“**Wuhan Hezong**”)), pursuant to which, Shanghai Dongrui agreed to provide financing being secured by accounts receivable of approximately RMB18.9 million (equivalent to approximately HK\$20.4 million) assigned to Wuhan Hezong from the factoring customers of Wuhan Hezong for a period of 1 year from the date of signing of the factoring agreement with the factoring principal amount of RMB17 million (equivalent to approximately HK\$18.4 million) and an interest rate of 11.00% per annum. Please refer to the announcement of the Company dated 29 June 2023.

Property Investment Holding

Dong Dong Mall

重慶寶旭商業管理有限公司 (for identification purpose, Chongqing Baoxu Commercial Property Management Ltd. (“**Chongqing Baoxu**”)), a subsidiary of which 70% equity interest is owned by the Company, is principally engaged in the investment holding of Dong Dong Mall (“**Dong Dong Mall**”), a shopping arcade for commercial use and located at No.2, Second Lane, Nanping East Road, Nanan District, Chongqing in the PRC with a total gross floor area of 18,043.45 square metres. Dong Dong Mall is adjacent to a main pedestrian street and a number of shopping malls, where is a hot-spot of fashion, shopping, entertainment and business for residents around south Chongqing due to its convenient public transportation.

Although the PRC economy is beginning to recover, consumption level has not yet recovered to its previous high level, which has led to a reduction in revenue for some commercial real estate enterprises, and Dong Dong Mall is no exception. In order to ease the pressure on tenants, maintain shop occupancy and good customer relations, Dong Dong Mall offers rent reduction to tenants to help them overcome difficulties. Rent concessions of a total of approximately RMB0.4 million (equivalent to approximately HK\$0.4 million) were granted to tenants in the first half of 2023, which accounted for 6.25% of Dong Dong Mall’s revenue in the first half of 2023.

Although consumer sentiment has not yet fully recovered, with the gradual stimulation of the economy and the gradual relaxation of policies, it is believed that the market will gradually pick up and new development opportunities will be opened up for Dong Dong Mall.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS (continued)

BUSINESS REVIEW (continued)

Property Investment Holding (continued)

Chengdu Office

On 25 April 2023, 三亞清石實業有限公司 (for identification purpose, Sanya Qingshi Industrial Co., Ltd. (“**Sanya Qingshi**”)), a wholly-owned subsidiary of Shanghai Dongkui, entered into a contract with 成都東銀信息傳媒有限公司 (for identification purpose, Chengdu Dongyin Information Media Co., Ltd.), pursuant to which Sanya Qingshi agreed to purchase a property (i.e. Rooms no. 1 and 2 of 4th Floor, Unit 1, Building 6 of a scientific research office building of Tianfu Xingu on the Land located at No. 399 West Section of Fucheng Avenue, Chengdu, PRC) (“**Chengdu Office**”), with the aggregate gross floor area of each of Room no. 1 and 2 being 1,437.93 sq.m. and 474.76 sq.m. respectively, at a total consideration of RMB19.0 million (equivalent to approximately HK\$20.5 million). Please refer to the announcement of the Company dated 25 April 2023.

The Chengdu Office is located in the business district of Chengdu. With the economic development in western region of the PRC, more and more enterprises are entering Chengdu, the PRC, resulting in an increasing demand for the office leasing market. In June 2023, Sanya Qingshi has entered into a tenancy agreement with the tenant for the Chengdu Office for a term of nearly 10 years at an annual rental of approximately RMB1.6 million (equivalent to approximately HK\$1.7 million) per annum. This will bring stable income to the Group in the future.

For the six months ended 30 June 2023, the Group’s property investment segment has contributed revenue of approximately HK\$6.4 million (2022: approximately HK\$7.6 million). For the six months ended 30 June 2023, this segment has recorded a profit after tax of approximately HK\$3.4 million (2022: profit after tax of approximately HK\$3.6 million).

Sales of Flowers and Plants

Since December 2019, Chongqing Baoxu has managed its property value-added business with a focus on the sales of flowers and plants, therefore it has established a sales of flowers and plants department which is mainly responsible for the integrated management of flowers and plants procurement, sales and after-sales services and proactively develops value-added service income items of the sales of flowers and plants and explores the sales market in Chongqing of the PRC.

The Group’s sales of flowers and plants are closely related to the real estate market, with real estate development directly driving demand for flowers and plants. During the first half of 2023, the atmosphere in Chongqing’s property market remained poor, affecting the revenue from the sales of flowers and plants. It was not likely to stimulate demand for flowers and plants.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS (continued)

BUSINESS REVIEW (continued)

Sales of Flowers and Plants (continued)

For the six months ended 30 June 2023, the Group's sales of flowers and plants segment has contributed revenue of approximately HK\$1.2 million (2022: approximately HK\$20.6 million). For the six months ended 30 June 2022, this segment has recorded a profit after tax of approximately HK\$0.1 million (2022: profit after tax of approximately HK\$0.6 million).

Distressed Assets Management

In June 2022, Shanghai Dongkui disposed the entire interest in 安信萬邦資產管理有限公司 (for identification purpose, Anxin Wanbang Asset Management Co., Ltd.) for a consideration of RMB0.1 million (equivalent to approximately HK\$0.1 million) (the “Disposal”). After the Disposal, the Group is still in the process of finding a suitable team to design and optimise a business model that suits the management practices and features of a listed company.

For the six months ended 30 June 2023, the Group's distressed assets management segment has not contributed revenue (2022: nil). Meanwhile, this segment did not record a loss after tax for the six months ended 30 June 2023 (2022: loss after tax of approximately HK\$3.4 million).

PROSPECTS

In 2023, the global economic situation remained complex and volatile, yet the PRC government has introduced macroeconomic policies to support the private economy, and the confidence of private enterprises has begun to recover with the employment rate and prices maintained generally stable, and the economy showing a stabilising and rebounding trend as a whole.

Looking ahead to the second half of 2023, it is expected that, on the basis of the current economic situation, the efforts of growth stabilisation policies will be stepped up. The Group will closely monitor market policies and judge changes in risks, and prudently seek investment opportunities to promote a dynamic balance between high quality development and high standards of safety, in order to support the Group's long-term healthy development. Based on anticipations of the ongoing stable development of the economy, continuous improvement of the Group's performance is expected.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS (continued)

PROSPECTS (continued)

Dongkui business

Under the current economic situation, the Group will strengthen its market research and analysis of Dongkui Business, increase in number and diversity of clients, and actively explore new modes and areas for business expansion to provide a wider scope for the sustainable and stable development of Dongkui Business.

Loan Financing Business

On 18 April 2023, the General Office of Shanghai Municipal People’s Government issued the “Policy Measures on Strengthening Investment Promotion in the New Period to Accelerate the Construction of a Modern Industrial System”, which has a positive effect on the loan financing business. The policy measures encourage the introduction of various types of capital into Shanghai, including foreign capital and private capital, which will provide financial institutions with more demand for financing and provide more room for the development of loan financing business. The Group will continue to observe the relevant policies and developments in the industry in the future and will re-invest its resources in the loan financing business at an appropriate time.

Short-term Loan Business

Since the promulgation of the Regulations on the Administration of Financial Leasing Companies and Project Companies in 2022, the regulatory trend in the finance leasing industry has continued to be strengthened, and Shanghai Dongkui has strictly followed the regulatory requirements to carry out business adjustment and regulation. Shanghai Dongkui has streamlined its business scale without commencing any new short-term loan business.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS (continued)

PROSPECTS (continued)

Dongkui business (continued)

Factoring/Refactoring Business

On 17 May 2023, the Shanghai Municipal Joint Conference Office for Enterprise Services issued “Several Measures for Shanghai to Help Micro, Small and Medium-sized Enterprises Stabilize Growth, Adjust Structure, and Strengthen Capabilities”. In helping micro, small and medium enterprises to stabilize growth, Shanghai has launched several measures, which undoubtedly will bring certain advantages and assistance to the factoring business. It was proposed in the policy initiative that the development of micro, small and medium enterprises would be supported by providing them with more financial support. This will facilitate the development and growth of micro, small and medium enterprises and enhance their competitiveness in the market, thereby increasing their financing needs. Secondly, the policy initiative proposes to support the innovation and development of micro, small and medium enterprises by encouraging them to increase their investment in research and development and improve their technological innovation capabilities. This will facilitate the innovation development of micro, small and medium enterprises and improve the quality of their products. It was also proposed in the policy that financial services would be optimised, with improvement in the quality and efficiency of financial institutions and provision of better financial support to micro, small and medium enterprises. This will help improve the service quality and efficiency of the factoring business and enhance its market competitiveness.

In 2023, the key business direction of the Group will be the factoring and refactoring business. The Group will further enhance the risk management of the factoring and refactoring business, improve its business standards and service quality, and actively explore new business models and cooperation opportunities to meet the financial needs of different types of customers. In the future, the Group hopes to provide more comprehensive and convenient financial services to its customers so as to bring a more stable and sustainable source of income to the Group.

Distressed Assets Management Business

In April 2023, at the press conference of the 中國國家發展改革委員會 (for identification purpose, National Development and Reform Commission (“NDRC”)) of the PRC, Meng Wei, deputy director of the Policy Research Office of the NDRC and a press spokesperson for the NDRC, said that financial institutions had to be promoted to increase credit support for private investment projects in accordance with market-oriented principles, and private capital had to be encouraged to revitalise their own assets through property right transactions, mergers and acquisitions, restructuring and acquisition and disposal of distressed assets. With an adequate supply of distressed assets as well as policy support, the development prospects of the distressed asset management industry are promising.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS (continued)

PROSPECTS (continued)

Dongkui business (continued)

Distressed Assets Management Business (continued)

In the future, the Group will continue to seek development opportunities for the distressed asset management industry, look for a suitable team, hoping to design and optimise a business model fulfilling the management code and characteristic of listed companies, establish an effective disposal process and mechanism, seek cooperation from quality disposal service providers and improve disposal capability and efficiency, so as to seize development opportunities for the distressed asset management industry and make positive contributions to economic development and financial stability.

Property Investment Holding

Dong Dong Mall

With the optimisation of the COVID-19 pandemic prevention and control policy, the retail market in Chongqing, the PRC has started to recover, with footfall gradually recovering and consumer demand for shopping increasing. To further promote the development of the retail market, the Chongqing government released on 23 March the “Chongqing Action Plan for Promoting the Construction of the Chengdu-Chongqing Region Twin City Economic Circle (2023-2027)”, which proposed to promote the construction of the twin city economic circle in a comprehensive manner with ten initiatives, led by fostering the construction of an international consumption centre city and implementing eight initiatives of “Bayu New Consumption” to provide support to the commercial and retail industries, expanding consumption scenarios and raising the overall consumption amount. The market is expected to continue its positive trend in the future.

Dong Dong Mall, a property of the Group, is a shopping complex with shopping, entertainment, dining, art and culture. It accommodates a variety of tenants providing children’s classrooms, photography, homeware, digital products and many other categories which can serve the daily requirements of the neighbourhood. Positioned as a family and neighbourhood centre, Dong Dong Mall is designed to attract customers and tenants by focusing on children-related businesses through restructuring, investment, operation and promotion. In addition, there are a number of themed plazas and event venues, where various cultural and art activities and parent-child entertainment programmes are held from time to time to provide consumers with more entertainment and cultural experiences. Dong Dong Mall also has a dining area, offering a wide range of Chinese and Western cuisines and special snacks to meet the different tastes of consumers.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS (continued)

PROSPECTS (continued)

Property Investment Holding (continued)

Dong Dong Mall (continued)

Looking into the future, Dong Dong Mall will actively transit to a healthy shopping arcade by continuing to enhance its facilities and services in order to provide consumers with a more convenient and efficient shopping experience. At the same time, Dong Dong Mall planned to organise themed events to attract more consumers for shopping and entertainment, thus further boosting the profit of the Group.

Chengdu Office

The Group's Chengdu Office is located in the business district of Chengdu. Chengdu, as an important city in western PRC, also being one of the economic, cultural, technological and financial centers in western PRC. In recent years, Chengdu's economy has been developing rapidly, attracting more and more enterprises to invest there. Therefore, the prospect of Chengdu's office investment is enormously broad.

In June 2023, Sanya Qingshi has entered into a tenancy contract with the tenant for the Chengdu Office for a term of nearly 10 years. With good communication with customers, the leasing of the Chengdu Office will generate stable income for the Group in the foreseeable future.

Sales of Flowers and Plants

Chongqing Baoxu has an objective of becoming one of the main suppliers of landscape greening flowers and plants to small and medium-sized real estate developers in the PRC, aiming to provide quality landscape greening related flowers and supply flowers and plants to the clients at competitive prices.

In recent years, the real estate market in Chongqing has been affected by a number of adverse factors, resulting in unstable demand in the real estate market. The instability of the real estate market has also affected the sales of the flowers and plants. Many real estate developers have chosen to delay or not to conduct landscape greening due to uncertain market prospects, which has reduced the demand of flowers and plants.

Following the environmental awareness and concepts of the residents of cities and towns in the PRC increase, real estate developers are paying more attention to the construction of cityscape, and the PRC government is also actively building eco-cities. Only a minority of improved housing units are able to add value in the future. Therefore, there is still a demand for landscaping in the market. The Company believes that the sale of flowers and plants will have great development potential in the future.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS (continued)

HUMAN RESOURCES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had a total of 30 (31 December 2022: 30) full-time employees. Employees' remuneration packages are determined with reference to prevailing market practices and individual performance. The Group's remuneration package includes basic salaries, sales incentives (which are only payable to certain operational staff), medical insurance plans and retirement benefit schemes. Discretionary bonus and share options may be granted to eligible employees based on the performance of the Group and individual employees.

The emoluments of the directors (“**Directors**”) are determined by the remuneration committee of the Company, having regard to the operating results of the Group, individual performance and comparable market statistics.

The Company encourages its employees to enhance their competence, and also provides training to improve working capabilities of staff members and creates opportunities for long-term growth of employees.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group had bank and cash balances of approximately HK\$95.0 million as at 30 June 2023 (31 December 2022: approximately HK\$147.3 million). Management believes that the Group has sufficient cash and cash equivalents to fund its operations and future development. As at 30 June 2023, the current ratio of the Group, representing current assets divided by current liabilities, was approximately 11.0 (31 December 2022: approximately 11.5).

As at 30 June 2023, the Group had no gearing ratio (2022: nil), which is calculated as net debt divided by total capital. Net debt is calculated as amounts due to related companies and lease liabilities less cash and cash equivalents. Total capital is calculated as “equity” as shown in the consolidated statement of financial position, plus net debt. As at 30 June 2023 and 31 December 2022, the Group's gross debt had not exceeded cash and cash equivalents.

Capital structure

As at 30 June 2023, the Group had no current and non-current borrowings (31 December 2022: nil).

The Group did not use any derivatives to hedge its exposure to interest rate risks for the six months ended 30 June 2023 and the year ended 31 December 2022. The Group monitored its capital by maintaining a sufficient net cash position to satisfy its commitments and working capital requirements.

Pledge of assets

As at 30 June 2023, the Group had no pledged asset (2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS OF THE OPERATIONS (continued)

FINANCIAL REVIEW (continued)

Exposure to Fluctuations in Exchange Rates and Related Hedges

The Group operates in Hong Kong and the PRC with most of the transactions denominated and settled in local currencies.

Currently, the Group does not use any derivative financial instruments to hedge its exposure to foreign exchange risks.

Contingent Liabilities or Commitments

As at 30 June 2023 and 31 December 2022, the Group had no significant contingent liability nor did it incur any significant capital expenditure or enter into any significant commitment in respect of any capital expenditure.

Interim dividend

The board (the “**Board**”) of Directors of the Company did not recommend the payment of an interim dividend for the six months ended 30 June 2023 (2022: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s shares for the six months ended 30 June 2023.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company acknowledges the importance of good corporate governance practices and believes that it is essential to the development of the Group and to safeguard the interests of the shareholders. The Directors are of the opinion that the Company has complied with the code provisions (“**Code Provision**”) as set out in the Code on Corporate Governance Practices (the “**CG Code**”) in Appendix 14 of Listing Rules (“**Listing Rules**”) throughout the six months ended 30 June 2023, save for deviations from Code Provision A.4.1 as disclosed below:

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES (continued)

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. None of the non-executive Directors of the Company is appointed for a specific term. However, in accordance with the articles of association of the company at each Annual General Meeting (“**AGM**”), one-third of the Directors for the time being (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. The Company considered that this is no less exacting than those provided in the CG Code. However, following the amendments to the CG Code which took effect on 1 January 2022, non-executive Directors are no longer required to be appointed for a specific term.

The Company regularly reviews its corporate governance practices to ensure its compliance with the CG Code and its alignment with the latest development.

COMPLIANCE WITH THE MODEL CODE

The Company has adopted the model code (“**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code for dealing in securities of the Company by the Directors. The Company has made specific enquiry of all Directors and all Directors have confirmed with the Company that they have complied with the required standard as set out in the Model Code during the six months ended 30 June 2023.

AUDIT COMMITTEE

The Company has established an audit committee (“**Audit Committee**”) comprised all three independent non-executive Directors, namely, Mr. Chan Ying Kay, Mr. Leung Kin Hong and Mr. Wang Jin Ling with written terms of reference in compliance with the Listing Rules.

The Audit Committee has reviewed the Group’s condensed consolidated interim financial information for the six months ended 30 June 2023 and has also discussed the internal control, the accounting principles and practices adopted by the Group. The Audit Committee is of the opinion that such financial information has been prepared in accordance with the applicable accounting standards, the Listing Rules and the statutory requirements and that adequate disclosures have been made in the interim report.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement of the Company for the six months ended 30 June 2023 is published on both the website of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the website of the Company (www.doyenintl.com). The interim report of the Company for the six months ended 30 June 2023 containing all the information as required in Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the above websites in due course.

By Order of the Board
Doyen International Holdings Limited
Lo Siu Yu
Chairman

Hong Kong, 10 August 2023

As at the date of this announcement, the Board comprises Mr. Lo Siu Yu (Chairman), Mr. Tai Xing (Chief Executive Officer) and Mr. Cho Chun Wai as executive Directors; Mr. Pan Chuan and Ms. Sun Lin as non-executive Directors; and Mr. Chan Ying Kay, Mr. Leung Kin Hong and Mr. Wang Jin Ling as independent non-executive Directors.