

INTERIM REPORT 2023

OSHIDORI INTERNATIONAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

STOCK CODE : 622.HK or "OSHIDORI"

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. SAM Hing Cheong (*Chairman*)⁽¹⁾
Ms. WONG Wan Men
Mr. WONG Yat Fai

Independent Non-Executive Directors

Hon. CHAN Hak Kan, *S.B.S., J.P.*
Mr. HUNG Cho Sing, *B.B.S.*
Mr. LAM John Cheung-wah
Dr. LO Wing Yan, William, *J.P.*⁽²⁾
Mr. YU Chung Leung

AUTHORISED REPRESENTATIVES

Ms. WONG Wan Men
Mr. WONG Yat Fai

AUDIT COMMITTEE

Mr. YU Chung Leung (*Chairman*)
Hon. CHAN Hak Kan, *S.B.S., J.P.*
Mr. HUNG Cho Sing, *B.B.S.*
Mr. LAM John Cheung-wah
Dr. LO Wing Yan, William, *J.P.*⁽³⁾

NOMINATION COMMITTEE

Mr. YU Chung Leung (*Chairman*)
Hon. CHAN Hak Kan, *S.B.S., J.P.*
Mr. HUNG Cho Sing, *B.B.S.*
Mr. LAM John Cheung-wah
Dr. LO Wing Yan, William, *J.P.*⁽³⁾
Mr. SAM Hing Cheong⁽⁴⁾
Ms. WONG Wan Men

REMUNERATION COMMITTEE

Mr. YU Chung Leung (*Chairman*)
Hon. CHAN Hak Kan, *S.B.S., J.P.*
Mr. HUNG Cho Sing, *B.B.S.*
Mr. LAM John Cheung-wah
Dr. LO Wing Yan, William, *J.P.*⁽³⁾
Mr. SAM Hing Cheong⁽⁴⁾
Ms. WONG Wan Men

COMPANY SECRETARY

Ms. LIU Tsui Fong

LEGAL ADVISORS

(*As to Bermuda law*)
Conyers Dill & Pearman

REGISTERED OFFICE

Clarendon House
2 Church Street
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Website : www.oshidoriinternational.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
4th Floor, North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
Hopewell Centre, 17th Floor
183 Queen's Road East, Wanchai
Hong Kong

AUDITOR

Mazars CPA Limited
Certified Public Accountants

PRINCIPAL BANKERS

Bank of China
Bank of China (Hong Kong) Limited
Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

STOCK CODE

Hong Kong Stock Exchange: 622

Notes:

- (1) Re-designated from Non-Executive Director to Executive Director and Chairman on 1 July 2023
- (2) Resigned as Director on 1 July 2023
- (3) Ceased to be member on 1 July 2023
- (4) Appointed as member on 1 July 2023

MANAGEMENT DISCUSSION AND ANALYSIS

Oshidori International Holdings Limited (the “**Company**”) and its subsidiaries (collectively, the “**Group**”) recorded a net profit of HK\$11.8 million for the six months ended 30 June 2023 (the “**Reporting Period**”), compared with a net loss of HK\$39.4 million for the six months ended 30 June 2022 (the “**Previous Period**”). The aforesaid positive effect on the Group was mainly attributable to (a) the reduction of net unrealized fair value loss on financial assets at fair value through profit or loss from HK\$62.7 million for the Previous Period to HK\$21.5 million for the Reporting Period; and (b) the increase in reversal of impairment loss in respect of loan receivables, net from HK\$16.6 million for the Previous Period to HK\$25.0 million for the Reporting Period.

BUSINESS REVIEW

The Group principally engages in investment holdings, tactical and/or strategical investments (including property investments), provision of financial services including the Securities and Futures Commission (the “**SFC**”) regulated activities namely Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 8 (securities margin financing) and Type 9 (asset management); and provision of credit and lending services regulated under the Money Lenders Ordinance.

A. Financial Services

The Group is licensed by the SFC to conduct regulated activities including Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance), Type 8 (securities margin financing) and Type 9 (asset management).

Brokerage commission income generated from the Group’s securities brokerage services increased by 82.4% to HK\$0.6 million for the Reporting Period (Previous Period: HK\$0.3 million). Interest income generated from provision of margin financing services increased by 72.0% to HK\$20.0 million for the Reporting Period (Previous Period: HK\$11.6 million).

B. Credit and Lending Services

(i) Business Model

The Company, through its wholly owned subsidiaries, namely, Oshidori WW Resources Limited and Oshidori Citizens Money Lending Corporation Limited (“**Citizens**”), conducts credit and lending business under the Money Lenders Ordinance, Chapter 163 of the Laws of Hong Kong.

The Group maintains readily available funds and equips itself with sufficient lending capacities for capturing potential business opportunities. The Group finances its credit and lending business with its existing general working capital. The Group’s credit and lending business has a unique business model with emphasis on the provision of sizeable loans to both corporate and individual clients with good financial standing and low credit risk (such as listed companies and individuals holding marketable assets).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group targets a niche market of high-profile borrowers (i.e. (a) listed companies; (b) companies with well-established businesses; (c) companies or individuals holding marketable assets; and (d) individuals whose occupations are executives, businessmen or professionals) in need of sizeable loans, who have a proven track record of making repayments. The Group grants loans only to recognised and creditworthy customers. The Group grants loans only to the customers (a) who are third parties and not connected with the Group; (b) who are introduced by the Group's directors, senior management, business partners or existing/previous borrowers; and (c) whose creditworthiness and loan collateral are evaluated and approved by the credit committee (the "**Credit Committee**") of the Group.

The management team of the Group's credit and lending business comprises the Credit Committee and 2 managers. During the six months ended 30 June 2023, the Credit Committee consisted of two directors of the Group, who had more than 30 years and around 20 years of experience in finance, investment and credit and lending industries, respectively. The Credit Committee has the power and authority to review and approve the loan applications. The Credit Committee is responsible for (i) assessing credit risks; (ii) overseeing the approval of credit applications and loan approvals; and (iii) managing customer relationships. The managers are responsible for (i) reviewing loan documentations, (ii) identifying potential problems; and (iii) recommending mitigating factors.

(ii) Internal Control Procedures

The Group has taken the following internal control measures in carrying out the credit and lending services business:

Credit risk assessment of customers

Potential customers are required to disclose and provide the Group with a list of information required for a loan application. The Group will then assess the creditworthiness of the potential customers and their repayment abilities, including legal due diligence. In particular, the following information is requested and considered as part of the process of assessing creditworthiness:

- a) the potential customers' background and statutory information;
- b) the potential customers' proof of income, including bank statements;
- c) the amount and purpose of the loan;
- d) the results of legal searches, such as litigation (or the absence of), on the potential customers; and
- e) whether the Group and the potential customers have any prior dealings and, if so, the credit history of any such prior arrangements.

In making the approval decision, the Credit Committee considers the information set out above and assesses the potential customers' credit risk, the loan-to-value ratio and the proposed interest rate. The operations of the Credit Committee are subject to review by the Executive Directors of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Mechanism in determining loan terms

The request from each potential customer is unique. The loan terms are determined based on the potential customers' financial needs (e.g. type of loan, capital needs and loan tenure), credit risk assessment of potential customers and their financial repayment abilities. The loan interest rate is determined based on the result of credit risk assessment and reference to the market interest rate.

Approval process for granting loans

Application and approval process are as follows:

- a) collection of potential customer's information;
- b) preliminary loan assessment and approval (if disapproved, reject loan application and inform the potential customer);
- c) credit assessment – 3C's Assessment (i.e. character, capacity, and collateral):
 - character is defined by credit and loan repayment history;
 - capacity measures income and ability to service a loan or line of credit;
 - collateral refers to asset(s) that could be leveraged for payment;
- d) determine the terms of the loan and obtain approval from the Credit Committee (if disapproved, reject loan application and inform potential customer);
- e) prepare board minutes to approve the loan and notify the potential customer of the loan approval;
- f) prepare all relevant loan documents and explain the terms of the loan and the associated loan documents to the potential customer;
- g) execution of the relevant loan documents and prepare loan disbursement; and
- h) review and file the loan documents in the filing cabinets.

Monitoring loan repayment and recovery

The status of outstanding loan principals and interest collection is monitored by the Credit Committee, two managers and accounting department on a daily basis by reviewing daily reports. On the maturity date, the Credit Committee communicates with borrowers by phone regarding their financial conditions and source of repayment to ascertain whether borrowers have any difficulty in making their repayments on time; and the Credit Committee also reminds borrowers to make timely repayments of their loans. When borrowers request for loan extension, the Credit Committee would request the managers and accounting department to ascertain and review the borrowers' financial condition through publicly available information (such as the Stock Exchange's website and press media, etc) so as to assess the recoverability of loans. In the event that there is no such publicly available information, the Credit Committee would request the respective borrowers for their updated financial information.

MANAGEMENT DISCUSSION AND ANALYSIS

Taking actions on delinquent loans

When a loan is overdue, the Group will contact the borrower and guarantor (if any) to remind them of the possible enforcement action(s) and timing of repayment and seeking reasons for the delay in repayment. The Group will also issue demand letter(s) to the borrowers. If the Group does not receive any favourable reply from the borrowers, the Group will instruct legal advisers to take legal actions for recovery of outstanding loan principal and accrued interest.

The action plans are determined based on the individual situation on a case by case basis. In general, the Group takes into account factors such as whether the pledged assets provided by the borrowers are sufficient in value; and whether there are any bona fide settlement offers made by the borrowers.

In case the market value of pledged assets falls below the outstanding loan amount, the Group may request the borrowers to increase the pledged assets. In case the borrowers can provide the Group with bona fide settlement proposal, the Group may consider withholding legal action against the borrowers and accept the settlement proposal in order to save legal costs and time.

(iii) Major Terms of Loans

As at 30 June 2023, the Company's credit and lending services business had 12 customers (all of them are independent third parties) and the total net loan receivables including both fixed and variable rate loan advances was HK\$242.5 million (31 December 2022: HK\$306.0 million).

Among these loan receivables, totalling HK\$0.5 million (31 December 2022: totalling HK\$70.8 million) were secured by the pledge of properties and personal guarantees (31 December 2022: the pledge of securities and personal guarantees), and bearing interests ranging from 7.75% to 12% (31 December 2022: 5% to 15%) per annum and had contractual loan period between 6 months and 18 months (31 December 2022: between 12 months and 7 years).

The remaining balance of HK\$242.0 million (31 December 2022: HK\$235.2 million) were unsecured, and bearing interests ranging from 5% to 10% (31 December 2022: 5% to 15%) per annum. Out of these unsecured loan receivables, HK\$212.9 million has contractual loan period between 6 months and 1 year, HK\$19.6 million has contractual loan period between 1 year and 2 years, HK\$8.5 million has contractual loan period between 2 years and 5 years and HK\$1.0 million has contractual loan period over 5 years (31 December 2022: between 6 months and 5 years and over 5 years).

During the six months period ended 30 June 2023, the Group offered attractive interest rate to borrowers (as low as 5% per annum) as special promotion and on ad hoc basis. Such interest rate would be offered when the Group obtained surplus financial resources upon receipt of unexpected early repayment from borrowers. Such interest rate was offered as a special promotion to maintain amicable business relationship with our borrowers whose credit assessment were of satisfactory results.

MANAGEMENT DISCUSSION AND ANALYSIS

Interest income from loan receivables for the Reporting Period was HK\$10.7 million (Previous Period: HK\$20.5 million), which was decreased by 47.7% as compared with the Previous Period. The decrease was due to the Group's prudent approach in carrying out its credit and lending services business.

(iv) Top Five Borrowers

As at 30 June 2023, the loan and interest receivables from the largest borrower was HK\$74.8 million (representing approximately 31% of the total loan and interest receivables of the Group) while the loan and interest receivables from the five largest borrowers together was HK\$192.8 million (representing approximately 80% of the total loan and interest receivables of the Group).

(v) Impairment Loss on Loan Receivables

The Group has conducted an impairment assessment of the loan receivables according to the accounting standards. In accordance with "Hong Kong Financial Reporting Standard 9 – Financial Instruments", an entity shall at the end of each reporting period measure impairment of financial assets using the expected credit loss (the "ECL") approach, i.e. to assess how current and future economic conditions impact the amount of loss.

Bases of impairment assessment and valuations or other evidence to support the impairment assessment

For the purpose of impairment assessment, the Group has established a loan credit risk classification system. Each loan receivable was assessed individually and was classified into the following three categories of internal credit rating:

- Performing refers to loans that have not had a significant increase in credit risk and for which ECL in the next 12 months will be recognised;
- Under-Performing refers to loans that have had a significant increase in credit risk and for which the lifetime ECL will be recognised; and
- Not Performing refers to loans that have objective evidence of impairment and for which the lifetime ECL will be recognised.

In estimating the ECL and in determining whether there is a significant increase in credit risk since initial recognition and whether the loan receivable is credit-impaired, the Group has taken into account the following factors:

- a) historical actual credit loss experience for the borrower; and
- b) financial position of the borrower by reference to its management or audited accounts and available press information adjusted for forward-looking factors that are specific to the borrower and general economic conditions of the industry in which the borrower operate.

There was no change in the estimation techniques or significant assumptions made during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Reasons for the movements in impairment provisions

According to the impairment assessment, loss allowance of HK\$9.6 million (31 December 2022: HK\$34.7 million) was recognised for the loan and interest receivables outstanding as at 30 June 2023. Details of the reasons for the decrease in impairment provisions by HK\$25.1 million are set out below:

- a) During the Reporting Period, a reversal of loss allowance of HK\$29.2 million was mainly made for loan and interest receivables of HK\$296.3 million (as at 31 December 2022) upon recovery; and
- b) During the Reporting Period, loss allowance of HK\$4.1 million was made for new loan and interest receivables of HK\$207.3 million (as at 30 June 2023) which were classified as Performing.

C. Tactical and/or Strategic Investments

The Group engages in tactical and/or strategic investments of a diversified portfolio overseen by a professional investment team that holds Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) licences under the Securities and Futures Ordinance. Negative income from this segment amounted to HK\$13.0 million for the Reporting Period (Previous Period: HK\$21.9 million).

The Group's vision is to implement its corporate strategy through building a successful portfolio of investments that is resilient, sound and of value to the shareholders of the Company.

The Group strives to achieve excellent results and performance through the Group's tactical and/or strategic investments segment – creating value through investment selection and disposal, and demonstrates resilience in adverse market conditions. The Group has formulated a criteria to identify appropriate investments, established the basis for evaluation, and categorized such investments to reflect their significance and contribution to the Group. The holding size and holding periods are dependent upon the reasons for the acquisition, the strategic value of the investments, and the potential returns. The Group may consider realizing certain investments based on the internal resources' requirements, the increase/decrease in valuations that trigger the threshold for disposal, and the availability of alternative investment opportunities that may be superior in returns compared to existing holdings from time to time.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS

An investment with a carrying value of 5% or more of the total assets of the Group is considered as a significant investment, or jointly as significant investments, of the Group in this Interim Report. A breakdown of such significant investments as at 30 June 2023 is set out below:

| Name of investment | Number of shares held as at 30 Jun 2023 | Percentage of shareholding held as at 30 Jun 2023 | Unrealised loss through other | | Dividends received for the six months ended 30 Jun 2023 | Approximate % to the Group's total assets as at 30 Jun 2023 | Investment cost | Market value as at 30 Jun 2023 |
|---|---|---|--|---|---|---|-----------------|--------------------------------|
| | | | Unrealised loss for the six months ended 30 Jun 2023 | comprehensive income for the six months ended 30 Jun 2023 | | | | |
| | | | HK\$'000 | HK\$'000 | HK\$'000 | | HK\$'000 | HK\$'000 |
| Listed shares in Hong Kong | | | | | | | | |
| - Shengjing Bank Co., Ltd (stock code: 2066) | 293,034,000 | 12.52% | (2,245) | (214,600) | - | 29.41% | 1,972,015 | 1,553,080 |
| - ZhongAn Online P & C Insurance Co., Ltd. (stock code: 6060) | 14,479,000 | 1.02% | - | (2,896) | - | 5.84% | 408,777 | 308,403 |
| Future Capital Group Limited | 3,750 | 17.81% | - | (99,000) | - | 10.42% | 750,000 | 550,000 |

The performance and prospects of such significant investments during the Reporting Period were as follows:

1. Shengjing Bank Co., Ltd. (“Shengjing”) (Stock Code: 2066)

Shengjing and its subsidiaries principally engage in the provision of corporate and personal deposits, loans and advances, settlement, treasury business and other banking services as approved by the China Bank Insurance Regulatory Commission.

In the first half of 2023, Shengjing Bank kept its advocating for the overall leadership of the Communist Party of China, adhered to its market positioning as a city commercial bank, and adhered to sustainable development. Shengjing Bank, focusing on the strategic vision of “building a sound bank”, comprehensively promoted its development and transition, and, adhering to the working style of “being pragmatic, sound, solid and implementing”, continued to strengthen its ability to provide services to the local economy, small and medium-sized enterprises, and urban and rural residents, thus stable and improving operation and development, continuously improving risk control capability, and increasingly solid business foundation.

As of 30 June 2023, the total assets of Shengjing Bank amounted to RMB1,095.165 billion, representing an increase of RMB12.752 billion or 1.2% as compared with that at the end of the previous year; deposits amounted to RMB808.833 billion, representing an increase of RMB37.267 billion or 4.8% as compared with that at the end of the previous year; and loans amounted to RMB620.285 billion, representing an increase of RMB6.922 billion or 1.1% as compared with that at the end of the previous year. In the first half of 2023, Shengjing Bank achieved a net profit of RMB790 million, representing a year-on-year decrease of RMB174 million or 18.1%.

MANAGEMENT DISCUSSION AND ANALYSIS

Shengjing Bank considers that the economic recovery process will advance wave upon wave with twists and turns. China has adhered to the general tone of “making progress while maintaining stability”, implemented the new development concept in a complete, accurate and comprehensive manner, accelerated the construction of a new development pattern, attached significant importance to expanding domestic demand, boosting confidence and preventing risks, consistently promoted the sustained improvement of economic operation, the enhancement of the endogenous power, the improvement of social demands, and resolution of risks and hidden dangers in order to promote the effective improvement in quality and reasonable growth in quantity of the economy.

Shengjing Bank will correctly comprehend and accurately grasp the situation of economic and financial development, insist on the political and people-oriented nature of financial work based on the strategic vision of “building a sound bank”, coordinate the two major tasks of reform and risk reduction, as well as strategic transformation, persist in positioning as “serving the local economy, serving small and medium-sized enterprises, and serving urban and rural residents”, and uphold the work style of “being pragmatic, steadfast, solid and practical” to firmly carry out various tasks. In accordance with the general guideline of “upgrading the scale, improving the quality, preventing the risks, stabilizing the expectations and reinforcing the disciplines”, Shengjing Bank will make every effort to promote the four transformations, i.e. business transformation, asset and liability management transformation, digital transformation, and network transformation; and make every effort to provide the “four guarantees”, i.e. party building guarantee, risk compliance guarantee, resource guarantee, and team guarantee, so as to achieve high-quality development and to become a Chinese-funded bank that promotes the comprehensive revitalization and all round development of Liaoning and Shenyang.

From a long-term perspective, Shengjing Bank appears to have good prospects and the Company considers its investment in Shengjing Bank has strategic investment value.

2. ZhongAn Online P & C Insurance Co., Ltd. (“ZhongAn”) (Stock Code: 6060)

ZhongAn and its subsidiaries are principally engaged in Fintech business, which provides internet insurance services, insurance information technology services and online banking services to customers.

ZhongAn group recorded net profit attributable to owners of the parent of RMB221 million in the first half of 2023, representing an improvement of RMB858 million as compared with net loss attributable to owners of the parent of RMB636 million for the corresponding period of last year, which was mainly driven by the improvement in investment income, and to a lesser extent, the increase in underwriting profit.

In the first half of 2023, total income of ZhongAn group increased by approximately 28.3% from approximately RMB11,089 million for the six months ended 30 June 2022 to approximately RMB14,231 million for the six months ended 30 June 2023. ZhongAn group recorded a net profit of approximately RMB26 million for the six months ended 30 June 2023, compared to a net loss of approximately RMB685 million for the six months ended 30 June 2022. This was mainly driven by the improvement in investment income, and to a lesser extent, the increase in underwriting profit.

MANAGEMENT DISCUSSION AND ANALYSIS

As the first Internet-based InsurTech company in China, ZhongAn aims to redefine insurance with cutting-edge technology and innovative business models. ZhongAn embraces a dual-engine strategy of “Insurance + Technology” and adheres to integrating technologies into the entire insurance value chain. By empowering the insurance value chain with technologies and adopting an ecosystem-oriented approach, ZhongAn focuses on the Internet life scenarios of customers to provide innovative, inclusive and abundant insurance products and services through proprietary channels and ecosystem partners’ platforms, in order to meet the diversified protection needs of customers and create an effective value proposition for them.

From a long-term perspective, ZhongAn appears to have good prospects and the Company considers its investment in ZhongAn has strategic investment value.

3. Future Capital Group Limited (“Future Capital”)

Future Capital is incorporated in the Cayman Islands with limited liability and it principally engages in property investments.

The economy is recovering with post-COVID normalization on economic activities. 2023 is still a challenging year and Future Capital expects that there will be a return to normalcy in various aspects with progress. Property market will continue to face external challenges including continued interest rate increase, inflation and currency volatility.

In order to maintain competitiveness and provide satisfactory returns to its shareholders, Future Capital’s management is carefully exploring opportunities to diversity beyond the rental property market. Considering the uncertainties in the market, Future Capital will be cautious in evaluating potential investment opportunities and will maintain a conservative treasury policy.

From a long-term perspective, Future Capital appears to have good prospects and the Company considers its investment in Future Capital has strategic investment value.

Going forward, the Group will continue to implement its corporate strategy through building a successful portfolio of investments that is resilient, sound and of value for our shareholders. Although the market sentiment is expected to gradually improve given the sufficient liquidity and post COVID-19 recovery of the economy, the overall economic outlook still remains uncertain. The Group will continue to adopt prudent capital management and liquidity risk management policies and practices to preserve adequate capital to meet the challenges ahead. Save as disclosed in this Interim Report, the Group did not have other plan for material investments or capital assets as at 30 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Review of results

The Group recorded a total revenue of HK\$40.0 million for the Reporting Period, representing a decrease of 45.45% as compared with the amount of HK\$73.3 million for the Previous Period. Income from financial services segment amounted to HK\$20.8 million (Previous Period: HK\$12.0 million). Negative income from tactical and/or strategical investments segment amounted to HK\$13.0 million (Previous Period: HK\$21.9 million). Income from credit and lending services segment amounted to HK\$10.7 million (Previous Period: HK\$20.5 million).

The Group recorded a net profit of HK\$11.8 million for the Reporting Period (Previous Period: net loss of HK\$39.4 million). Such positive effect on the Group was mainly attributable to (a) the reduction of net unrealized fair value loss on financial assets at fair value through profit or loss from HK\$62.7 million for the Previous Period to HK\$21.5 million for the Reporting Period; and (b) the increase in reversal of impairment loss in respect of loan receivables, net from HK\$16.6 million for the Previous Period to HK\$25.0 million for the Reporting Period. Basic and diluted earnings per share for the Reporting Period were HK cents 0.19 and HK cents 0.19 respectively (Previous Period: basic and diluted loss per share of HK cents 0.65 and HK cents 0.65 respectively). The net profit of financial services segment was HK\$14.1 million (Previous Period: HK\$5.9 million). The net loss of tactical and/or strategical investments segment was HK\$20.5 million (Previous Period: HK\$40.8 million). The net profit of credit and lending services segment was HK\$25.6 million (Previous Period: HK\$7.0 million).

The Group recorded other comprehensive loss of HK\$336.1 million for the Reporting Period (Previous Period: HK\$297.1 million).

Capital structure

The Company has not conducted any equity fund raising activities during the Reporting Period. As at 30 June 2023, the Company has 6,109,259,139 shares in issue.

The unaudited consolidated total asset value of the Group as at 30 June 2023 was HK\$5,280.3 million (31 December 2022: HK\$5,754.1 million). The unaudited consolidated net asset value of the Group as at 30 June 2023 was HK\$4,964.1 million (31 December 2022: HK\$5,278.3 million). The unaudited consolidated net asset value per share as at 30 June 2023 was HK\$0.81 (31 December 2022: audited HK\$0.86). Apart from financial assets being held by the Group for its tactical and/or strategical investments, the Group also holds substantive assets which mainly comprise tangible assets such as cash and bank balances and trade, loan and other receivables.

MANAGEMENT DISCUSSION AND ANALYSIS

Charges on group assets

As at 30 June 2023, the Group's borrowings included margin loans of HK\$54.5 million (31 December 2022: HK\$101.0 million), an unsecured loan from an independent third party of HK\$126.5 million (31 December 2022: HK\$240.8 million) and a secured bank loan of HK\$52.2 million (31 December 2022: HK\$53.2 million). The bank loan is secured by a property, the book value of which as at 30 June 2023 was HK\$102.8 million. The margin loans are secured by pledge of equity securities to securities brokers as collaterals, with total market value of HK\$462.1 million as at 30 June 2023 (31 December 2022: HK\$505.7 million). As at 30 June 2023, the Group's borrowings are interest bearing at HIBOR plus 1.3% per annum or at a range from 3.35% to 8.0% per annum (31 December 2022: HIBOR plus 1.3% per annum or at a range from 3.35% to 8.0% per annum) and repayable on demand or within 1 year (31 December 2022: repayable on demand or within 1 year).

Liquidity and financial resources

The Group's cash and cash equivalents as at 30 June 2023 was HK\$492.5 million (31 December 2022: HK\$368.8 million). The cash and cash equivalents and financial assets at fair value through profit or loss in aggregate as at 30 June 2023 were HK\$864.9 million (31 December 2022: HK\$761.6 million).

The liquidity of the Group remained strong with a current ratio of 5.4 as at 30 June 2023 (31 December 2022: 3.9). The Group had loan payables of HK\$178.8 million as at 30 June 2023 (31 December 2022: HK\$294.0 million) and the gearing ratio of the Group (expressed as a percentage of total loan payables over total equity) as at 30 June 2023 was 3.6% (31 December 2022: 5.6%). The decrease in gearing ratio manifests better liquidity position and efficient financial management of the Group.

Exposure to fluctuation in exchange rates and related hedges

Save for certain bank balances that are denominated in Renminbi ("RMB") and United States dollar ("USD"), most of the Group's business transactions, assets and liabilities are denominated in Hong Kong dollar. As at 30 June 2023, the bank balances denominated in RMB and USD amounted to HK\$174.3 million and HK\$41.1 million respectively. Therefore, the Group's exposure to the risk of foreign exchange rate fluctuations is not material. For the Reporting Period, the Group did not have any derivatives for hedging against the foreign exchange rate risk. The directors of the Company (the "Directors") will continue to monitor the foreign exchange exposure and will consider appropriate action to mitigate such risk, when necessary.

Capital commitments

The Group did not have any capital commitments in respect of the acquisition of property and equipment as at 30 June 2023 (31 December 2022: Nil).

Contingent liabilities

The Group did not have any material contingent liabilities as at 30 June 2023 (31 December 2022: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK AND CORPORATE STRATEGY

Looking ahead to the second half of 2023, the global business and investment environment is still full of challenges and uncertainties.

The Group will maintain a prudent approach in carrying out and monitoring its business, but adopt a wait and see approach in tackling the adverse environment.

Dealing with the future challenges, the Management will review and adjust business strategies on a regular basis with a prudent and balanced risk management approach. The Group will focus on ensuring a healthy balance sheet.

MATERIAL TRANSACTION

On 4 May 2023, a wholly owned subsidiary of the Company entered into a sale and purchase agreement with a third party in respect of the acquisition of the entire issued share capital of, and all outstanding shareholder's loan owing by, CUCNP Holdings Limited which is the sole registered and beneficial owner of a property (the "**Acquisition**"). The consideration for the Acquisition was HK\$220 million. On 17 May 2023, the aforesaid parties entered into a termination agreement to terminate the Acquisition. For further details, please refer to the announcements of the Company dated 4 and 17 May 2023.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

On 8 August 2023, a wholly owned subsidiary of the Company entered into a sale and purchase agreement with a third party in respect of the disposal of the entire issued share capital of, and all outstanding shareholder's loan owing by, Siston Holdings Limited (the "**Disposal**"). The consideration for the Disposal was HK\$110 million which was received on the same day. For further details, please refer to the announcement of the Company dated 8 August 2023.

LITIGATION

Citizens, a wholly owned subsidiary of the Company, was a party to a receivership proceedings concerning Celebrate International Holdings Limited ("**Celebrate**"), a company previously listed in Hong Kong with stock code 8212. Southwest Securities (HK) Brokerage Limited ("**Southwest**") is a local corporation and Fong Siu Wai (also known as Louis Fong) (together with Southwest, the "**Defendants**") is a former employee of Southwest. On 19 June 2020, the Defendants maliciously published a letter to the High Court which contained false and defamatory statements against Citizens. On 30 September 2020, Citizens served a Writ of Summons and Statement of Claim to the Defendants, suing them for libel and malicious falsehood. Southwest and Fong Siu Wai (also known as Louis Fong) have reached separate settlements in June 2023 and July 2023 respectively, which include the payment of monetary damages as a full and final settlement of all claims made by Citizens against them. Additionally, Citizens received a letter from Fong Siu Wai (also known as Louis Fong) expressing his sincere apologies for his actions.

INTERIM DIVIDEND

The board of Directors (the "**Board**") does not recommend the payment of any interim dividend for the Reporting Period. (Previous Period: Nil)

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed 28 (31 December 2022: 29) full time employees for its principal activities. The Group recognises the importance of high calibre and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. Remuneration packages consisted of salary as well as discretionary bonus. Other benefits include medical and retirement benefits, contribution to the mandatory provident fund and share options.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries for the Reporting Period.

AUDIT COMMITTEE

The audit committee (the "**Audit Committee**") of the Company was established in accordance with the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. As at the date of this Interim Report, the Audit Committee comprises four Independent Non-Executive Directors. The Audit Committee is chaired by Mr. Yu Chung Leung and the members of the Audit Committee are Hon. Chan Hak Kan, Mr. Hung Cho Sing and Mr. Lam John Cheung-wah. The Audit Committee meets regularly with the Company's senior management and the Company's auditor to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management. The interim results of the Group for the Reporting Period had not been audited, but had been reviewed by the Company's auditor, Mazars CPA Limited and the Audit Committee.

CORPORATE GOVERNANCE

The Board is committed to maintaining high standards of corporate governance. During the Reporting Period, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules except code provision C.2.1.

Code provision C.2.1 requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Following the resignation of Mr. Alejandro Yemendjian as Non-Executive Chairman and Non-Executive Director of the Company on 6 October 2022, the duties of the chairman were undertaken by the Independent Non-Executive Directors who led the Board and had to ensure that the Board works effectively whereas the Executive Directors continued performing the role of the Chief Executive Officer collectively. The Board was of the view that under such board structure, there was a clear division of the responsibilities of chairman and chief executive, thus the balance of power and authority could be ensured. Such deviation had been rectified upon the re-designation of Mr. Sam Hing Cheong from a Non-Executive Director to an Executive Director and Chairman of the Company with effect from 1 July 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the Reporting Period, all Directors have complied with the required standard set out in the Model Code.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our gratitude to all staff for their devoted efforts and hard work.

Sam Hing Cheong

Executive Director and Chairman

Hong Kong, 30 August 2023

OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2023, the interests and short positions of the directors (the “**Directors**”) and chief executives of Oshidori International Holdings Limited (the “**Company**”) in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”), as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) were as follows:

| Name of director | Nature of interests | Number of shares/ underlying shares held <i>(Note 1)</i> | Approximate percentage of issued shares of the Company <i>(Note 2)</i> |
|------------------|---------------------|---|--|
| Wong Wan Men | Personal interests | 30,000,000 <i>(Note 3)</i> | 0.49% |

Notes:

- (1) The above interests in the shares and underlying shares of the Company were long positions. None of the Directors and chief executive of the Company had any short positions in the shares, underlying shares or debentures of the Company as at 30 June 2023.
- (2) As at 30 June 2023, the Company's total number of issued shares was 6,109,259,139.
- (3) The 30,000,000 shares comprise (a) 10,000,000 shares represent Wong Wan Men's interests in awarded shares (which remained unvested as at 30 June 2023) granted by the Company; and (b) 20,000,000 shares represent Wong Wan Men's interests in share options granted by the Company. Wong Wan Men was the beneficial owner of such awarded shares and share options. Details of such awarded shares and share options are set out in the “Share Award Scheme” and “Share Option Schemes” sections below.

Save as disclosed above, as at 30 June 2023, none of the Directors or chief executives of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATION

Save as disclosed in this Interim Report, at no time during the period ended 30 June 2023 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors and chief executive of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors and chief executive of the Company (including any of their spouses or children under the age of 18) were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

OTHER INFORMATION

SHARE OPTION SCHEMES

(A) 2012 Share Option Scheme

On 17 May 2012, the Company adopted a share option scheme (the “**2012 Share Option Scheme**”) for the purpose of enabling the Company and its subsidiaries (the “**Group**”) to (i) recognise and acknowledge the contributions that eligible persons have (or may have) made or may make to the Group (whether directly or indirectly); (ii) attract and retain and appropriately remunerate the best possible quality of employees and other eligible persons; (iii) motivate the eligible persons to optimise their performance and efficiency for the benefit of the Group; (iv) enhance its business, employee and other relations; and/or (v) retain maximum flexibility as to the range and nature of rewards and incentives which the Company can offer to eligible persons. The eligible persons include (a) any full time or part time employees of the Group and any directors of the Group; (b) any customer, supplier or provider of services, landlord or tenant, agent, partner, consultant, or adviser of or a contractor to or person doing business with any member of the Group; (c) trustee of any trust the principal beneficiary of which is, or any discretionary trust the discretionary objects of which include, any person referred to in (a) or (b) above; (d) a company wholly beneficially owned by any person referred to in (a) or (b) above, and (e) such other persons (or classes of persons) as the board of Directors (the “**Board**”) may in its absolute discretion determine.

The 2012 Share Option Scheme had a life of 10 years and expired on 17 May 2022. No further options shall thereafter be granted under the 2012 Share Option Scheme but all the then outstanding share options granted under the 2012 Share Option Scheme continue to be valid and exercisable in accordance with the terms of the 2012 Share Option Scheme. No service provider sublimit was set under the 2012 Share Option Scheme.

Details of movements in the share options of the Company granted under the 2012 Share Option Scheme during the period ended 30 June 2023 are as follows:

| Name/category of grantee | Date of grant | Number of Share Options | | | Outstanding as at 30/6/2023 | Exercise price per share HK\$ | Exercise period |
|---------------------------|-----------------------|----------------------------|---------------------------|--------------------------|-----------------------------|-------------------------------|--------------------------|
| | | Outstanding as at 1/1/2023 | Granted during the period | Lapsed during the period | | | |
| Directors | | | | | | | |
| Wong Wan Men | 22/1/2020 (Note 1) | 20,000,000 | - | - | 20,000,000 | 0.865 | 22/1/2020 – 21/1/2030 |
| Sub-total | | 20,000,000 | - | - | 20,000,000 | | |
| Employees | | | | | | | |
| (In aggregate) | 29/3/2019 (Note 2) | 72,000,000 | - | - | 72,000,000 | 0.820 | 29/3/2019 – 28/3/2029 |
| Other participants | | | | | | | |
| (In aggregate) (Note 3) | 22/1/2020 (Note 1) | 100,000,000 | - | - | 100,000,000 | 0.865 | 22/1/2020 – 21/1/2030 |
| Total | | 192,000,000 | - | - | 192,000,000 | | |

OTHER INFORMATION

Notes:

- (1) The closing price of the Company's shares on 21 January 2020, being the date immediately before the date on which the share options were granted, was HK\$0.86.
- (2) The closing price of the Company's shares on 28 March 2019, being the date immediately before the date on which the share options were granted, was HK\$0.80.
- (3) Other participants comprise nine (9) consultants.
- (4) The vesting period of the share options is from the date of grant until the commencement date of the exercise period.

No share options of the Company granted under the 2012 Share Option Scheme lapsed or were exercised or cancelled during the period ended 30 June 2023.

(B) 2022 Share Option Scheme

On 13 June 2022, the Company adopted a new share option scheme (the “**2022 Share Option Scheme**”) for the purpose of enabling the Group to (i) recognise and acknowledge the contributions that eligible persons have (or may have) made or may make to the Group (whether directly or indirectly); (ii) attract and retain and appropriately remunerate the best possible quality of employees and other eligible persons; (iii) motivate the eligible persons to optimise their performance and efficiency for the benefit of the Group; (iv) enhance its business, employee and other relations; and/or (v) retain maximum flexibility as to the range and nature of rewards and incentives which the Company can offer to eligible persons. The life span of the 2022 Share Option Scheme is 10 years commencing from 13 June 2022 and will expire on 13 June 2032.

The eligible persons under the 2022 Share Option Scheme include any full time or part time employees of the Group or any directors of the Group. The Board shall (subject to the provisions of the 2022 Share Option Scheme) have absolute discretion as to whether or not to grant share options to any particular eligible persons. In exercising such discretion, the Board will assess the eligibility of the eligible persons based on their individual performance, time commitment, responsibilities or employment conditions according to the prevailing market practice and industry standard, or where appropriate, contribution to the revenue, profits or business development of the Group during the financial year or in the future.

At the beginning and the end of the period ended 30 June 2023, the maximum number of options available for grant under the 2022 Share Option Scheme were both 610,925,913, representing 10% of the total issued shares of the Company on that dates. No service provider sublimit was set under the 2022 Share Option Scheme. No share options were granted under the 2022 Share Option Scheme during the period ended 30 June 2023.

During the period ended 30 June 2023, no share options were granted, exercised, cancelled or lapsed under the 2022 Share Option Scheme. Also, there were no outstanding share options granted under the 2022 Share Option Scheme as at 30 June 2023.

OTHER INFORMATION

SHARE AWARD SCHEME

The share award scheme (the “**Share Award Scheme**”) was adopted by the shareholders at a special general meeting of the Company held on 19 December 2019. The objectives of the Share Award Scheme are: (i) to recognise the contributions by certain eligible participants and to provide them with incentives in order to retain them for the continual operation and development of the Group’s existing and other new potential business, including integrated resort development; and (ii) to attract suitable personnel with relevant experience in the Group’s existing and other new potential business, including integrated resort development. The Share Award Scheme will remain in force for a period of 10 years until 18 December 2029.

The eligible participants under the Share Award Scheme are any employee (whether full time or part time), consultant, executive or officers, directors (including any executive director, non-executive director and independent non-executive director) and senior management and any member as well as any customer or supplier of the Group, who, in the sole discretion of the Board, has contributed or may contribute to the growth and development of the Group.

At the beginning of the period ended 30 June 2023, the maximum number of awarded shares that may be granted under the Share Award Scheme was 183,277,774, representing 3% of the total issued shares of the Company on that date. As the Company has not sought shareholders’ approval to refresh the share award mandate upon its expiry at the conclusion of the Company’s annual general meeting held on 12 June 2023, there was no awarded shares that may be granted under the Share Award Scheme at the end of the period ended 30 June 2023. No service provider sublimit was set under the Share Award Scheme. No awarded shares were granted under the Share Award Scheme during the period ended 30 June 2023.

Details of movements in the awarded shares of the Company granted under the Share Award Scheme during the period ended 30 June 2023 are as follows:

| Name/category of grantee | Date of grant | Number of awarded shares | | | Outstanding as at 30/6/2023 | Vesting Date |
|---|---------------|----------------------------|---------------------------|--------------------------|-----------------------------|--------------|
| | | Outstanding as at 1/1/2023 | Granted during the period | Lapsed during the period | | |
| Director | | | | | | |
| Wong Wan Men | 22/1/2020 | 10,000,000 | – | – | 10,000,000 | 22/1/2024 |
| Other participants (in aggregate) (Note 1) | 22/1/2020 | 85,000,000 | – | – | 85,000,000 | 22/1/2024 |
| Total | | 95,000,000 | – | – | 95,000,000 | |

Notes:

- (1) Other participants comprise of nine (9) consultants.
- (2) The vesting period is 4 years. The awarded shares shall be vested on 22 January 2024.
- (3) The awarded shares shall be allotted to the grantees free of payment.

No awarded shares of the Company granted under the Share Award Scheme lapsed or were vested or cancelled during the six months ended 30 June 2023.

OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

At 30 June 2023, so far as is known to the Directors and chief executives of the Company, the interests and short positions of the substantial shareholders/other persons in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO were as follows:

| Number of shareholder | Capacity | Number of issued ordinary shares held (Note 1) | Approximate percentage of issued shares of the Company (Note 2) |
|--|------------------------------------|---|--|
| Suen Cho Hung, Paul ("Mr. Suen") (Note 3) | Interest of controlled corporation | 1,215,296,600 | 19.89% |
| Seekers Creation Limited ("Seekers") | Beneficial owner | 1,215,296,600 | 19.89% |
| Mak Siu Hang, Viola ("Ms. Mak") (Note 4) | Interest of controlled corporation | 575,003,000 | 9.41% |
| VMS Investment Group Limited ("VMS") | Beneficial owner | 575,003,000 | 9.41% |
| Blue River Holdings Limited ("Blue River Holdings") (Note 5) | Interest of controlled corporation | 465,000,000 | 7.61% |
| Blue River Treasury Group Limited ("Blue River Treasury") (Note 5) | Interest of controlled corporation | 465,000,000 | 7.61% |
| Nation Cheer Investment Limited ("Nation Cheer") | Beneficial owner | 465,000,000 | 7.61% |

Notes:

- (1) All the above interests in the shares of the Company were long positions.
- (2) As at 30 June 2023, the Company's total number of issued shares was 6,109,259,139.
- (3) Mr. Suen has 55% interest in Seekers. Accordingly, Mr. Suen was deemed to be interested in the shares of the Company held by Seekers.
- (4) Ms. Mak has 100% interest in VMS. Accordingly, Ms. Mak was deemed to be interested in the shares of the Company held by VMS.
- (5) Blue River Holdings has 100% interest in Blue River Treasury which has 100% interest in Nation Cheer. Accordingly, Blue River Holdings and Blue River Treasury were deemed to be interested in the shares of the Company held by Nation Cheer.

Save as disclosed above, as at 30 June 2023, the Company has not been notified of any interests or short positions in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under Section 336 of the SFO.

OTHER INFORMATION

CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B)(1) of the Listing Rules, the changes in information of Directors subsequent to the date of the Company's Annual Report 2022 and up to the date of this Interim Report are set out below:

- (1) Hon. Chan Hak Kan has been appointed as a non-executive director of The Hong Kong Mortgage Corporation Limited with effect from 27 June 2022; and
- (2) Mr. Hung Cho Sing has retired from office as an independent non-executive director of Miko International Holdings Limited (stock code: 1247) with effect from 16 June 2023.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

mazars

MAZARS CPA LIMITED

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To the board of directors of
Oshidori International Holdings Limited
(incorporated in Bermuda with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 25 to 50, which comprises the condensed consolidated statement of financial position of Oshidori International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) as at 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six months period then ended and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard (“**HKAS**”) 34 “*Interim Financial Reporting*” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34.

Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review 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. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Mazars CPA Limited
Certified Public Accountants

Hong Kong, 30 August 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

| | Notes | Six months ended | |
|--|-------|---|---|
| | | 30 June 2023 HK\$'000 (Unaudited) | 30 June 2022 HK\$'000 (Unaudited) |
| Revenue | | | |
| Advisory, commission income and other fee income | | 631 | 346 |
| Net (loss) gain on sales of financial assets at fair value through profit or loss ("FVPL") | | (2,001) | 38,697 |
| Interest income | | 35,199 | 32,141 |
| Dividend income | | 6,129 | 2,069 |
| Total revenue | 3 | 39,958 | 73,253 |
| Other income | 4 | 17,907 | 11,243 |
| Other net losses | 5 | (2,903) | (27,380) |
| Net unrealised fair value loss on financial assets at FVPL | 3 | (21,453) | (62,740) |
| Reversal of impairment loss in respect of loan receivables, net | 14(d) | 25,042 | 16,643 |
| Depreciation and amortisation expenses | | (15,161) | (15,595) |
| Employee benefits expenses | 6 | (8,708) | (14,359) |
| Other expenses | 6 | (22,576) | (30,561) |
| Share of results of associates | | (521) | 1,081 |
| Share of results of a joint venture | | 10,642 | 22,553 |
| Finance costs | 6 | (8,059) | (11,277) |
| Profit (Loss) before taxation | 6 | 14,168 | (37,139) |
| Income tax expense | 7 | (2,387) | (2,310) |
| Profit (Loss) for the period | | 11,781 | (39,449) |
| Other comprehensive loss: | | | |
| <i>Item that will not be reclassified to profit or loss</i> | | | |
| Fair value change on equity investments measured at fair value through other comprehensive income ("Designated FVOCI") | | (334,026) | (296,311) |
| <i>Items that are reclassified or may be reclassified subsequently to profit or loss</i> | | | |
| Exchange differences arising on translation to presentation currency | | (2,049) | (833) |

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023

| | Note | Six months ended | |
|--|------|------------------|-----------------|
| | | 30 June 2023 | 30 June 2022 |
| | | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | (Unaudited) | (Unaudited) |
| Total other comprehensive loss for the period | | (336,075) | (297,144) |
| Total comprehensive loss for the period | | (324,294) | (336,593) |
| Earnings (Loss) per share | | <i>HK cents</i> | <i>HK cents</i> |
| Basic | 9 | 0.19 | (0.65) |
| Diluted | | 0.19 | (0.65) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2023

| | Notes | 30 June 2023 HK\$'000 (Unaudited) | 31 December 2022 HK\$'000 (Audited) |
|---|-------|--|--|
| Non-current assets | | | |
| Property and equipment | 10 | 140,178 | 146,235 |
| Investment property | | 102,750 | 102,750 |
| Right-of-use assets | | 3,893 | 7,303 |
| Designated FVOCI | 11 | 2,830,601 | 3,186,010 |
| Debt investment at amortised cost | 12 | 30,000 | 100,000 |
| Financial assets at FVPL | 15 | 2,438 | 2,485 |
| Interests in associates | 13 | 245,743 | 173,682 |
| Interests in a joint venture | | 160,495 | 149,853 |
| Intangible assets | | 15,364 | 15,614 |
| Other deposits | | 446 | 5,472 |
| Loan receivables | 14 | 28,999 | 31,917 |
| | | 3,560,907 | 3,921,321 |
| Current assets | | | |
| Trade, loan and other receivables | 14 | 781,092 | 1,017,671 |
| Income tax recoverable | | 5,646 | 6,264 |
| Financial assets at FVPL | 15 | 369,960 | 390,314 |
| Bank balances – trust and segregated accounts | | 70,227 | 49,745 |
| Cash and cash equivalents | | 492,481 | 368,819 |
| | | 1,719,406 | 1,832,813 |
| Current liabilities | | | |
| Trade and other payables | 16 | 132,220 | 173,450 |
| Lease liabilities | | 4,036 | 6,173 |
| Income tax payable | | 1,187 | 862 |
| Interest-bearing borrowings | 17 | 178,755 | 294,023 |
| | | 316,198 | 474,508 |
| Net current assets | | 1,403,208 | 1,358,305 |
| Total assets less current liabilities | | 4,964,115 | 5,279,626 |
| Non-current liabilities | | | |
| Lease liabilities | | – | 1,311 |
| NET ASSETS | | 4,964,115 | 5,278,315 |
| Capital and reserves | | | |
| Share capital | 18 | 305,463 | 305,463 |
| Reserves | | 4,658,652 | 4,972,852 |
| TOTAL EQUITY | | 4,964,115 | 5,278,315 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

| | | Attributable to equity holders of the Company | | | | | | | | |
|------|--|---|---------------|---------------------|----------------------|--|----------------------|---------------------|--------------------|-----------|
| | | Share capital | Share premium | Translation reserve | Contribution surplus | Investment revaluation reserve (non-recycling) | Share option reserve | Share award reserve | Accumulated losses | Total |
| Note | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| | At 1 January 2023 (Audited) | 305,463 | 194,215 | (73,778) | 5,682,380 | (862,937) | 107,225 | 60,561 | (134,814) | 5,278,315 |
| | Profit for the period | - | - | - | - | - | - | - | 11,781 | 11,781 |
| | Other comprehensive loss | | | | | | | | | |
| | <i>Items that will not be reclassified to profit or loss</i> | | | | | | | | | |
| | Fair value change on Designated FVOCI | - | - | - | - | (334,026) | - | - | - | (334,026) |
| | Fair value change on Designated FVOCI reclassified to retained earnings upon disposal | - | - | - | - | 97,846 | - | - | (97,846) | - |
| | | - | - | - | - | (236,180) | - | - | (97,846) | (334,026) |
| | <i>Item that is reclassified or may be reclassified subsequently to profit or loss</i> | | | | | | | | | |
| | Exchange differences arising on translation to presentation currency | - | - | (2,049) | - | - | - | - | - | (2,049) |
| | Total other comprehensive loss for the period | - | - | (2,049) | - | (236,180) | - | - | (97,846) | (336,075) |
| | Total comprehensive loss for the period | - | - | (2,049) | - | (236,180) | - | - | (86,065) | (324,294) |
| | Transactions with owners: | | | | | | | | | |
| | <i>Contribution and distribution</i> | | | | | | | | | |
| | Recognition of equity-settled share-based payments 19 | - | - | - | - | - | - | 10,094 | - | 10,094 |
| | Total transactions with owners | - | - | - | - | - | - | 10,094 | - | 10,094 |
| | At 30 June 2023 (Unaudited) | 305,463 | 194,215 | (75,827) | 5,682,380 | (1,099,117) | 107,225 | 70,655 | (220,879) | 4,964,115 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023

| Note | Attributable to equity holders of the Company | | | | | | | | |
|--|---|---------------------------|---------------------------------|----------------------------------|--|----------------------------------|---------------------------------|--------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Translation reserve HK\$'000 | Contribution surplus HK\$'000 | Investment revaluation reserve (non-recycling) HK\$'000 | Share option reserve HK\$'000 | Share award reserve HK\$'000 | Accumulated losses HK\$'000 | Total HK\$'000 |
| At 1 January 2022 (Audited) | 305,463 | 194,215 | (74,389) | 5,682,380 | (485,250) | 107,225 | 40,374 | (29,172) | 5,740,846 |
| Loss for the period | - | - | - | - | - | - | - | (39,449) | (39,449) |
| Other comprehensive loss | | | | | | | | | |
| <i>Items that will not be reclassified to profit or loss</i> | | | | | | | | | |
| Fair value change on Designated FVOCI | - | - | - | - | (296,311) | - | - | - | (296,311) |
| Fair value change on Designated FVOCI reclassified to retained earnings upon disposal | - | - | - | - | 31,489 | - | - | (31,489) | - |
| | - | - | - | - | (264,822) | - | - | (31,489) | (296,311) |
| <i>Item that is reclassified or may be reclassified subsequently to profit or loss</i> | | | | | | | | | |
| Exchange differences arising on translation to presentation currency | - | - | (833) | - | - | - | - | - | (833) |
| Total other comprehensive loss for the period | - | - | (833) | - | (264,822) | - | - | (31,489) | (297,144) |
| Total comprehensive loss for the period | - | - | (833) | - | (264,822) | - | - | (70,938) | (336,593) |
| Transactions with owners: | | | | | | | | | |
| <i>Contribution and distribution</i> | | | | | | | | | |
| Recognition of equity-settled share-based payments 19 | - | - | - | - | - | - | 10,094 | - | 10,094 |
| Total transactions with owners | - | - | - | - | - | - | 10,094 | - | 10,094 |
| At 30 June 2022 (Unaudited) | 305,463 | 194,215 | (75,222) | 5,682,380 | (750,072) | 107,225 | 50,468 | (100,110) | 5,414,347 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

| | Notes | Six months ended | |
|--|-------|---|---|
| | | 30 June 2023 HK\$'000 (Unaudited) | 30 June 2022 HK\$'000 (Unaudited) |
| NET CASH FROM OPERATING ACTIVITIES | | 218,065 | 438,315 |
| INVESTING ACTIVITIES | | | |
| Dividend received | | 6,129 | 2,069 |
| Interest received | | 8,287 | 7,340 |
| Purchase of property and equipment | 10 | (5,444) | (4,988) |
| Proceeds from disposal of property and equipment | 10 | – | 251 |
| Purchase of Designated FVOCI | | (15,251) | (917,766) |
| Proceeds from disposal of Designated FVOCI | | 36,634 | 169,845 |
| Purchase of debt investment at amortised cost | | – | (100,000) |
| Redemption of debt investment at amortised cost | 12 | 70,000 | – |
| Redemption of promissory note receivable | | – | 144,000 |
| Injection of fund to an associate | 13 | (74,700) | – |
| Dividend distribution received from an associate | | 2,243 | – |
| Proceeds from disposal of an associate | | 638 | – |
| Injection of fund to a newly setup joint venture | | – | (400,000) |
| Capital and dividend distribution received from a joint venture | | – | 420,000 |
| NET CASH FROM (USED IN) INVESTING ACTIVITIES | | 28,536 | (679,249) |
| FINANCING ACTIVITIES | | | |
| Drawdown of interest-bearing borrowings | | – | 230,000 |
| Repayment of interest-bearing borrowings | | (117,482) | (255,818) |
| Repayment of lease liabilities | | (3,623) | (3,788) |
| NET CASH USED IN FINANCING ACTIVITIES | | (121,105) | (29,606) |
| Net increase (decrease) in cash and cash equivalents | | 125,496 | (270,540) |
| Cash and cash equivalents at beginning of the reporting period | | 368,819 | 848,645 |
| Effect on exchange rate changes on cash and cash equivalents | | (1,834) | (520) |
| Cash and cash equivalents at end of the reporting period, represented by cash and bank balances | | 492,481 | 577,585 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

1. CORPORATE INFORMATION

Oshidori International Holdings Limited (the “**Company**”) is a public limited company incorporated in Bermuda as an exempted company and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The address of the registered office and principal place of business of the Company are disclosed in the corporate information section to the interim report.

The Company and its subsidiaries (together the “**Group**”) principally engage in investment holdings, tactical and/or strategical investments, and the provisions of (i) securities brokerage services, (ii) margin financing services, (iii) placing and underwriting services, (iv) corporate finance advisory services, (v) investment advisory and asset management services, and (vi) credit and lending services.

Certain group entities are licensed under the Hong Kong Securities and Futures Ordinance with the following regulated activities:

- Type 1: Dealing in securities
- Type 2: Dealing in futures contracts
- Type 4: Advising on securities
- Type 6: Advising on corporate finance
- Type 8: Securities margin financing
- Type 9: Asset management

2. PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated financial statements of the Group for the six months ended 30 June 2023 (the “**Interim Financial Statements**”) are 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**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange. The Interim Financial Statements should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2022. The accounting policies adopted in preparing the Interim Financial Statements are consistent with those in the preparation of the Group’s annual financial statements for the year ended 31 December 2022, except for the adoption of the new/revised standards of Hong Kong Financial Reporting Standards (“**HKFRSs**”) which are relevant to the Group’s operation and are effective for the Group’s financial year beginning on 1 January 2023 as described below.

| | |
|-----------------------|--|
| Amendments to HKAS 1 | 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 adoption of these new/revised HKFRSs in the current period had no significant impacts on the results and financial position of the Group for the current and prior periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

3. REVENUE AND SEGMENT INFORMATION

The Group determines its operating segment and measurement of segment profit based on the internal reports to executive directors, the Group's chief operating decision makers, for the purposes of resource allocation and performance assessment.

The Group's reportable and operating segments are as follows:

| | |
|---|--|
| Financial services | Provision of securities brokerage, margin financing, placing and underwriting, corporate finance advisory, investment advisory and asset management services |
| Tactical and/or strategical investments | Investment in financial instruments |
| Credit and lending services | Provision of credit and lending services |

Segment revenue and results

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

For the six months ended 30 June 2023 (Unaudited)

| | Financial services HK\$'000 | Tactical and/ or strategical investments HK\$'000 | Credit and lending services HK\$'000 | Consolidated HK\$'000 |
|--|--------------------------------|--|---|--------------------------|
| Revenue | | | | |
| Advisory, commission income and other fee income | 631 | - | - | 631 |
| Net loss on sales of financial assets at FVPL | 158 | (2,159) | - | (2,001) |
| Interest income | 20,027 | 4,451 | 10,721 | 35,199 |
| Dividend income | - | 6,129 | - | 6,129 |
| Total revenue | 20,816 | 8,421 | 10,721 | 39,958 |
| Net unrealised fair value loss on financial assets at FVPL | - | (21,453) | - | (21,453) |
| Segment revenue | 20,816 | (13,032) | 10,721 | 18,505 |
| Segment profit (loss) | 14,106 | (20,450) | 25,554 | 19,210 |
| Unallocated other income | | | | 12,925 |
| Unallocated other net losses | | | | (2,864) |
| Share of results of associates | | | | (521) |
| Share of results of a joint venture | | | | 10,642 |
| Unallocated finance costs | | | | (1,490) |
| Central corporate expenses | | | | (23,734) |
| Profit before taxation | | | | 14,168 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the six months ended 30 June 2022 (Unaudited)

| | Financial services HK\$'000 | Tactical and/ or strategical investments HK\$'000 | Credit and lending services HK\$'000 | Consolidated HK\$'000 |
|---|-----------------------------------|--|---|--------------------------|
| Revenue | | | | |
| Advisory, commission income and other fee income | 346 | – | – | 346 |
| Net gain on sales of financial assets at FVPL | – | 38,697 | – | 38,697 |
| Interest income | 11,646 | – | 20,495 | 32,141 |
| Dividend income | – | 2,069 | – | 2,069 |
| Total revenue | 11,992 | 40,766 | 20,495 | 73,253 |
| Net unrealised fair value loss on financial assets at FVPL | (39) | (62,701) | – | (62,740) |
| Segment revenue | 11,953 | (21,935) | 20,495 | 10,513 |
| Segment profit (loss) | 5,923 | (40,766) | 6,957 | (27,886) |
| Unallocated other income | | | | 8,915 |
| Unallocated other net losses | | | | (6,792) |
| Share of results of associates | | | | 1,081 |
| Share of results of a joint venture | | | | 22,553 |
| Unallocated finance costs | | | | (606) |
| Central corporate expenses | | | | (34,404) |
| Loss before taxation | | | | (37,139) |

Segment revenue includes revenue from financial services, tactical and/or strategical investments and credit and lending services. In addition, the chief operating decision makers also consider net unrealised fair value loss on financial assets at FVPL as segment revenue.

Segment result represents the profit earned or loss incurred by each segment without allocation of certain other income, certain other net losses, share of results of associates, share of results of a joint venture, certain finance costs and the central corporate expenses. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

3. REVENUE AND SEGMENT INFORMATION (Continued)

Segment assets and liabilities

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

At 30 June 2023 (Unaudited)

| | Financial services HK\$'000 | Tactical and/ or strategical investments HK\$'000 | Credit and lending services HK\$'000 | Consolidated HK\$'000 |
|---|-----------------------------------|--|---|--------------------------|
| Segment assets | 767,566 | 3,130,245 | 299,426 | 4,197,237 |
| Unallocated property and equipment | | | | 139,991 |
| Investment property | | | | 102,750 |
| Right-of-use assets | | | | 3,893 |
| Interests in associates | | | | 245,743 |
| Interests in a joint venture | | | | 160,495 |
| Unallocated intangible assets | | | | 9,956 |
| Unallocated other receivables | | | | 35,375 |
| Unallocated financial assets at FVPL | | | | 105,438 |
| Income tax recoverable | | | | 5,646 |
| Unallocated cash and cash equivalents | | | | 273,789 |
| Consolidated assets | | | | 5,280,313 |
| Segment liabilities | 70,432 | 180,831 | 12 | 251,275 |
| Unallocated other payables | | | | 7,483 |
| Lease liabilities | | | | 4,036 |
| Unallocated interest-bearing borrowings | | | | 52,217 |
| Income tax payable | | | | 1,187 |
| Consolidated liabilities | | | | 316,198 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

3. REVENUE AND SEGMENT INFORMATION (Continued)**Segment assets and liabilities (Continued)***At 31 December 2022 (Audited)*

| | Financial services <i>HK\$'000</i> | Tactical and/ or strategical investments <i>HK\$'000</i> | Credit and lending services <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|---|--|---|--|---------------------------------|
| Segment assets | 794,213 | 3,629,545 | 334,529 | 4,758,287 |
| Unallocated property and equipment | | | | 144,924 |
| Investment property | | | | 102,750 |
| Right-of-use assets | | | | 7,303 |
| Interests in associates | | | | 173,682 |
| Interests in a joint venture | | | | 149,853 |
| Unallocated intangible assets | | | | 10,206 |
| Unallocated other receivables | | | | 17,178 |
| Unallocated financial assets at FVPL | | | | 105,438 |
| Income tax recoverable | | | | 6,264 |
| Unallocated cash and cash equivalents | | | | 278,249 |
| Consolidated assets | | | | 5,754,134 |
| Segment liabilities | 59,083 | 251,631 | 86,974 | 397,688 |
| Unallocated other payables | | | | 16,586 |
| Unallocated lease liabilities | | | | 7,484 |
| Unallocated interest-bearing borrowings | | | | 53,199 |
| Income tax payable | | | | 862 |
| Consolidated liabilities | | | | 475,819 |

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

- all assets are allocated to operating and reportable segments other than certain property and equipment, investment property, right-of-use assets, interests in associates, interests in a joint venture, certain intangible assets, certain other receivables, certain financial assets at FVPL, income tax recoverable and certain cash and cash equivalents.
- all liabilities are allocated to operating and reportable segments other than certain other payables, lease liabilities, certain interest-bearing borrowings and income tax payable.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

4. OTHER INCOME

| | Six months ended | |
|--|---|---|
| | 30 June 2023 HK\$'000 (Unaudited) | 30 June 2022 HK\$'000 (Unaudited) |
| Interest income on: | | |
| – bank deposits | 2,778 | 1,839 |
| – financial assets arising from a financing arrangement | 5,500 | 5,500 |
| – others | 9 | 1 |
| | 8,287 | 7,340 |
| Property licence fee income | 1,200 | 1,200 |
| Handling fee income | 397 | 69 |
| Scrip fee income | 220 | 342 |
| Others | 7,803 | 2,292 |
| | 17,907 | 11,243 |

5. OTHER NET LOSSES

| | Six months ended | |
|---|---|---|
| | 30 June 2023 HK\$'000 (Unaudited) | 30 June 2022 HK\$'000 (Unaudited) |
| Bad debt written off | – | (310) |
| Gain on deemed disposal of an associate | 125 | 846 |
| Gain on disposal of an associate | 638 | – |
| Loss on disposal of loan receivables | – | (20,086) |
| Gain on deregistration of subsidiaries | 1,520 | – |
| Net exchange loss | (5,186) | (7,830) |
| | (2,903) | (27,380) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

6. PROFIT (LOSS) BEFORE TAXATION

This is stated after charging:

| | Six months ended | |
|---|--|--|
| | 30 June 2023 <i>HK\$'000</i> (Unaudited) | 30 June 2022 <i>HK\$'000</i> (Unaudited) |
| Finance costs | | |
| Interest on bank loan | 1,314 | 339 |
| Interest on other loans | 4,621 | 5,912 |
| Interest on margin financing | 1,949 | 4,759 |
| Imputed interest on lease liabilities | 175 | 267 |
| | 8,059 | 11,277 |
| Employee benefits expenses (including directors' emoluments) | | |
| Salaries and other benefits | 7,430 | 13,057 |
| Retirement benefit scheme contributions | 215 | 239 |
| Share-based payment expenses | 1,063 | 1,063 |
| | 8,708 | 14,359 |
| Other expenses | | |
| Business development expenses | 484 | 5,220 |
| Business registration fees, statutory fees and listing fees | 1,058 | 1,026 |
| Financial information charges | 865 | 884 |
| Handling and settlement expenses | 405 | 270 |
| Insurance | 798 | 902 |
| Investment transaction cost | 162 | 1,883 |
| Legal and professional fees | 2,322 | 3,681 |
| Marketing expenses | 5,096 | 4,085 |
| Other operating expenses | 2,355 | 3,131 |
| Other tax expenses | – | 448 |
| Share-based payment expenses to service providers | 9,031 | 9,031 |
| | 22,576 | 30,561 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

7. INCOME TAX EXPENSE

The profits tax rate for the first HK\$2,000,000 assessable profits arising from Hong Kong of qualifying entities will be taxed at 8.25%, and assessable profits arising from Hong Kong above HK\$2,000,000 will continue to be taxed at the rate of 16.5%. As only one of the subsidiaries in the Group is eligible to elect the two-tiered profits tax rates, profits of the remaining subsidiaries of the Group will continue to be taxed at a flat rate of 16.5%.

For the six months ended 30 June 2023 and 2022, Hong Kong Profits Tax is calculated in accordance with the two-tiered profits tax rates regime.

| | Six months ended | |
|--|---|---|
| | 30 June 2023 HK\$'000 (Unaudited) | 30 June 2022 HK\$'000 (Unaudited) |
| Current tax | | |
| Hong Kong Profits Tax | 2,387 | 2,033 |
| Deferred taxation | | |
| Origination and reversal of temporary difference | – | 277 |
| Income tax expense | 2,387 | 2,310 |

8. DIVIDENDS

The directors of the Company (the “**Directors**”) do not recommend the payment of an interim dividend in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

9. EARNINGS (LOSS) PER SHARE

The calculation of the basic and diluted earnings (loss) per share is based on profit (loss) attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the period as follows:

Earnings (Loss)

| | Six months ended | |
|---|---|---|
| | 30 June 2023 HK\$'000 (Unaudited) | 30 June 2022 HK\$'000 (Unaudited) |
| Profit (Loss) for the period attributable to equity shareholders of the Company, for the purpose of basic and diluted earnings (loss) per share | 11,781 | (39,449) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

9. EARNINGS (LOSS) PER SHARE (Continued)

Number of shares

| | Six months ended | |
|---|-----------------------------|-----------------------------|
| | 30 June 2023 (Unaudited) | 30 June 2022 (Unaudited) |
| Weighted average number of ordinary shares, for the purpose of basic and diluted earnings (loss) per share (Note) | 6,109,259,139 | 6,109,259,139 |

Note:

The computation of diluted earnings (loss) per share for the periods ended 30 June 2023 and 2022 did not assume the exercise of certain share options and the issue of certain shares awarded since their assumed exercise and issue during the periods would have an anti-dilutive effect on the basic earnings (loss) per share amount presented.

10. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property and equipment of approximately HK\$5,444,000 (six months ended 30 June 2022: acquired and disposed property and equipment of approximately HK\$4,988,000 and HK\$251,000 respectively).

11. DESIGNATED FVOCI

| | Notes | 30 June 2023 HK\$'000 (Unaudited) | 31 December 2022 HK\$'000 (Audited) |
|------------------------------|-------|--|--|
| Equity securities – listed | | | |
| Listed in Hong Kong | | 2,151,845 | 2,417,797 |
| Listed in the United States | | 35,862 | 24,670 |
| | (a) | 2,187,707 | 2,442,467 |
| Equity securities - unlisted | (a) | 572,894 | 673,543 |
| Deferred day-one loss | (b) | 70,000 | 70,000 |
| | | 642,894 | 743,543 |
| | | 2,830,601 | 3,186,010 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

11. DESIGNATED FVOCI (Continued)

Notes:

- (a) At the date of initial recognition, the Group irrevocably designated certain investments in equity securities as Designated FVOCI because these equity securities represent investments that the Group intends to hold for long-term strategic purposes.

The fair value of each investment classified as Designated FVOCI is as follows.

| | Note | 30 June 2023 HK\$'000 (Unaudited) | 31 December 2022 HK\$'000 (Audited) |
|---|------|--|--|
| Equity securities – listed | | | |
| Shengjing Bank Co., Ltd. | | 1,537,000 | 1,751,600 |
| ZhongAn Online P & C Insurance Co., Ltd. | | 308,403 | 311,298 |
| Hao Tian International Construction Investment Group Ltd | | 94,500 | 91,500 |
| Imagi International Holdings Ltd. | | 37,071 | 50,877 |
| Others | | 210,733 | 237,192 |
| | | 2,187,707 | 2,442,467 |
| Equity securities - unlisted | | | |
| Co-Lead Holdings Limited | | 22,894 | 24,543 |
| Future Capital Group Limited (“Future Capital”) | (b) | 550,000 | 649,000 |
| Others | | – | – |
| | | 572,894 | 673,543 |
| | | 2,760,601 | 3,116,010 |

- (b) On 17 February 2022, the Group entered into a subscription agreement with Future Capital, an independent third party incorporated in the Cayman Islands, to subscribe for 3,750 newly issued shares, which represents 17.81% equity interests of Future Capital, at a consideration of HK\$750,000,000 which was settled by cash. Future Capital and its subsidiaries principally engage in property investments. The transaction was completed on the same day. The Group irrevocably designated the investment in Future Capital as Designated FVOCI because the Group intends to hold for long term strategic purposes. At the initial recognition as Designated FVOCI, the fair value of investment in Future Capital was HK\$680,000,000, which was determined based on valuation carried out by independent professional valuer. As the fair value determination is not evidenced by a quoted price in an active market or based on a valuation technique that uses only data from observable markets, the Group should defer the difference of HK\$70,000,000 between the transaction price and fair value of investment in Future Capital at acquisition date as a day-one loss. Such deferred day-one loss will be recognised to profit or loss until (a) the fair value is evidenced by a quoted price in active market, (b) the valuation can be determined using market observable inputs or (c) realised through settlement. During the period, the fair value loss on investment in Future Capital of approximately HK\$99,000,000 was recognised in other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

12. DEBT INVESTMENT AT AMORTISED COST

| | 30 June 2023 HK\$'000 (Unaudited) | 31 December 2022 HK\$'000 (Audited) |
|--------------|--|--|
| Senior notes | 30,000 | 100,000 |

On 16 June 2023, the senior notes in the principal amount of HK\$70,000,000 was repurchased by its issuer. As at 30 June 2023, the Group held senior notes issued by a company listed in Hong Kong which bear interest at 9.5% per annum payable semi-annually and will be due on 30 June 2025 (31 December 2022: 30 June 2025).

13. INTERESTS IN ASSOCIATES

| | 30 June 2023 HK\$'000 (Unaudited) | 31 December 2022 HK\$'000 (Audited) |
|------------------------|--|--|
| Unlisted shares | | |
| Shares of net assets | 245,743 | 173,682 |

As at 30 June 2023, interests in associates mainly represented the Group's interests in 22.39% and 25% (31 December 2022: 23.19% and 25%) of the issued ordinary share capital of Hope Capital Limited and HEC Securities Company Limited ("**HEC Securities**").

During the period, HEC Securities has issued shares to all its shareholders by way of open offer in proportion to their shareholdings. Since all its shareholders including the Group participated in the open offer, the Group's shareholding in HEC Securities remains unchanged.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

14. TRADE, LOAN AND OTHER RECEIVABLES

| | Notes | 30 June 2023 HK\$'000 (Unaudited) | 31 December 2022 HK\$'000 (Audited) |
|---|-------|--|--|
| Trade receivables | | | |
| Trade receivables arising from the business of securities brokerage | | | |
| – cash clients | | 103 | 98 |
| – margin clients | (b) | 516,030 | 668,167 |
| – Hong Kong Securities Clearing Company Limited (“HKSCC”) | (c) | 13,961 | – |
| – Others | | 214 | 2,121 |
| | (a) | 530,308 | 670,386 |
| Loan receivables | | | |
| Loan and interest receivables from independent third parties | | | |
| | | 252,090 | 340,648 |
| Less: Loss allowance | | (9,608) | (34,650) |
| | (d) | 242,482 | 305,998 |
| Less: Non-current portion | | (28,999) | (31,917) |
| Current portion | | 213,483 | 274,081 |
| Other receivables | | | |
| Deposits with securities brokers | (e) | 1,375 | 9,663 |
| Other receivables, deposits and prepayments | | 35,926 | 63,541 |
| | | 37,301 | 73,204 |
| | (f) | 781,092 | 1,017,671 |

Notes:

- (a) No aging analysis by invoice date is disclosed as in the opinion of the Directors, the aging analysis does not give additional value in view of the nature of securities brokerage business. The Group offsets certain trade receivables against trade payables when the Group currently has a legally enforceable right to set off the balances; and intends to settle on a net basis or to realise the balances simultaneously.
- (b) Trade receivables from margin clients are repayable on demand and bear interests ranging from 5% to 30% (31 December 2022: 8% to 30%) per annum at the end of the reporting period. The loans are secured by pledged marketable securities with a total fair value of approximately HK\$1,170,135,000 (31 December 2022: approximately HK\$1,927,536,000). The Group is permitted to sell or repledge the marketable securities if the customers default on the payments when requested by the Group. During the six months ended 30 June 2023 and 2022, no margin loans were granted to the Directors or directors of subsidiaries.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

14. TRADE, LOAN AND OTHER RECEIVABLES (Continued)

Notes: (Continued)

- (c) The settlement terms of trade receivables arising from the provision of securities brokerage business with HKSCC are usually two days after trade date.
- (d) At the end of the reporting period, the Group's net loan receivables included both fixed and variable rate loan advances to independent third parties of which approximately HK\$496,000 (31 December 2022: approximately HK\$70,790,000) were secured by the pledge of properties and personal guarantees (31 December 2022: the pledge of certain collaterals and personal guarantees), bearing interests ranging from 7.75% to 12% (31 December 2022: 5% to 15%) per annum and had contractual loan period between 6 months and 18 months (31 December 2022: between 12 months and 7 years) under the Group's credit and lending services. The remaining balance included fixed rate (31 December 2022: fixed rate) loan advances to independent third parties of which approximately HK\$241,986,000 (31 December 2022: HK\$235,208,000) were unsecured, bearing interests ranging from 5% to 10% (31 December 2022: 5% to 15%) per annum. The contractual loan period for majority of the unsecured loan receivables from third parties is between 5 months and 5 years (31 December 2022: between 6 months and 5 years).

The amount granted to individuals and corporates depends on management's assessment of credit risk of the customers by evaluation on background checks (such as their background, and financial positions for individual borrowers and their industries and financial positions for corporate borrowers) and repayment abilities. During the six months ended 30 June 2023, the Group recognised a reversal of impairment loss in respect of loan receivables of approximately HK\$25,042,000 (six months ended 30 June 2022: reversal of impairment loss of approximately HK\$16,643,000).

Aging analysis of loan receivables (net of loss allowance) prepared based on contractual due date is as follows:

| | 30 June 2023 HK\$'000 (Unaudited) | 31 December 2022 HK\$'000 (Audited) |
|------------------------------------|--|--|
| Not yet past due | 242,482 | 245,598 |
| 7 to 12 months past due | – | 60,400 |
| At the end of the reporting period | 242,482 | 305,998 |

As at 30 June 2023, the Group has concentration of credit risk on loans to independent third parties as the exposure to the largest customer and the five largest customers represents 31% and 80% (31 December 2022: 48% and 89%) respectively of the total loans granted by the Group within the credit and lending services segment. Management of the Group monitors the exposure from time to time to assess their recoverability.

- (e) Deposits with securities brokers represented the funds deposited with the brokers' houses for securities trading purpose.
- (f) The amount is expected to be recovered within one year, except for the deposits of approximately HK\$9,968,000 (31 December 2022: approximately HK\$10,168,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

15. FINANCIAL ASSETS AT FVPL

| | Notes | 30 June 2023 HK\$'000 (Unaudited) | 31 December 2022 HK\$'000 (Audited) |
|---|-------|--|--|
| Mandatorily measured at FVPL: | | | |
| – Listed shares in Hong Kong | | 171,826 | 183,353 |
| – Listed shares in the United States | | 7,068 | 865 |
| – Unlisted investment funds | (a) | 88,066 | 103,143 |
| – Financial assets arising from a financing arrangement | (b) | 105,438 | 105,438 |
| | | 372,398 | 392,799 |
| Analysed as: | | | |
| Non-current | | 2,438 | 2,485 |
| Current | | 369,960 | 390,314 |
| | | 372,398 | 392,799 |

Notes:

- (a) The unlisted investment funds are mainly subscribed from independent financial institutions in Hong Kong and overseas. The portfolios of these funds mainly comprise securities listed in Hong Kong and overseas and unlisted debt and equity securities in Asia-Pacific region. The funds are redeemable at the discretion of the Group from time to time and the intention of holding them was for short-term investment, except for certain unlisted investment funds of approximately HK\$2,438,000 (31 December 2022: HK\$2,485,000) which was held for long-term investment.
- (b) The amount represented the transfer of assets related to the acquisition of the entire interest of Siston Holdings Limited and its wholly owned subsidiary (together the “Siston Group”) (the “Acquisition”) which does not satisfy the requirement of HKFRS 15 to be accounted for as a sales and purchase of assets and the relevant financial assets including the transfer proceeds together with the call option are accounted for under financial assets at FVPL. Details are set out in note 26(b) to the consolidated financial statements for the year ended 31 December 2022.

On 8 August 2023, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire interest of Siston Group (the “Disposal”) at a consideration of HK\$110,000,000. The transaction was completed on the same day. The relevant agreements under the option arrangement, which have been extended during the period, were also terminated. Details of the Disposal were set out in the announcement of the Company dated 8 August 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

16. TRADE AND OTHER PAYABLES

| | Notes | 30 June 2023 HK\$'000 (Unaudited) | 31 December 2022 HK\$'000 (Audited) |
|--|-------|--|--|
| Trade payables | | | |
| Trade payables arising from the business of securities brokerage | | | |
| – cash clients | (a) | 810 | 808 |
| – margin clients | (a) | 69,365 | 46,147 |
| – HKSCC | | – | 7,684 |
| Secured margin loans from securities brokers | (b) | 54,487 | 101,028 |
| | | 124,662 | 155,667 |
| Other payables | | | |
| Other payables and accrued charges | | | |
| | | 7,558 | 17,783 |
| | | 132,220 | 173,450 |

Notes:

- (a) Trade payables to cash and margin clients are repayable on demand. In the opinion of the Directors, no aging analysis is disclosed as the aging analysis does not give additional value.
- (b) For secured margin loans from securities brokers, the loans are repayable on demand (except certain balances arising from trades pending settlement or margin deposits) and are interest-bearing at a rate ranging from 3.35% to 8% per annum (31 December 2022: 3.35% to 8% per annum). The total market value of equity securities pledged as collateral in respect of the loans was approximately HK\$462,088,000 (31 December 2022: HK\$505,697,000) as at 30 June 2023.

17. INTEREST-BEARING BORROWINGS

| | Notes | 30 June 2023 HK\$'000 (Unaudited) | 31 December 2022 HK\$'000 (Audited) |
|-----------------------|-------|--|--|
| Secured bank loan | (a) | 52,217 | 53,199 |
| Unsecured other loans | (b) | 126,538 | 240,824 |
| | | 178,755 | 294,023 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

17. INTEREST-BEARING BORROWINGS (Continued)

Notes:

- (a) The bank loan as at 30 June 2023 is secured by the Group's investment property with carrying value of HK\$102,750,000 (31 December 2022: HK\$102,750,000) and corporate guarantees provided by the Group's subsidiaries. The loan is interest bearing at Hong Kong Interbank Offered Rate plus 1.3% (31 December 2022: Hong Kong Interbank Offered Rate plus 1.3%) per annum. At the end of the reporting period, the bank loan with a clause in their terms that gives the bank an overriding right to demand for repayment without notice or with notice period of less than 12 months at their sole discretion are classified as current liabilities even though the Directors do not expect that the banks would exercise their right to demand repayment.

The maturity terms of the bank loan based on repayment schedule pursuant to the loan facility letters (ignoring the effect of any repayment on demand clause) are as follows:

| | 30 June 2023 HK\$'000 | 31 December 2022 HK\$'000 |
|-----------------------------|--------------------------------------|---------------------------------|
| Within one year | 1,964 | 1,964 |
| In the second to fifth year | 7,857 | 9,821 |
| Over five years | 42,396 | 41,414 |
| | 52,217 | 53,199 |

- (b) The loan from an independent third party (31 December 2022: independent third parties and an associate) as at 30 June 2023 is unsecured, interest bearing at 5% (31 December 2022: ranging from 4% to 7.5%) per annum and repayable within 1 year (31 December 2022: within 1 year) from drawdown date.

18. SHARE CAPITAL

| | Number of shares | Share capital HK\$'000 |
|--|-----------------------------|---------------------------------------|
| Ordinary shares of HK\$0.05 each (31 December 2022: HK\$0.05 each) | | |
| Authorised: | | |
| At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023 | 20,000,000,000 | 1,000,000 |
| Issued and fully paid: | | |
| At 1 January 2022, 31 December 2022, 1 January 2023 and 30 June 2023 | 6,109,259,139 | 305,463 |

All shares issued during the period rank pari passu with the existing shares in all respects.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

19. SHARE OPTION AND SHARE AWARD SCHEMES**2012 Share Option Scheme**

On 17 May 2012, the Company adopted a share option scheme (the “**2012 Share Option Scheme**”) which has a life of ten years from 17 May 2012. Under the 2012 Share Option Scheme, the Board of Directors may, at their discretion, offer the eligible persons (including directors) of the Company or its subsidiaries options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

During the six months ended 30 June 2023, no share options were granted, exercised or lapsed under the 2012 Share Option Scheme (six months ended 30 June 2022: Nil).

The following tables disclose details of the Company’s share options held by eligible persons (including directors) and movement in such holdings during the six months ended 30 June 2023:

| | Number of the share options | | | | | |
|--|-------------------------------------|---------------------------------|-----------------------------------|--------------------------------|-----------------------------------|-----------------------------------|
| | Outstanding at 1 January 2023 | Granted during the period | Exercised during the period | Lapsed during the period | Outstanding at 30 June 2023 | Exercisable at 30 June 2023 |
| 2012 Share Option scheme | | | | | | |
| Directors of the Company | 20,000,000 | - | - | - | 20,000,000 | 20,000,000 |
| Employees | 72,000,000 | - | - | - | 72,000,000 | 72,000,000 |
| Other participants | 100,000,000 | - | - | - | 100,000,000 | 100,000,000 |
| | 192,000,000 | - | - | - | 192,000,000 | 192,000,000 |
| Weighted average exercise price | HK\$0.85 | - | - | - | HK\$0.85 | HK\$0.85 |

2019 Share Award Scheme

On 19 December 2019, the Company adopted a share award scheme (the “**2019 Share Award Scheme**”) which has a life of ten years from 19 December 2019. Under the 2019 Share Award Scheme, the Board of Directors may, at their discretion, issue awarded shares to the eligible persons (including directors) of the Company or its subsidiaries subject to the terms and conditions stipulated therein.

On 22 January 2020, the Company granted 95,000,000 awarded shares to 10 eligible persons under the 2019 Share Award Scheme which shall be vested on the fourth anniversary of the date of grant (i.e. 22 January 2024), subject to the grantees remain as eligible persons on 22 January 2024 and all of the other conditions being satisfied. The share-based payment expenses shall be recognised with reference to the fair value of the shares granted determined based on the share price of the Company at the date of grant over 4 years from the date of grant on a straight line basis. During the six months ended 30 June 2023, the Group recognised approximately HK\$10,094,000 (six months ended 30 June 2022: approximately HK\$10,094,000) as the equity-settled share-based payment expenses with the corresponding amounts being credited to share award reserve.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

19. SHARE OPTION AND SHARE AWARD SCHEMES (Continued)

2019 Share Award Scheme (Continued)

During the six months ended 30 June 2023, no awarded shares were granted, vested or lapsed under 2019 Share Award Scheme (six months ended 30 June 2022: Nil).

Movements of the awarded shares granted under the 2019 Share Award Scheme during the six months ended 30 June 2023 are as follows:

| | Number of awarded shares | | | | |
|--------------------------------|----------------------------------|---------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | Unvested at 1 January 2023 | Granted during the period | Vested during the period | Lapsed during the period | Unvested at 30 June 2023 |
| 2019 Share Award Scheme | | | | | |
| Director of the Company | 10,000,000 | - | - | - | 10,000,000 |
| Other participants | 85,000,000 | - | - | - | 85,000,000 |
| | 95,000,000 | - | - | - | 95,000,000 |

2022 Share Option Scheme

On 13 June 2022, the Company adopted a share option scheme (the “**2022 Share Option Scheme**”) which has a life of ten years from 13 June 2022. Under the 2022 Share Option Scheme, the Board of Directors may, at their discretion, offer the eligible persons (including directors) of the Company or its subsidiaries options to subscribe for shares in the Company subject to the terms and conditions stipulated therein.

During the six months ended 30 June 2023, no share options were granted, exercised or lapsed under the 2022 Share Option Scheme (six months ended 30 June 2022: Nil).

20. FAIR VALUE MEASUREMENTS

The following presents the assets and liabilities measured at fair value or required to disclose their fair value in these financial statements on a recurring basis across the three levels of the fair value hierarchy defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 (lowest level): unobservable inputs for the asset or liability.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

20. FAIR VALUE MEASUREMENTS (Continued)

(a) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

| Financial assets | Fair value as at | | Fair value hierarchy | Valuation techniques and key inputs |
|---|--|---|----------------------|--|
| | 30 June 2023 (Unaudited) | 31 December 2022 (Audited) | | |
| 1) Investments in listed equity securities classified as financial assets at FVPL | Listed equity securities in: - Hong Kong HK\$171,826,000 - United States HK\$7,068,000 | Listed equity securities in: - Hong Kong HK\$183,353,000 - United States HK\$865,000 | Level 1 | Quoted bid prices in an active market |
| 2) Investments in unlisted investment funds classified as financial assets at FVPL | HK\$88,066,000 | HK\$103,143,000 | Level 2 | Derived from quoted prices from external fund manager based on net asset value of the funds |
| 3) Financial assets arising from a financing arrangement classified as financial assets at FVPL | HK\$105,438,000 | HK\$105,438,000 | Level 3 | Derived from direct comparison approach and Black-Scholes Option Pricing Model by the management (31 December 2022: an independent professional qualified valuer) |
| 4) Investments in listed equity securities classified as Designated FVOCI | Listed equity securities in: - Hong Kong HK\$2,151,845,000 - United States HK\$35,862,000 | Listed equity securities in: - Hong Kong HK\$2,417,797,000 - United States HK\$24,670,000 | Level 1 | Quoted bid prices in an active market |
| 5) Investments in unlisted equity securities classified as Designated FVOCI | HK\$642,894,000 | HK\$743,543,000 | Level 3 | Derived from unobservable inputs for the asset or liability by the management or an independent professional qualified valuer (31 December 2022: independent professional qualified valuers) |
| 6) Investment in unlisted equity securities classified as Designated FVOCI | Nil | Nil | Level 2 | Estimated by external fund manager by reference to available market information adjusted to reflect liquidity of the investments |
| 7) Investment property | HK\$102,750,000 | HK\$102,750,000 | Level 3 | Derived from direct comparison approach with adjustment on unobservable inputs by the management (31 December 2022: an independent professional qualified valuer) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2023

20. FAIR VALUE MEASUREMENTS (Continued)

(a) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

There were neither transfers between Level 1 and Level 2 fair value measurement nor transfers into and out of Level 3 fair value measurement during both periods.

Note:

The fair value of the unlisted equity securities without an active market classified in Level 3 was determined by the management. The fair value of the unlisted equity securities is estimated by a number of significant unobservable inputs including the unit sale rate of underlying properties taking into account age, location and other individual factors, expected assets-based multiples (e.g. enterprise value to assets), expected net assets-based multiples and adjustment for a lack of marketability associated with the investment.

(b) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The management of the Group estimates the fair value of its financial assets and financial liabilities measured at amortised cost using the discounted cash flows analysis. The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated statement of financial position approximate their fair values.

Valuation process

The management of the Group is responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group will establish the appropriate valuation techniques and inputs to the model. Management reports to executive directors semi-annually to explain the cause of fluctuations in the fair value of the assets.

Information about the valuation techniques and inputs used in determining the fair value of various assets are disclosed above.

21. RELATED PARTY TRANSACTIONS

The key management personnel are the Directors. During the six months ended 30 June 2023, the emolument of key management personnel were HK\$2,815,000 (six months ended 30 June 2022: HK\$6,151,000).

Except for those disclosed elsewhere in these Interim Financial Statements, the Group does not have any significant related party balances as at the end of the reporting periods.

22. EVENTS AFTER THE REPORTING PERIOD

Other than disclosed in note 15(b) to the Interim Financial Statements, there are no major subsequent events since the end of the reporting period and up to the date of this report.