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TERMBRAY INDUSTRIES INTERNATIONAL (HOLDINGS) LIMITED

添利工業國際（集團）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 00093)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

The board of directors (the “Board”) of Termbay Industries International (Holdings) Limited (the “Company”) presents to shareholders of the Company the unaudited interim condensed consolidated statement of profit or loss and other comprehensive income of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2023 and the Group’s unaudited interim condensed consolidated statement of financial position as at 30 June 2023 together with the comparative figures as follows:

* For identification purpose only

INTERIM 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 <i>HK\$'000</i> (Unaudited)	Six months ended 30 June 2022 <i>HK\$'000</i> (Unaudited)
Revenue			
Interest income from money lending business	4	93,546	70,804
Rental income	4	1,305	1,805
		94,851	72,609
Other income	4	666	1,101
Other gains/(losses), net	4	1,184	(1,507)
Fair value gains/(losses) on the investment properties		6,000	(4,030)
Provision for impairment and write-off of loan and interest receivables	7	(40,766)	(21,286)
Advertising and promotion		(17,887)	(10,202)
Employee benefits expenses		(11,176)	(7,768)
Other operating expenses		(12,810)	(9,163)
		20,062	19,754
Operating profit		20,062	19,754
Finance costs	6	(3,463)	(3,745)
		16,599	16,009
Profit before income tax		16,599	16,009
Income tax expense	8	(2,991)	(4,545)
		13,608	11,464
Profit for the period	5	13,608	11,464

		Six months ended 30 June 2023 <i>HK\$'000</i> (Unaudited)	Six months ended 30 June 2022 <i>HK\$'000</i> (Unaudited)
Other comprehensive losses:			
<i>Item that may not be reclassified to profit or loss:</i>			
Losses on revaluation of leasehold land and buildings	<i>10</i>	(2,712)	(12,738)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>(5,593)</u>	<u>(5,542)</u>
Other comprehensive losses for the period, net of tax		<u>(8,305)</u>	<u>(18,280)</u>
Total comprehensive income/(loss) for the period		<u>5,303</u>	<u>(6,816)</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share attributable to owners of the Company:			
Basic	<i>9</i>	0.51	0.43
Diluted		<u>0.51</u>	<u>0.43</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		As at 30 June 2023	As at 31 December 2022
	<i>Note</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	<i>10</i>	231,114	235,409
Investment properties	<i>10</i>	228,000	222,000
Intangible assets		9,890	10,559
Deferred income tax assets		6,285	4,216
Loan receivables	<i>11</i>	533,593	475,232
		1,008,882	947,416
		1,008,882	947,416
Current assets			
Completed properties for sale		53,336	55,052
Loan receivables	<i>11</i>	46,923	61,053
Interest receivables	<i>12</i>	8,315	7,184
Repossessed assets		27,661	27,928
Deposits, prepayments and other receivables		5,079	5,189
Financial assets at fair value through profit or loss		92	107
Cash and cash equivalents		133,941	166,777
		275,347	323,290
		275,347	323,290
TOTAL ASSETS		1,284,229	1,270,706
EQUITY AND LIABILITIES			
Equity			
Share capital		213,411	213,411
Reserves		883,999	878,696
		1,097,410	1,092,107
Total equity		1,097,410	1,092,107

		As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
LIABILITIES			
Non-current liabilities			
Lease liabilities		26	96
Current liabilities			
Other payables and accruals	<i>13</i>	167,113	161,583
Amount due to a related company		1,732	1,732
Lease liabilities		278	685
Income tax payable		17,670	14,503
		<u>186,793</u>	<u>178,503</u>
Total liabilities		<u>186,819</u>	<u>178,599</u>
TOTAL EQUITY AND LIABILITIES		<u>1,284,229</u>	<u>1,270,706</u>

Notes

1. BASIS OF PREPARATION

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

2. ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than changes in accounting policies resulting from application of amendments to standards, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022.

In the current interim period, the Group has applied the following new and amended standards issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

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

The application of the new and amended standards in the current period has had no material impact on the Group’s financial position and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

Management has determined the operating segments based on the information reviewed by the Chief Operating Decision Maker (“CODM”) in making strategic decisions. The CODM is identified as the executive directors of the Company.

During the six months ended 30 June 2023, the CODM assessed the performance of the Group by reviewing the results of two reportable segments:

Property development and investment	– Property development for sale of properties in the People’s Republic of China (“PRC”) and property investment for letting of properties in Hong Kong and the PRC.
Money lending	– Provide mortgage and personal loans financing to customers.

The CODM reviews the performance of the Group on a regular basis and reviews the Group's internal reporting in order to assess performance and allocate resources.

Information provided to the CODM is measured in a manner consistent with that in the interim condensed consolidated financial information.

The segment results and other segment items are as follows:

	Property development and investment <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 30 June 2023 (Unaudited)			
Revenue	<u>1,305</u>	<u>93,546</u>	<u>94,851</u>
Segment results	<u>8,452</u>	<u>12,412</u>	20,864
Unallocated other income			66
Unallocated other losses, net			(15)
Unallocated expenses			<u>(4,316)</u>
Profit before income tax			<u><u>16,599</u></u>
	Property development and investment <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the six months ended 30 June 2022 (Unaudited)			
Revenue	<u>1,805</u>	<u>70,804</u>	<u>72,609</u>
Segment results	<u>(2,034)</u>	<u>24,099</u>	22,065
Unallocated other income			32
Unallocated other losses, net			(1,962)
Unallocated expenses			<u>(4,126)</u>
Profit before income tax			<u><u>16,009</u></u>

For the six months ended 30 June 2023 and 30 June 2022, unallocated expenses and unallocated other net gains and losses represent corporate expenses and unrealised net exchange gain/(loss), respectively. Segment results represent the profit/(loss) before income tax earned by each segment without allocation of certain other income, other gains and losses and expenses. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

The segment assets and liabilities are as follows:

	Property development and investment <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30 June 2023 (Unaudited)			
Assets			
Segment assets	<u>353,177</u>	<u>689,905</u>	1,043,082
Unallocated assets			<u>241,147</u>
Total assets			<u>1,284,229</u>
Liabilities			
Segment liabilities	<u>10,594</u>	<u>173,456</u>	184,050
Unallocated liabilities			<u>2,769</u>
Total liabilities			<u>186,819</u>
	Property development and investment <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2022 (Audited)			
Assets			
Segment assets	<u>350,536</u>	<u>654,188</u>	1,004,724
Unallocated assets			<u>265,982</u>
Total assets			<u>1,270,706</u>
Liabilities			
Segment liabilities	<u>11,200</u>	<u>164,493</u>	175,693
Unallocated liabilities			<u>2,906</u>
Total liabilities			<u>178,599</u>

All assets are allocated to operating and reportable segments other than certain property, plant and equipment, financial assets at fair value through profit or loss, certain cash and cash equivalents and certain deposits, prepayments and other receivables.

All liabilities are allocated to operating and reportable segments other than amount due to a related company and certain other payables and accruals.

Amounts included in the measure of segment results are as follows:

	Property development and investment HK\$'000	Money lending HK\$'000	Unallocated HK\$'000	Total HK\$'000
For the six months ended 30 June 2023 (Unaudited)				
Depreciation	–	(587)	(1,300)	(1,887)
Amortisation	–	(669)	–	(669)
Interest income	561	27	60	648
Interest expense	–	(3,463)	–	(3,463)
Income tax expense	(144)	(2,847)	–	(2,991)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
For the six months ended 30 June 2022 (Unaudited)				
Depreciation	–	(657)	(1,722)	(2,379)
Amortisation	–	(669)	–	(669)
Interest income	830	–	–	830
Interest expense	–	(3,745)	–	(3,745)
Income tax expense	(151)	(4,394)	–	(4,545)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Revenue from external customers, based on the location where the ownership of the goods are transferred and services are rendered, and non-current assets, other than the deferred income tax assets, by geographical location are as follows:

	Revenue from external customers		Non-current assets	
	Six months ended 30 June 2023 HK\$'000 (Unaudited)	Six months ended 30 June 2022 HK\$'000 (Unaudited)	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Hong Kong	94,011	71,734	1,002,573	943,163
The PRC	840	875	24	37
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	94,851	72,609	1,002,597	943,200

For the six months ended 30 June 2023 and 30 June 2022, no single customer contributed to 10% or more of the Group's total revenue.

A reconciliation of reportable segment assets to total assets and reportable segment liabilities to total liabilities is provided as follows:

	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Reportable segment assets	1,043,082	1,004,724
Property, plant and equipment	230,000	234,000
Deposits, prepayments and other receivables	2,054	1,998
Financial assets at fair value through profit or loss	92	107
Cash and cash equivalents	9,001	29,877
	<hr/>	<hr/>
Total assets per interim condensed consolidated statement of financial position	1,284,229	1,270,706
	<hr/> <hr/>	<hr/> <hr/>
Reportable segment liabilities	184,050	175,693
Amount due to a related company	1,732	1,732
Other payables and accruals	1,037	1,174
	<hr/>	<hr/>
Total liabilities per interim condensed consolidated statement of financial position	186,819	178,599
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4. REVENUE, OTHER INCOME AND OTHER GAINS/(LOSSES), NET

Revenue, other income and other gains/(losses), net recognised during the period are as follows:

	Six months ended 30 June 2023 <i>HK\$'000</i> (Unaudited)	Six months ended 30 June 2022 <i>HK\$'000</i> (Unaudited)
Revenue		
Interest income from money lending business	93,546	70,804
Rental income	1,305	1,805
	<hr/>	<hr/>
	94,851	72,609
	<hr/> <hr/>	<hr/> <hr/>

	Six months ended 30 June 2023 HK\$'000 (Unaudited)	Six months ended 30 June 2022 HK\$'000 (Unaudited)
Other income		
Interest income on bank deposits	648	830
Government grant	–	236
Sundry income	18	35
	<u>666</u>	<u>1,101</u>

	Six months ended 30 June 2023 HK\$'000 (Unaudited)	Six months ended 30 June 2022 HK\$'000 (Unaudited)
Other gains/(losses), net		
Unrealised net exchange gain/(loss)	1,188	(1,504)
Fair value losses on financial assets at fair value through profit or loss	(15)	(3)
Gain on disposal of property, plant and equipment	11	–
	<u>1,184</u>	<u>(1,507)</u>

5. PROFIT FOR THE PERIOD

The following expenses have been included in “other operating expenses” during the interim period:

	Six months ended 30 June 2023 HK\$'000 (Unaudited)	Six months ended 30 June 2022 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment (<i>Note 10</i>)	1,887	2,379
Amortisation of intangible assets	669	669
Expenses relating to short-term leases	116	188
	<u>2,672</u>	<u>3,236</u>

6. FINANCE COSTS

	Six months ended 30 June 2023 <i>HK\$'000</i> (Unaudited)	Six months ended 30 June 2022 <i>HK\$'000</i> (Unaudited)
Interest expense on lease liabilities	15	25
Unwinding of discount on deferred consideration payable	<u>3,448</u>	<u>3,720</u>
	<u><u>3,463</u></u>	<u><u>3,745</u></u>

7. PROVISION FOR IMPAIRMENT AND WRITE-OFF OF LOAN AND INTEREST RECEIVABLES

	Six months ended 30 June 2023			Total <i>HK\$'000</i>
	12 months expected credit loss (Stage 1) <i>HK\$'000</i>	Lifetime expected credit loss not credit impaired (Stage 2) <i>HK\$'000</i>	Lifetime expected credit loss credit impaired (Stage 3) <i>HK\$'000</i>	
Net charge of provision for impairment on loan and interest receivables	11,380	858	1,634	13,872
Write-off of loan receivables	12,261	711	15,068	28,040
Recovery of loan and interest receivables written-off	<u>(235)</u>	<u>(29)</u>	<u>(882)</u>	<u>(1,146)</u>
	<u><u>23,406</u></u>	<u><u>1,540</u></u>	<u><u>15,820</u></u>	<u><u>40,766</u></u>
	Six months ended 30 June 2022			
	12 months expected credit loss (Stage 1) <i>HK\$'000</i>	Lifetime expected credit loss not credit impaired (Stage 2) <i>HK\$'000</i>	Lifetime expected credit loss credit impaired (Stage 3) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Net charge of provision for impairment on loan and interest receivables	7,934	227	1,702	9,863
Write-off of loan receivables	5,846	1,274	4,900	12,020
Recovery of loan and interest receivables written-off	<u>(303)</u>	<u>(43)</u>	<u>(251)</u>	<u>(597)</u>
	<u><u>13,477</u></u>	<u><u>1,458</u></u>	<u><u>6,351</u></u>	<u><u>21,286</u></u>

8. INCOME TAX EXPENSE

Taxation has been calculated on the estimated assessable profits for the six months ended 30 June 2023 and 30 June 2022 at the rates of taxation prevailing in the countries/places in which the Group operates. Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year.

The amount of income tax charged to the interim condensed consolidated statement of profit or loss represents:

	Six months ended 30 June 2023 HK\$'000 (Unaudited)	Six months ended 30 June 2022 HK\$'000 (Unaudited)
Current income tax		
– PRC enterprise income tax	144	280
– Hong Kong profits tax	<u>4,916</u>	<u>6,002</u>
	----- 5,060	----- 6,282
Deferred income tax	<u>(2,069)</u>	<u>(1,737)</u>
Income tax expense	<u>2,991</u>	<u>4,545</u>

9. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit of the Group attributable to owners of the Company by the weighted average number of ordinary shares in issue.

	Six months ended 30 June 2023 (Unaudited)	Six months ended 30 June 2022 (Unaudited)
Profit attributable to owners of the Company (HK\$'000)	13,608	11,464
Weighted average number of ordinary shares in issue ('000)	<u>2,667,643</u>	<u>2,667,643</u>
Basic earnings per share (HK cents)	<u>0.51</u>	<u>0.43</u>

There were no potential dilutive ordinary shares outstanding during the six months ended 30 June 2023 and 30 June 2022 and hence the diluted earnings per share is the same as the basic earnings per share.

10. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

	Property, plant and equipment <i>HK\$'000</i> (Unaudited)	Investment properties <i>HK\$'000</i> (Unaudited)
30 June 2023		
Cost or revaluation:		
At 1 January 2023	256,054	222,000
Additions	304	–
Disposals	(1,110)	–
Write-off	(118)	–
Loss on revaluation	(4,000)	–
Fair value gains	–	6,000
	<u>251,130</u>	<u>228,000</u>
At 30 June 2023	<u>251,130</u>	<u>228,000</u>
Accumulated depreciation:		
At 1 January 2023	(20,645)	–
Depreciation charge during the period (<i>Note 5</i>)	(1,887)	–
Disposals	1,110	–
Write-off	118	–
Loss on revaluation	1,288	–
	<u>(20,016)</u>	<u>–</u>
At 30 June 2023	<u>(20,016)</u>	<u>–</u>
Net book value		
At 30 June 2023	<u>231,114</u>	<u>228,000</u>
An analysis of cost or revaluation:		
At cost	1,114	–
At revaluation	230,000	–
At fair value	–	228,000
	<u>231,114</u>	<u>228,000</u>

	Property, plant and equipment <i>HK\$'000</i> (Unaudited)	Investment properties <i>HK\$'000</i> (Unaudited)
30 June 2022		
Cost or revaluation:		
At 1 January 2022	290,362	241,520
Additions	66	–
Loss on revaluation	(14,460)	–
Lease modification	(49)	–
Fair value losses	–	(4,030)
	<u>275,919</u>	<u>237,490</u>
At 30 June 2022	<u>275,919</u>	<u>237,490</u>
Accumulated depreciation:		
At 1 January 2022	(19,412)	–
Depreciation charge during the period (<i>Note 5</i>)	(2,379)	–
Loss on revaluation	1,722	–
	<u>(20,069)</u>	<u>–</u>
At 30 June 2022	<u>(20,069)</u>	<u>–</u>
Net book value		
At 30 June 2022	<u>255,850</u>	<u>237,490</u>
An analysis of cost or revaluation:		
At cost	1,280	–
At revaluation	254,570	–
At fair value	–	237,490
	<u>255,850</u>	<u>237,490</u>

The Group has accounted for leasehold land and buildings within property, plant and equipment using the revaluation model, and the investment properties using the fair value model. As at 30 June 2023, leases recognised as right-of-use assets amounted to HK\$290,000 (31 December 2022: HK\$749,000) and are included in property, plant and equipment presented in the interim condensed consolidated statement of financial position.

Rental income from an investment property for the six months ended 30 June 2023 amounted to HK\$465,000 (six months ended 30 June 2022: HK\$930,000).

(a) Valuation process of the Group

The Group's leasehold land and buildings, and the investment properties were valued at 30 June 2023 and 31 December 2022 by an independent professionally qualified valuer, Vigers Appraisal & Consulting Ltd ("Vigers"), who holds a recognised relevant professional qualification and has recent experience in the locations and segments of the leasehold land and buildings, and investment properties valued.

For leasehold land and buildings, its current use equates to the highest and best use. During the six months ended 30 June 2023, the resulting loss arising on revaluation of HK\$2,712,000 (six months ended 30 June 2022: HK\$12,738,000) has been debited to the property revaluation reserves.

For the investment properties, their current use equates to the highest and best use. The fair value gains/ (losses) are included in the interim condensed consolidated statement of profit or loss.

The recurring fair value measurement for leasehold land and buildings, and the investment properties are included in level 3 of the fair value hierarchy. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There was no transfer between levels 1, 2 and 3 during the period (six months ended 30 June 2022: Nil).

(b) Valuation techniques

The valuation of leasehold land and buildings and the investment properties were determined using the direct comparison method (31 December 2022: direct comparison method) (Level 3 approach) by making reference to comparable market transactions of similar properties. The most significant input into this valuation approach is the unit sales price, taking into account the differences in transaction time, location, frontage and size, etc. between the comparables and the properties.

For the leasehold land and buildings, the unit sales price as at 30 June 2023 amounts to HK\$76,200 (31 December 2022: HK\$77,500) per square foot on saleable area basis.

For the investment properties, the unit sales price as at 30 June 2023 amounts to HK\$25,500 and HK\$52,500 (31 December 2022: HK\$26,300 and HK\$50,000) per square foot on saleable area basis.

An increase in the unit sales price adopted would result in an increase in the fair value measurement of leasehold land and buildings, and the investment properties by the same magnitude, and vice versa.

11. LOAN RECEIVABLES

	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Gross loan receivables – property mortgage loans	235,551	204,246
Gross loan receivables – personal loans	384,602	354,994
Gross loan receivables – corporate loan	22,700	26,000
	<hr/>	<hr/>
Total gross loan receivables	642,853	585,240
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Less: Provision for impairment – Stage 1	(42,115)	(30,313)
Provision for impairment – Stage 2	(5,191)	(4,697)
Provision for impairment – Stage 3	(15,031)	(13,945)
	<hr/>	<hr/>
Total provision for impairment	(62,337)	(48,955)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
Loan receivables, net of provision	580,516	536,285
Less: Non-current portion	(533,593)	(475,232)
	<hr/>	<hr/>
Current portion	46,923	61,053
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The Group's loan receivables, which arise from the money lending business of providing property mortgage loans, personal loans and corporate loan in Hong Kong, are denominated in Hong Kong dollars and the carrying amounts approximate their fair values.

Except for personal loan receivables of HK\$384,602,000 as at 30 June 2023 (31 December 2022: HK\$354,994,000) which are unsecured, the loan receivables are secured by collaterals, interest-bearing and repayable with fixed terms agreed with the customers.

A maturity profile of the loan receivables as at the end of the reporting period, based on the maturity date, net of provision, is as follows:

	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Within one year	46,923	61,053
One to two years	129,332	35,125
Two to five years	252,743	302,194
Over five years	151,518	137,913
	<hr/>	<hr/>
	580,516	536,285
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

12. INTEREST RECEIVABLES

	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Interest receivables – property mortgage loans	4,269	3,146
Interest receivables – personal loans	4,046	4,038
	<u>8,315</u>	<u>7,184</u>

The Group's interest receivables, which arise from the money lending business of providing property mortgage loans and personal loans in Hong Kong, are denominated in Hong Kong dollars and the carrying amounts approximate their fair values.

Except for interest receivables of personal loans of HK\$4,046,000 as at 30 June 2023 (31 December 2022: HK\$4,038,000) which are unsecured, the interest receivables are secured by collaterals and repayable with fixed terms agreed with the customers. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the receivables mentioned above.

Interest receivables as at the end of the reporting period, net of provision, have maturities within one year.

13. OTHER PAYABLES AND ACCRUALS

	As at 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Deferred consideration payable (<i>Note</i>)	156,917	153,468
Rental deposits	92	429
Accrued audit fee	1,371	1,981
Accrued employee benefits expenses	1,204	2,079
Other payables and accrued expenses	7,529	3,626
	<u>167,113</u>	<u>161,583</u>

Note:

Deferred consideration payable represents the purchase consideration for acquiring aEasy Credit Investment Limited and its subsidiaries from Earth Axis Investment Limited, a company controlled by Mr. Tommy Lee, a director of the Company, on 23 September 2020. The balance of the consideration shall be settled on or before 31 December 2023.

14. DIVIDEND

No dividend was declared in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

INTERIM DIVIDEND

The Board has resolved not to declare the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

REVIEW OF OPERATIONS

During the current six months period under review, the Group achieved a revenue of HK\$94,851,000 (six months ended 30 June 2022: HK\$72,609,000) and recorded a profit for the period of HK\$13,608,000 (six months ended 30 June 2022: HK\$11,464,000).

The profit for the current period under review is primarily due to the aggregate effect upon the recognition of:

- (i) interest income from the money lending business recorded of approximately HK\$93.5 million during the current period (six months ended 30 June 2022: HK\$70.8 million), representing an increase of approximately HK\$22.7 million as compared with the six months ended 30 June 2022;
- (ii) net charge of provision for impairment on loan and interest receivables of approximately HK\$13.9 million and write-off, net of recovery, of approximately HK\$26.9 million; and
- (iii) fair value gains of approximately HK\$6.0 million on the investment properties.

Property Development and Investment

The Group's completed properties for sale – Ever Success Plaza, comprising over 440 residential units standing on 3 levels of commercial arcades and car parks, is located at a convenient and prime location with a river view in Zhongshan, Guangdong Province. The competition within the property market in Zhongshan is keen as there are abundant supplies of properties with modern design. Although the commercial arcades are still vacant, the management has put a lot of efforts into marketing the properties and is endeavouring to improve the operation of the commercial arcades.

There was not much improvement in the operating environment in the first half of 2023. The sales activities of the Group's property project in Zhongshan for the remaining residential units were not satisfactory during the current period under review.

During the period under review, no sale transactions were approved and registered in the government's property sales system. The Group had no sale of residential unit during the six months ended 30 June 2023. The rental income earned by the Group from Ever Success Plaza during the six months ended 30 June 2023 decreased by approximately 4% compared with the six months ended 30 June 2022. As at 30 June 2023, 56 residential units remained to be sold, out of which 6 residential units were let out.

Money Lending

In order to provide 24/7 borrowing experience, customers can apply for loans via the Group's automatic lending mobile application "X Wallet" App (the "X Wallet"), which is for unsecured loans only. The Group primarily focuses its sales and marketing effort to source new customers for unsecured loans, including advertising through public transport, outdoor banners, television, online media platforms, pamphlets and other marketing campaigns. The whole lending process through X Wallet involves no human intervention. Basically, it requires the provision of the customer's Hong Kong Identity Card and facial recognition, and offers loans using information technology such as big-data and a credit scoring model. The loan facilities granted through X Wallet are all revolving loan facilities which could be repaid and re-borrowed within the approved credit limit at any time during the loan period, the majority of which ranged from 2 years to 7 years. The maximum amount of unsecured loan applied through X Wallet could be as high as HK\$105,000.

The number of registered users of X Wallet increased from 83,902 as at 31 December 2022 to 94,981 as at 30 June 2023. The number of active customers of X Wallet increased from 10,969 as at 31 December 2022 to 12,380 as at 30 June 2023. The increase in number of active customers improved the results of unsecured loan and generated a revenue of approximately HK\$77 million during the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$51 million).

The majority of interest rates for unsecured loans granted via X Wallet ranged from 36% to 48% per annum and the weighted average interest rate charged was approximately 42% per annum. Loan amounts for unsecured loans granted via X Wallet ranged from HK\$5,000 to HK\$105,000.

The Group also focuses on providing mortgage loans to customers for purchase of residential properties in Hong Kong. The management cautiously carries out the money lending business in Hong Kong. With the economic uncertainty and potential challenges, the management carefully assesses the credit worthiness of the borrowers as well as the quality and leverage of the mortgaged properties.

For mortgage loans, lower interest rates are charged compared to unsecured personal credit loans. The Group engaged mortgage referral agents, which are all independent third parties, to source new customers. The tenure of the majority of the mortgage loans ranged from 10 years to 20 years and the actual tenure may differ subject to customer's early repayment.

The majority of interest rates for secured loans granted ranged from 9% to 18% per annum and the weighted average interest rate charged was approximately 11% per annum. The majority of the collateral are residential properties and commercial properties, and all of the collaterals are located in Hong Kong. Loan amounts for secured loans granted ranged from HK\$80,000 to HK\$44,000,000.

As at 30 June 2023, the number of mortgage loans customers is 75, of which the top 10 customers represented 54.9% of the total mortgage loan receivables, and the number of X Wallet customers is 12,380, of which the top 10 customers represented 0.3% of the total loan receivables from X Wallet. The largest and five largest customers accounted for 6.8% and 16.3% respectively of the total loan receivables as at 30 June 2023.

Credit Risk Assessment Policy

All of the information provided by customers are required to undergo assessment procedures and will be reviewed according to the credit risk assessment policy approved by the Board before standard payment terms and conditions are offered.

For secured loans pledged by properties, the credit clerk will obtain all mandatory information and supporting documents from the applicant. To assess the credit risk of each applicant, the credit committee takes into account the applicant's credit history, the property type, valuation, loan-to-value ratios and overall market conditions at the time of the application.

For unsecured loans applied via X Wallet, the Group assesses the credit quality of applications by collecting relevant customer information such as Optical Character Recognition, facial recognition, live testing and credit report through mobile devices. The Group has established a robust control framework regarding the authorization structure for the approval and renewal of credit facilities, which also limits concentrations of exposure by types of asset, counterparties, credit rating, geographic location, etc.

The Group has also developed policies and procedures to appropriately assess and measure the Expected Credit Loss ("ECL") in accordance with impairment requirements of HKFRS 9. Details of the movement of provision for impairment and write-off of loan and interest receivables are disclosed in Note 7 to the interim condensed consolidated financial information.

As at 30 June 2023, the net loan and interest receivables of the Group amounted to HK\$580,516,000 and HK\$8,315,000, respectively. The provision for impairment of loan receivables as at 30 June 2023 under the ECL model amounted to HK\$63,531,000.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supporting information to demonstrate that a more lagging default criterion is more appropriate. In particular, the following qualitative factors are taken into account in determining the risk of default occurring:

- (1) Probable bankruptcy entered by the borrowers; and
- (2) Death of the debtor.

During the six months ended 30 June 2023, the Group had written off loan and interest receivables totalling approximately HK\$26,894,000, net of recoveries of loan and interest receivables previously written-off, based on the (1) bankruptcy of the borrowers, and (2) death of the debtors.

OTHERS

There were no acquisitions of major subsidiaries or associates during the six months ended 30 June 2023 under review.

LIQUIDITY AND FINANCIAL RESOURCES

The Group remains cash sufficient and has no material capital expenditure commitments. The Group's operations are financed by capital and reserves and cash generated from operations.

The Group mainly operates in the PRC and Hong Kong, and is exposed to foreign exchange risks arising from various currency exposures, primarily with respect to Renminbi. No financial instrument is arranged for hedging purposes in respect of interest rate and currency.

INTERNAL CONTROL PROCEDURES

The following internal control measures have been implemented for the carrying out of the Group's money lending business:

Credit Approval Process

For secured loans, the credit clerk will obtain basic information such as the applicant's name, contact details, background information, desired loan amount and purpose of the loan, and the particulars of the property proposed to be mortgaged. The credit clerk will also obtain three preliminary estimates of valuations of the property from independent professional property valuers or banks either verbally or through internet or email. The credit officer will perform a preliminary review and verification of the application materials. The credit committee will then review the application and determine the amount of loan and the interest rate based on the applicant's information and the valuation of the property in accordance with the internal credit policies and guidelines.

For unsecured loan applications through X Wallet, the credit approval is automatically processed by the established credit assessment model in the system. Credit reports of the applicant will be automatically retrieved from TransUnion through the Application Programming Interface. Applications will be screened by the credit scoring model which will generate a risk score in respect of each applicant based on the TransUnion report and information supplied by the applicant. Once the loan is approved, the terms of the loan, including loan amount, interest rate and tenure will be determined specifically for each applicant. Otherwise, no loan would be offered if the applicant could not pass the credit assessment.

Ongoing Monitoring of Loan Recoverability and Loan Collection

A system is in place to identify and monitor overdue loan accounts. The directors and senior management of the Group closely monitor the overall performance of the loans outstanding by checking systematically generated daily reports, and regularly review the whole collection performance of overdue assets. The debt recovery department is responsible for loan collection and it seeks management's opinion for further actions when necessary. The debt recovery department will contact the customer by phone if the account is overdue, and at the same time, notice of overdue payment will be issued to the customer. If the respective receivables have not been repaid in time, the debt recovery department will engage external debt collection agents to collect the debt. For secured loans, the debt recovery department will discuss legal actions to be taken with the management.

For loans overdue for more than 90 days, the Group will consider the loan assets to be in default, the status of the respective outstanding loan will be fully provided for, but such cases will still continue to be handled by external debt collection agents (unless the debtor has become bankrupt, subject to any debt restructuring, or if the debtor is deceased).

ORDER BOOK

Due to its business nature, the Group has no order book as at 30 June 2023. The Group has no new product and service to be introduced to the market as at 30 June 2023.

STAFF AND EMOLUMENT POLICY

As at 30 June 2023, the Group employed 52 staff at market remunerations with staff benefits such as insurance, provident fund scheme and discretionary bonus.

The emolument policy regarding the employees of the Group is based on their merit, qualifications and competence. The emoluments of the directors are reviewed by the remuneration committee, having regard to the Company's operating results, individual performance and comparable market statistics. No director, or any of his/her associates, and executive is involved in dealing with his/her own remuneration.

OUTLOOK

The Hong Kong economy continued to recover as border control and anti-epidemic measures were lifted. For the rest of the year, economic conditions are expected to remain challenging along with the global economy slowdown, inflation, Russo-Ukrainian War, rising energy prices, etc. Nevertheless, with a newly launched product X Pay, a "Buy Now, Pay Later" payment function in the X Wallet App was introduced to the market in the second half of 2023, the management believes that the Group will become a comprehensive financial service platform and provide users with more diversified services in payment solutions, shopping experiences, money management and more. With our "Buy Now, Pay Later" service and innovative payment solutions, users can take control of their finances and pursue the lifestyle they aspire, without being held back by financial constraints.

The Group will actively review its loan portfolio and risk control status, conduct more comprehensive assessments of collaterals and exercise stringent loan application requirements to minimise default risk. Looking ahead, the Group will adhere to its core risk management and endeavour to improve and perfect its risk pricing model, and will adopt a variety of marketing strategies to popularise the brand of X Wallet and X Pay to achieve greater market recognition.

In the PRC, the Central government has implemented various prudent monetary policies and housing policies to bolster the supply and demand in the property market. Key measures included lowering the down-payment ratio and interest rates on mortgages as well as allowing banks to extend maturing loans to developers, with the expectation that these will help to restore confidence and promote the stable and healthy development of the property market. We believe the PRC will continue to play a key role in the future global economy. The Group is confident in capitalising on these opportunities and will grasp every business opportunity available to build up its own distinctive strength and to explore new businesses in the PRC.

Property development and investment has been the principal business of the Group for all these years and the Group is looking for investment opportunities in the property markets in the PRC, especially the Guangdong province. However, due to the intense competition of the property market in the Guangdong province, the Group has not yet acquired any land or properties during the period under review, but the Group will still continue to explore investment opportunities in the property markets.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 June 2023.

EVENTS AFTER THE REPORTING PERIOD

As at the date of this interim results announcement, there is no other material change or major event required to be disclosed by the Company after 30 June 2023.

CORPORATE GOVERNANCE

The Company has met the code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) during the six months ended 30 June 2023 except as disclosed below.

Pursuant to code provision B.2.2 of the CG Code, every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. The Company is subject to a private act called “The Termbay Industries International (Holdings) Limited Act 1991”. Section 4(g) of the said Act provides that: “Notwithstanding anything contained in the Companies Act or rule of law to the contrary, the directors of the Company shall not be required to be elected at each annual general meeting, but shall (save for any chairman or managing director) be subject to retirement by rotation in such manner and at such frequency as the Bye-laws may provide”. Accordingly, the chairman and managing director of the Company may not be made subject to retirement by rotation. The Company has amended its bye-laws to provide that every director of the Company, other than directors holding the office of chairman or managing director, shall be subject to retirement by rotation at least once every three years, while directors holding the office of chairman or managing director shall be subject to re-election once every three years.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules (the “Model Code”) as the code of conduct regarding directors’ securities transactions. The Company has made specific enquiry of all directors that they have complied with the Model Code throughout the six months period ended 30 June 2023.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial reporting matters including review of the interim report for the six months ended 30 June 2023.

REVIEW OF INTERIM FINANCIAL INFORMATION

The interim condensed consolidated statement of profit or loss and other comprehensive income and interim condensed consolidated statement of financial position set out above in this announcement represents an extract from the condensed interim financial information, which are unaudited but have been reviewed by the Group's external auditor, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410. PricewaterhouseCoopers' unmodified review report is included in the interim report to be sent to the shareholders of the Company.

By Order of the Board
Termbray Industries International (Holdings) Limited
Lee Lap
Chairman

Hong Kong, 25 August 2023

The Directors of the Company as at the date of this announcement are as follows:

Executive Directors:

Mr. Lee Lap (*Chairman*)

Mr. Tommy Lee (*Vice Chairman & Chief Executive Officer*)

Mr. Chau Hau Shing

Independent Non-Executive Directors:

Mr. Shu Wa Tung, Laurence

Mr. Wu Wai Pan

Ms. Chak Wai Ting