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CSC HOLDINGS LIMITED
中策資本控股有限公司

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

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

The Board of Directors (the “**Board**”) of CSC Holdings Limited (the “**Company**”) hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2023 together with comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	<i>Notes</i>	Six months ended 30 June	
		2023	2022
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	3	51,267	258,750
Trading income		–	188,301
Interest income		50,284	67,831
Commission, handling income and others		983	2,618
Purchases and related expenses		–	(188,070)
Other income	5	20,465	997
Other gain and loss, net	6	(1)	243
Staff costs		(15,522)	(14,708)
Other expenses		(25,404)	(16,792)
Net loss on financial assets at fair value through profit or loss	7	(3,809)	(3,933)
Provision for impairment losses under expected credit loss model, net of reversal	10	(49,019)	(96,114)
Finance costs	8	(289)	(12,955)

		Six months ended 30 June	
		2023	2022
	<i>Notes</i>	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Loss before tax		(22,312)	(72,582)
Income tax credit (expense)	9	10,316	(31,768)
Loss for the period attributable to owners of the Company	10	(11,996)	(104,350)
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net fair value loss on debt instruments at fair value through other comprehensive income		(3,101)	(38,856)
Provision for impairment loss on debt instruments at fair value through other comprehensive income included in profit or loss	10	336	17,133
Exchange differences arising on translation of financial statements of foreign operations		2	–
Other comprehensive expense for the period		(2,763)	(21,723)
Total comprehensive expense for the period attributable to owners of the Company		(14,759)	(126,073)
Loss per share attributable to owners of the Company			
– Basic	12	HK(0.06) cent	HK(0.51) cent

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	<i>Notes</i>	At 30 June 2023 <i>HK\$'000</i> (Unaudited)	At 31 December 2022 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		8,958	10,346
Right-of-use assets		23,758	10,769
Goodwill		4,000	4,000
Club debentures		1,928	1,928
Debt instruments at fair value through other comprehensive income	13	–	22,077
Loan receivables	14	250,405	–
Deferred tax assets		2,806	1,315
Total non-current assets		291,855	50,435
Current assets			
Debt instruments at fair value through other comprehensive income	13	18,976	–
Loan receivables	14	720,222	1,020,598
Trade and other receivables	15	129,416	140,638
Income tax recoverable		5,087	5,798
Financial assets at fair value through profit or loss	16	13,224	17,033
Cash and cash equivalents		1,059,588	1,005,561
Total current assets		1,946,513	2,189,628
Current liabilities			
Trade and other payables	17	36,625	37,899
Income tax payable		2,800	2,200
Lease liabilities		7,469	7,940
Total current liabilities		46,894	48,039
Net current assets		1,899,619	2,141,589
Total assets less current liabilities		2,191,474	2,192,024
Non-current liability			
Lease liabilities		15,096	887
Net assets		2,176,378	2,191,137
Capital and reserves			
Share capital		3,216,110	3,216,110
Reserves		(1,039,732)	(1,024,973)
Total equity		2,176,378	2,191,137

Notes:

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”).

The financial information relating to the year ended 31 December 2022 that is included in the condensed consolidated financial statements as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements is as follows:

The Company has delivered the financial statements for the year ended 31 December 2022 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (“**Hong Kong Companies Ordinance**”).

The Company’s auditor has reported on those 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 without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

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

2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair value.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s audited consolidated financial statements for the year ended 31 December 2022.

Application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”)

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

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance contracts
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

The application of the new and amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.

3. Revenue

An analysis of the Group's revenue for the period is as follows:

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Trading of coke products	–	188,301
Arrangement fee income from money lending business	–	200
Commission and handling income from securities brokerage business	<u>983</u>	<u>2,418</u>
Revenue from contracts with customers	983	190,919
Interest income from securities margin financing business	3,697	3,562
Interest income from money lending business	<u>46,587</u>	<u>64,269</u>
	<u>51,267</u>	<u>258,750</u>

During the six months ended 30 June 2023 and 2022, the revenue is recognised at a point in time except for interest income which fall outside the scope of HKFRS 15.

4. Segment information

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

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

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

Segment revenue and results

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

	Investment in securities <i>HK\$'000</i> (Unaudited)	Trading <i>HK\$'000</i> (Unaudited)	Money lending <i>HK\$'000</i> (Unaudited)	Securities brokerage <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Six months ended 30 June 2023					
Segment Revenue					
External sales/sources	–	–	46,587	4,680	51,267
Results					
Segment results	(12,166)	5,118	4,489	4,859	2,300
Other income					10,798
Other gain and loss, net					(1)
Central administrative expenses					(35,120)
Finance costs					(289)
Loss before tax					(22,312)
Income tax credit					10,316
Loss for the period					(11,996)
Six months ended 30 June 2022					
Segment Revenue					
External sales/sources	–	188,301	64,469	5,980	258,750
Results					
Segment results	(21,280)	626	(19,023)	4,449	(35,228)
Other income					315
Other gain and loss, net					223
Central administrative expenses					(24,937)
Finance costs					(12,955)
Loss before tax					(72,582)
Income tax expense					(31,768)
Loss for the period					(104,350)

Segment (loss) profit represents loss incurred/profit earned by each segment without allocation of certain other income, certain other gain and loss, net, central administrative expenses, finance costs and income tax credit (expense).

5. Other income

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Bank interest income	16,910	666
Government grants (<i>Note</i>)	–	308
Others	3,555	23
	20,465	997

Note: During the six months ended 30 June 2022, the Group recognised government grants of HK\$308,000 in respect of COVID-19-related subsidies which were related to the Employment Support Scheme provided by the Hong Kong Government.

6. Other gain and loss, net

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment	–	9
Gain on termination of a lease	–	213
Exchange (loss) gain, net	(1)	21
	(1)	243

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net unrealised loss on financial assets at fair value through profit or loss (“FVTPL”)	3,809	3,933

8. Finance costs

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on advances drawn on bill receivables discounted with full recourse	–	38
Interest on notes payable	–	12,726
Interest on lease liabilities	289	191
	289	12,955

9. Income tax credit (expense)

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Tax credit (charge) comprises:		
Current tax	8,825	(2,884)
Deferred tax	1,491	(28,884)
Income tax credit (expense) recognised in profit or loss	10,316	(31,768)

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

Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessment profits above HK\$2 million.

13. Debt instruments at fair value through other comprehensive income

	At 30 June 2023 <i>HK\$'000</i> (Unaudited)	At 31 December 2022 <i>HK\$'000</i> (Audited)
Listed investments, at fair value:		
– Debt securities listed overseas (31 December 2022: overseas) with fixed interest at 9.50% (31 December 2022: 9.50%) per annum and maturity date on 29 March 2024 (31 December 2022: 29 March 2024)	18,976	22,077
Analysed as:		
Current portion	18,976	–
Non-current portion	–	22,077
	18,976	22,077

At 30 June 2023, debt instruments at FVTOCI were stated at fair value which were determined based on the quoted market closing price.

The Group provided impairment allowance of HK\$336,000 (30 June 2022: HK\$17,133,000) on debt instruments at FVTOCI for the current interim period.

14. Loan receivables

	At 30 June 2023 <i>HK\$'000</i> (Unaudited)	At 31 December 2022 <i>HK\$'000</i> (Audited)
Fixed-rate loan receivables	1,545,359	1,527,714
Less: impairment allowance	<u>(574,732)</u>	<u>(507,116)</u>
	<u>970,627</u>	<u>1,020,598</u>
Analysed as:		
Current portion	720,222	1,020,598
Non-current portion	<u>250,405</u>	<u>–</u>
	<u>970,627</u>	<u>1,020,598</u>
Analysed as:		
Secured	959,913	1,010,076
Unsecured	<u>10,714</u>	<u>10,522</u>
	<u>970,627</u>	<u>1,020,598</u>

At 30 June 2023, the range of interest rates and maturity dates attributed to the Group's performing loan receivables were 8.5% to 13% (31 December 2022: 9% to 13%) per annum and from 28 July 2023 to 31 March 2026 (31 December 2022: 31 January 2023 to 8 September 2023) respectively.

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

	At 30 June 2023 <i>HK\$'000</i> (Unaudited)	At 31 December 2022 <i>HK\$'000</i> (Audited)
Fixed-rate loan receivables:		
Within one year or on demand	720,222	1,020,598
In more than one year but not more than two years	132,861	–
In more than two years but not more than five years	<u>117,544</u>	<u>–</u>
	<u>970,627</u>	<u>1,020,598</u>

The Group provided impairment allowance of HK\$40,614,000 (30 June 2022: HK\$78,981,000) on loan receivables for the current interim period.

15. Trade and other receivables

	At 30 June 2023 <i>HK\$'000</i> (Unaudited)	At 31 December 2022 <i>HK\$'000</i> (Audited)
Trade receivables of securities brokerage business:		
– Cash clients (<i>Note (i)</i>)	1,984	1,924
– Margin clients (<i>Note (i)</i>)	<u>112,141</u>	<u>116,484</u>
	114,125	118,408
Other receivables (<i>Note (ii)</i>)	<u>15,291</u>	<u>22,230</u>
	<u><u>129,416</u></u>	<u><u>140,638</u></u>

Notes:

- (i) For the securities brokerage business, the normal settlement terms of trade receivables from cash clients are two days after trade date. The trade receivables from cash and margin clients with carrying amounts totalling HK\$114,125,000 (31 December 2022: HK\$118,408,000) were not past due at the end of the reporting period.

Margin clients are required to pledge securities as collateral to the Group in order to obtain the credit facilities for securities trading. The amount of credit facilities granted to them individually is determined based on a discount on the market value of the securities pledged to the Group. Any excess in lending ratio will trigger a margin call for which the client concerned has to make good the shortfall. At 30 June 2023, the market value of the securities pledged by the clients to the Group as collateral for margin financing amounted to HK\$586,865,000 (31 December 2022: HK\$630,152,000).

- (ii) Included in other receivables were unrestricted deposits of HK\$259,000 (31 December 2022: HK\$266,000) placed with securities brokers. The remaining balance of other receivables represented mainly interest receivables, prepayment and deposits for office use.

The Group provided impairment allowance of HK\$8,069,000 (30 June 2022: nil) on other receivables for the current interim period.

16. Financial assets at fair value through profit or loss

	At 30 June 2023 <i>HK\$'000</i> (Unaudited)	At 31 December 2022 <i>HK\$'000</i> (Audited)
Listed investments, at fair value:		
– Equity securities listed in Hong Kong (<i>Note</i>)	<u>13,224</u>	<u>17,033</u>
Analysed as:		
Current portion	<u>13,224</u>	<u>17,033</u>

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

17. Trade and other payables

	At 30 June 2023 <i>HK\$'000</i> (Unaudited)	At 31 December 2022 <i>HK\$'000</i> (Audited)
Trade payables of securities brokerage business:		
– Cash clients (<i>Note</i>)	19,845	17,090
– Margin clients (<i>Note</i>)	982	485
– Hong Kong Securities Clearing Company Limited (“HKSCC”) (<i>Note</i>)	<u>311</u>	<u>275</u>
	21,138	17,850
Accrued charges and other payables	<u>15,487</u>	<u>20,049</u>
	<u>36,625</u>	<u>37,899</u>

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

INTERIM DIVIDEND

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

BUSINESS REVIEW

During the six months ended 30 June 2023 (“**HY2023**”), the Group continued to principally engage in the business of investment in securities, trading of coke products, money lending as well as securities brokerage.

During HY2023, the Group continued to operate in a challenging business environment owing to the adverse impact on the macroeconomic setting brought by the ongoing geopolitical tensions, the high inflation and interest rate hikes in some major economies including the US, and the market uncertainties resulting from the Russia-Ukraine war, despite that global economic activities were returning to their normality following the containment of the pandemic. In the local context, economic recovery was slower than expected against a backdrop of global economic uncertainties and slowdown of China’s economy. Facing these challenges, the Group had continued to adopt a cautious and disciplined approach in managing its businesses for the review period.

For HY2023, the Group recorded a decrease in revenue by 80% to HK\$51,267,000 (30 June 2022: HK\$258,750,000), mainly due to the decrease in interest income from the money lending operation and the temporary halt of the Group’s commodities trading activities with its customers in Europe. The Group recorded a loss attributable to owners of the Company of HK\$11,996,000 (30 June 2022: HK\$104,350,000) for the interim period, which largely resulted from the loss recognised for its securities investments of HK\$12,166,000 (30 June 2022: HK\$21,280,000).

Investment in Securities

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

investment markets. In terms of return, for long-term securities investments, the Company mainly emphasises on return of investment in the form of capital appreciation and dividend/interest income. For securities investments other than for long-term holding, the Company mainly emphasises on return of investment in the form of trading gains.

At 30 June 2023, the Group's securities investments comprised (i) a financial asset at FVTPL portfolio comprising equity securities listed in Hong Kong valued at HK\$13,224,000 (31 December 2022: HK\$17,033,000); and (ii) a debt instrument at FVTOCI portfolio comprising debt securities listed on overseas stock exchange valued at HK\$18,976,000 (31 December 2022: HK\$22,077,000). As a whole, the Group's securities investments recorded a loss of HK\$12,166,000 (30 June 2022: HK\$21,280,000) and had no revenue for the current period (30 June 2022: nil).

Financial assets at FVTPL

At 30 June 2023, the Group held a financial asset at FVTPL portfolio amounting to HK\$13,224,000 measured at market/fair value. During HY2023, the portfolio did not generate any revenue (30 June 2022: nil). The Group recognised a net loss on financial assets at FVTPL of HK\$3,809,000 (30 June 2022: HK\$3,933,000), representing the net unrealised loss attributed to the decrease in fair value of the Group's listed equity securities portfolio during HY2023.

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

At 30 June 2023, the Group invested in different categories of companies and their weightings to the market/fair value of the Group's financial asset at FVTPL portfolio of HK\$13,224,000 are as below:

Category of companies	Approximate weighting to the market/fair value of the Group's financial asset at FVTPL portfolio %
Property	97.60
Others	2.40
	100.00

Debt instruments at FVTOCI

At 30 June 2023, the Group's debt instrument at FVTOCI portfolio of HK\$18,976,000 was measured at market/fair value. During HY2023, the Group's debt instrument at FVTOCI portfolio did not generate any revenue (30 June 2022: nil). According to the maturity profile of the debt securities, the debt instruments at FVTOCI were classified as current assets. During HY2023, the Group did not acquire and dispose of any debt securities.

At the period end, primarily owing to a fall in market/fair value of the debt instruments, a net fair value loss on the debt instrument at FVTOCI portfolio of HK\$3,101,000 (30 June 2022: HK\$38,856,000) was recognised as other comprehensive expense.

For HY2023, the Group recognised impairment loss of HK\$336,000 (30 June 2022: HK\$17,133,000) on debt instruments at FVTOCI as the credit risks of the debt instruments had further increased since initial recognition. During HY2023, the expected loss given default of the debt instruments, which were corporate bonds issued by a property company based in the Mainland, had increased owing to the defaults of the bond issuer in making interest and principal payments for its indebtedness. As the Group expected the deterioration of the financial position of this bond issuer would ultimately affect the collection of contractual cash flows from its bonds, a provision for impairment loss on debt instruments at FVTOCI of HK\$336,000 was recognised in profit or loss with a corresponding adjustment to other comprehensive income.

At 30 June 2023, the Group invested in the debt securities of a property company based in the Mainland with details as below:

Category of company	Approximate weighting to the carrying amount of the Group's total assets at 30 June 2023 %	Yield to maturity on acquisition %	Acquisition costs HK\$'000	Carrying amount at 1 January 2023 HK\$'000	Market/ fair value at 30 June 2023 HK\$'000	Accumulated fair value loss recognised up to 30 June 2023 HK\$'000	Fair value loss recognised during the six months ended 30 June 2023 HK\$'000
			A	B	C	D = C - A	E = C - B
<i>Debt securities listed overseas</i>							
Property	0.85	9.50	312,000	22,077	18,976	(293,024)	(3,101)

Trading

During HY2023, the Group's trading operation did not generate any revenue (30 June 2022: HK\$188,301,000) as its commodities trading activities with its customers in Europe were in temporary halt owing to volatile market conditions, particularly in terms of pricing. The profit of the operation of HK\$5,118,000 (30 June 2022: HK\$626,000) represented mainly the interest income earned from the cash deposit reserved for pledging as security for bank credit facilities for financing trade transactions. The management will continue to closely follow the market conditions of the commodity market in Europe and will step up its effort to explore business opportunities in order to improve the results of the operation.

Money Lending

The Group's money lending business is conducted through CS Credit Limited, U Credit (HK) Limited and Chap Yik Limited, all are wholly-owned subsidiaries of the Company, and are licensed to conduct money lending activities under the Money Lenders Ordinance. The Group aims to make loans that could be covered by sufficient collateral, preferably commercial and residential properties in Hong Kong, and to borrowers with good credit history. The Group has a stable source of loan deals from its own business network and its marketing agents. For HY2023, the operation recorded a decrease in revenue of 28% to HK\$46,587,000 (30 June 2022: HK\$64,469,000) while recorded a turnaround of its results by posting a profit of HK\$4,489,000 (30 June 2022: loss of HK\$19,023,000). The decrease in revenue was mainly due to the lower average amount of performing loans advanced to borrowers during HY2023 whilst the turnaround in operating results was mainly due to the decrease in provision for impairment loss by 49% to HK\$40,614,000 (30 June 2022: HK\$78,981,000).

The Group performs impairment assessment on loan receivables under the expected credit loss (“ECL”) model. The measurement of ECL is a function of the probability of default, the loss given default (i.e., the magnitude of the loss if there is a default) and the exposure at default (i.e., the magnitude of the loss after accounting for value of the collateral if there is a default). The assessment of probability of default and loss given default is based on historical data and forward-looking information, whilst the valuation of the properties and assets pledged to the Group as collateral are, where appropriate, performed by independent professional valuers engaged by the Group at each reporting date for the purpose of determining ECL. In accordance with the Group’s loan impairment policy, the amount of ECL is updated at each reporting date to reflect the changes in credit risk on loan receivables since initial recognition. For HY2023, the net impairment loss recognised of HK\$40,614,000 primarily represented the credit risk involved in collectability of certain default and non-default loans determined under the Group’s loan impairment policy, with reference to factors including the credit history and financial conditions of the borrowers, the ageing of the overdue balances, the realisation value of the collateral pledged to the Group, and forward-looking information including the future macroeconomic conditions affecting the borrowers (the negative impact of the coronavirus epidemic on the state of the Hong Kong economy had also been considered).

The Group has a system in place to closely monitor the recoverability of its loan portfolio, its credit monitoring measures include regular collateral value review against market information and regular communication with the borrowers of their financial positions, through which the Group will be able to keep updated with the latest credit profile and risk associated with each individual borrower and could take appropriate actions for loan recovery at the earliest time. If circumstances require, the Group will commence legal actions against the borrowers for recovery of the overdue loans and take possession of the collateral pledged. At 30 June 2023, the balance of impairment allowance increased by 13% or HK\$67,616,000 to HK\$574,732,000 (31 December 2022: HK\$507,116,000), which comprised a sum of HK\$41,112,000 being impairment allowance for the current interim period, and a sum of HK\$498,000 being reversal of allowance owing to settlement of loans and improvement in credit quality of the borrowers. There was no change in the method used in determining the impairment allowance on loan receivables from the prior financial year.

The gross carrying amount of the Group's loan portfolio amounted to HK\$1,545,359,000 (31 December 2022: HK\$1,527,714,000) which increased slightly by HK\$17,645,000 when compared with the level at prior year end as the management had been prudent in granting new loans in light of the prevailing economic conditions in Hong Kong. The net carrying value of the loan portfolio, after impairment allowance, amounted to HK\$970,627,000 (31 December 2022: HK\$1,020,598,000) at the period end, and details of the portfolio are as follows:

Category of borrowers	Approximate weighting to the carrying amount of the Group's loan portfolio %	Interest rate per annum %	Maturity
Individual	26.16	9.50 - 18.00	Within one year
Corporate	48.04	8.00 - 18.00	Within one year
Corporate	25.80	8.50 - 12.00	Over one year but within three years
	<u>100.00</u>		

At 30 June 2023, 99% (31 December 2022: 99%) of the carrying amount of the loan portfolio (after impairment allowance) was secured by collateral including properties in Hong Kong, listed equity securities and debt securities, with the remaining 1% (31 December 2022: 1%) being unsecured. At the period end, the loans made to all borrowers were term loans with maturity within three years, and the loan made to the largest borrower and the five largest borrowers accounted for 34% (31 December 2022: 32%) and 77% (31 December 2022: 73%) respectively of the Group's loan portfolio (on a net of impairment allowance basis).

Securities Brokerage

The Group's securities brokerage business is conducted through CS Wealth Securities Limited, a wholly-owned subsidiary of the Company licensed by the Hong Kong Securities and Futures Commission to engage in dealing in securities activities (i.e., Type 1 regulated activity). During HY2023, the overall revenue of the operation decreased by 22% to HK\$4,680,000 (30 June 2022: HK\$5,980,000) whilst its profit increased slightly by 9% to HK\$4,859,000 (30 June 2022: HK\$4,449,000). The decrease in revenue of the operation was the combined effect of the decrease in its brokerage commission income, which dropped by 59% to HK\$983,000 (30 June 2022: HK\$2,418,000), largely due to weaker investor sentiment and general decline in turnover of the Hong Kong securities market during HY2023, and the increase in its interest income from margin financing, which rose by 4% to HK\$3,697,000 (30 June 2022: HK\$3,562,000), mainly due to the higher average amount of margin loans advanced to

clients during the review period. The increase in the operation's profit was primarily due to the increase in its bank interest income by over 10 times to HK\$1,902,000 (30 June 2022: HK\$168,000) during HY2023.

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

Overall Results

For HY2023, the Group recorded an 89% decrease in loss attributable to owners of the Company to HK\$11,996,000 (30 June 2022: HK\$104,350,000) and a basic loss per share of HK0.06 cent (30 June 2022: HK0.51 cent). The Group reported a total comprehensive expense attributable to owners of the Company of HK\$14,759,000 (30 June 2022: HK\$126,073,000) which included a net fair value loss on debt securities of HK\$3,101,000 (30 June 2022: HK\$38,856,000). The loss results recorded by the Group were mainly due to the loss recognised for the Group's securities investments of HK\$12,166,000 (30 June 2022: HK\$21,280,000).

FINANCIAL REVIEW

Liquidity, Financial Resources and Capital Structure

For HY2023, the Group financed its businesses mainly by funds generated from operations and credit facilities available from financial institutions. At the period end, the Group had current assets of HK\$1,946,513,000 (31 December 2022: HK\$2,189,628,000) and liquid assets comprising cash and cash equivalents as well as listed financial assets at FVTPL (excluding clients' money held relating to the Group's securities brokerage business) totalling HK\$1,053,158,000 (31 December 2022: HK\$1,005,961,000). The Group's current ratio, calculated based on current assets over current liabilities of HK\$46,894,000 (31 December 2022: HK\$48,039,000), was at a strong ratio of about 41.5 (31 December 2022: 45.6).

At 30 June 2023, the Group's trade and other receivables amounted to HK\$129,416,000 (31 December 2022: HK\$140,638,000), which mainly comprised trade receivables from margin clients of the securities brokerage business of HK\$112,141,000 (31 December 2022: HK\$116,484,000). At the period end, the market value of the securities pledged by the clients to the Group as collateral for margin financing amounted to HK\$586,865,000 (31 December 2022: HK\$630,152,000), mainly because the market value of those securities pledged to the Group exceeded the margin client receivables on an individual basis, no impairment loss allowance was provided on these receivables accordingly.

At 30 June 2023, the equity attributable to owners of the Company amounted to HK\$2,176,378,000 (31 December 2022: HK\$2,191,137,000) and was equivalent to an amount of approximately HK10.68 cents (31 December 2022: HK10.75 cents) per share of the Company. The decrease in equity attributable to owners of the Company of HK\$14,759,000 was mainly due to the loss recognised by the Group during the period.

The Group's gearing ratio, calculated on the basis of total liabilities of HK\$61,990,000 (31 December 2022: HK\$48,926,000) divided by the equity attributable to owners of the Company of HK\$2,176,378,000 (31 December 2022: HK\$2,191,137,000), was about 3% (31 December 2022: 2%).

The decrease in the Group's finance costs to HK\$289,000 (30 June 2022: HK\$12,955,000) was mainly a result of the absence of interest payable for interest bearing notes which were all redeemed during the prior period.

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

PROSPECTS

During HY2023, the Group continued to operate in a challenging business environment owing to the adverse impact on the macroeconomic setting brought by the ongoing geopolitical tensions, the high inflation and interest rate hikes in some major western economies, the market uncertainties resulting from the Russia-Ukraine war, and the slower than expected economic recovery in Hong Kong, despite that global economic activities were returning to their normality following the containment of the pandemic. Against this backdrop, the Group will continue to adopt a cautious and disciplined approach in managing the Group's businesses, as well as in seeking new business and investment opportunities which are expected to bring long-term benefits to the Group. The management continues to evaluate several investment opportunities in respect of target companies which are engaged in the financial industry, with the intent to enlarge the scale of the Group's operation and diversify its business and income base. Announcements will be made to inform shareholders as and when there is further material development of these investment opportunities.

CORPORATE GOVERNANCE

The Company had complied with all the applicable code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules for the six months ended 30 June 2023.

REVIEW OF INTERIM FINANCIAL INFORMATION

The Group's condensed consolidated financial statements for the six months ended 30 June 2023 have not been audited, but have been reviewed by the Audit Committee and the Company's auditor, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" issued by the HKICPA. The report on review of interim financial information by the auditor will be included in the 2023 Interim Report to be despatched to the shareholders of the Company.

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

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

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

Hong Kong, 30 August 2023

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