



中金投集团

China Financial Services Holdings Ltd

China Financial Services Holdings Limited

(Incorporated in Hong Kong with limited liability)

(Stock code: 605)



2021
Interim Report

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CORPORATE INFORMATION

DIRECTORS

Executive Director

Mr. Zhang Min (*Chief Executive Officer*)

Non-executive Directors

Mr. Wu Xinjiang

Mr. Tao Chun

Independent Non-executive Directors

Mr. Chan Chun Keung

Mr. Lee Ka Wai

Dr. Zhang Xiao Jun

Madam Zhan Lili

COMPANY SECRETARY

Mr. Chung Chin Keung FCCA, FCPA, FCA, CTA

AUDITOR

Baker Tilly Hong Kong Limited

Certified Public Accountants

Registered Public Interest Entity Auditors

AUDIT COMMITTEE

Mr. Lee Ka Wai (*Chairman*)

Mr. Chan Chun Keung

Dr. Zhang Xiao Jun

Mr. Wu Xinjiang

Madam Zhan Lili

REMUNERATION COMMITTEE

Mr. Lee Ka Wai (*Chairman*)

Mr. Chan Chun Keung

Mr. Tao Chun

Dr. Zhang Xiao Jun

Madam Zhan Lili

NOMINATION COMMITTEE

Mr. Lee Ka Wai (*Chairman*)

Mr. Chan Chun Keung

Mr. Tao Chun

Dr. Zhang Xiao Jun

Madam Zhan Lili

BUSINESS RISKS COMMITTEE

Mr. Zhang Min (*Chairman*)

Mr. Lee Ka Wai

Mr. Chan Chun Keung

Dr. Zhang Xiao Jun

Madam Zhan Lili

SHARE REGISTRAR

Tricor Tengis Limited

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Far East Finance Centre

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REGISTERED OFFICE

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STOCK CODE: 605

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FINANCIAL HIGHLIGHTS

	Unaudited six months ended 30 June 2021 <i>HK\$'000</i>	Unaudited six months ended 30 June 2020 <i>HK\$'000</i> (Restated)	Percentage changes %
Interest and services income	158,976	395,657	(59.8)
Loss for the period attributable to owners of the Company	(100,636)	(236,362)	(57.4)
	<i>HK\$ (Adjusted)</i>	<i>HK\$ (Adjusted) (Restated)</i>	
Basic loss per share	(0.50)	(1.14)	(56.1)

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

The global economy has been significantly impacted by COVID-19 since 2020. However, since the beginning of 2021, the Chinese economy has shown significant rebound with GDP growing by 12.7% year-on-year. Retail consumption has been the major contributor of the strong GDP growth.

After the government enacted a “three red lines’ rule to regulate leverage taken on by developers, many property developers were affected, leading to uncertainties in the property sector in terms of both transaction volumes and prices towards the latter part of 2021. The Group’s principal business is loan services, with mortgages as the main revenue stream. Uncertainty in the property sector has brought challenges to the Group’s business.

BUSINESS REVIEW

The Group adopted a conservative approach in the first half of 2021 in all of the regions it was operating in. For Mainland Chinese cities, uncertainties in real estate market have led the Group to tighten risk management; meanwhile in Hong Kong, property prices were relatively stable in 2021 so our mortgage business was stable as well.

The Group has been working on growing its operations in Chengdu, Hong Kong and Shenzhen in order to achieve further geographical diversification. The adoption of financial technology via the launch of Oyster Pie, a 100% online loan application platform, in Hong Kong has brought enhanced user experience to our clients while driving significant improvements in our efficiency and productivity.

FUTURE PROSPECTS

On 29 March 2021, shares of the Company have suspended trading pending release of the Company’s annual results. The Company has been working on fulfilling the Resumption Guidance set out by the Hong Kong Stock Exchange on 25 June 2021.

In terms of risk management amid macro uncertainties, the Group aims to further improve its risk resistance capacity by further strengthening the management of net credit exposure and the stress testing of solvency and loan-to-value ratio. The Group will continue to improve our business to become an all-rounded financial services provider, thereby maximizing the value for our shareholders.

FINANCIAL REVIEW

Interest and services income

For the six months ended 30 June 2021 (the "Reporting Period"), the Group reported interest, guarantee and financing consultancy services income of approximately HK\$158,976,000, a decrease of 59.8% as compared to approximately HK\$395,657,000 for the corresponding period in 2020. Decrease in revenue was mainly due to (i) the Group has tighten risk management and took a conservative approach on granting new loans, (ii) cash received from repayment of clients was used to repay borrowings and bank loans.

Interest and handling expenses

Interest and handling expenses represent finance costs for the Reporting Period. The amount was approximately HK\$113,067,000, representing a decrease of 31.6% over the corresponding period in 2020. The decrease in finance costs was caused by repayment of borrowings and loan payables and some bank loans during the Reporting Period.

General and administrative expenses

General and administrative expenses for the Reporting Period were approximately HK\$66,533,000, primarily comprised staff costs and related expenses, consultancy fee and general office expenses. The management will closely monitor on costs control to ensure general and administrative expenses are maintained at a reasonable level.

Loss for the period

Loss for the Reporting Period attributable to equity shareholders for the Company was approximately HK\$100,636,000, representing a decrease of about 57.4% as compared to approximately HK\$236,362,000 for the corresponding period in 2020.

Financial Resources and Capital Structure

The major non-current assets of the Group were mainly comprised of property, plant and equipment of approximately HK\$25,216,000, loan receivables of approximately HK\$320,115,000, goodwill of approximately HK\$439,393,000, intangible assets of approximately HK\$33,473,000, deposits of approximately HK\$35,000,000, other financial assets of approximately HK\$15,026,000, deferred tax assets of approximately HK\$14,057,000 and interests in associates of approximately HK\$20,538,000.

Current assets mainly comprised of loan receivables of approximately HK\$1,909,453,000, account receivables of approximately HK\$199,000, interest receivables of approximately HK\$9,655,000, contingent consideration receivables of approximately HK\$8,665,000, other receivables, deposits and prepayments of approximately HK\$83,900,000, amounts due from associates of approximately HK\$60,603,000 and cash and cash equivalents of approximately HK\$685,724,000.

Current liabilities mainly comprised of borrowings and loan payables of approximately HK\$1,521,610,000, liabilities arising from loan guarantee contracts of approximately HK\$119,820,000, consideration payables of approximately HK\$96,143,000, security deposits received of approximately HK\$7,512,000, unsecured bonds of approximately HK\$111,721,000, other payables, accruals and deposit received of approximately HK\$93,097,000, amount due to an associate of approximately HK\$3,089,000, income received in advance of approximately HK\$1,196,000, lease liabilities of approximately HK\$10,769,000 and tax payables of approximately HK\$171,713,000.

Non-current liabilities includes borrowings and loan payables of approximately HK\$169,371,000, unsecured bonds of approximately HK\$154,636,000, lease liabilities of approximately HK\$6,267,000 and deferred tax liabilities of approximately HK\$38,990,000.

Employee and Remuneration Policies

As at 30 June 2021, the Group had approximately 167 employees in the PRC and Hong Kong. Competitive remuneration packages and performance-based bonuses are structured to commensurate with individual responsibilities, qualifications, experience and performance. The Group also set up share option scheme and share award scheme for the purpose of providing incentives to eligible grantees. Total staff costs for the Reporting Period were approximately HK\$40,361,000.

Charge on assets

As at 30 June 2021, the Group pledged the entire equity interest of Brilliant Star Capital (Cayman) Limited and KP Financial Holdings Limited, wholly owned subsidiaries of the Company, to secure the issue of the note payable with principal amount of HK\$243,000,000. As at 30 June 2021, the Group had pledged its mortgage loan receivable with net book value of approximately HK\$10,800,000 to secure loan facilities granted to the Group.

Capital Management

The Group's primary objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The capital structure of the Group consists of net debt, which includes the borrowings and loan payables, bank loans, security deposits received, consideration payables, amount due to an associate, unsecured bonds and loan liabilities disclosed in respective notes, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and other reserves.

Based on the Group's current and anticipated level of operation, the Group's future operations and capital requirements will be mainly financial through borrowings and share capital. There were no significant commitments for capital expenditure as at 30 June 2021.

Fair Value Estimation

The carrying amounts less impairment provision of the financial assets and the carrying amounts of the financial liabilities are assumed to approximate their fair values.

Contingent Liabilities

The directors consider that the Group had no material contingent liabilities.

The board of directors (the “Board” or “Directors”) of China Financial Services Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2021 (the “Reporting Period”) together with the comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Note	Unaudited Six months ended 30 June 2021 HK\$'000	2020 HK\$'000 (Restated)
Interest, guarantee and financing consultancy services income	3	158,976	395,657
Interest and handling expenses	3	(113,067)	(165,455)
Net interest income and service income	3	45,909	230,202
Education consultancy service income	3	2,778	2,447
Other income and other gains and losses	4	(5,626)	33,643
Impairment losses on financial instruments	5	(1,648)	(453,499)
Impairment losses on goodwill		(66,670)	–
General and administrative expenses		(66,533)	(126,454)
Share of results of associates		1,613	(778)
Share of results of joint ventures		(276)	(289)
Loss before taxation	6	(90,453)	(314,728)
Income tax	7	(8,437)	(66,240)
Loss for the period		(98,890)	(380,968)
Attributable to:			
Owners of the Company		(100,636)	(236,362)
Non-controlling interests		1,746	(144,606)
Loss for the period		(98,890)	(380,968)
Loss per share	8	HK\$ (Adjusted)	HK\$ (Adjusted) (Restated)
– Basic and diluted		(0.50)	(1.14)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Unaudited Six months ended 30 June 2021 HK\$'000	2020 HK\$'000 (Restated)
Loss for the period	(98,890)	(380,968)
Other comprehensive income/ (expenses) for the period, net of income tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	14,005	(53,931)
Reclassification of cumulative translation reserve upon disposal of a foreign operation	(434)	–
Financial assets measured at fair value through other comprehensive income ("FVTOCI")		
Fair value loss on debt securities at FVTOCI	–	(321)
Reclassification of fair value reserve upon disposal	–	2,816
	<u>–</u>	<u>2,495</u>
Other comprehensive income/ (expenses) for the period, net of income tax	13,571	(51,436)
Total comprehensive expenses for the period	(85,319)	(432,404)
Attributable to:		
Owners of the Company	(88,097)	(281,218)
Non-controlling interests	2,778	(151,186)
Total comprehensive expenses for the period	(85,319)	(432,404)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Note	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	25,216	33,575
Goodwill	11	439,393	500,726
Intangible assets		33,473	34,547
Interests in associates		20,538	19,369
Interests in joint ventures		79	355
Other financial assets	12	15,026	23,134
Loan receivables	13	320,115	467,906
Deposits		35,000	35,000
Deferred tax assets		14,057	8,522
		902,897	1,123,134
Current assets			
Contingent consideration receivables		8,665	10,216
Loan receivables	13	1,909,453	2,134,916
Account receivables		199	520
Interest receivables	14	9,655	24,356
Other receivables, deposits and prepayments	15	83,900	94,310
Amounts due from associates		60,603	54,455
Amounts due from joint ventures		685	630
Tax recoverable		81	81
Pledged bank and security deposits		10,207	10,205
Cash and cash equivalents		685,724	595,495
		2,769,172	2,925,184
Current liabilities			
Borrowings and loan payables	16	1,521,610	1,619,401
Bank loans	17	25,500	32,000
Security deposits received		7,512	9,588
Consideration payables		96,143	98,346
Other payables, accruals and deposit received		93,097	81,741
Liabilities arising from loan guarantee contracts		119,820	118,459
Amount due to an associate		3,089	3,059
Unsecured bonds	18	111,721	52,329
Income received in advance		1,196	2,925
Lease liabilities		10,769	14,327
Tax payable		171,713	189,781
		2,162,170	2,221,956
Net current assets		607,002	703,228

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

As at 30 June 2021

	<i>Note</i>	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Total assets less current liabilities		<u>1,509,899</u>	<u>1,826,362</u>
Non-current liabilities			
Borrowings and loan payables	16	169,371	206,550
Consideration payables		–	96,512
Unsecured bonds	18	154,636	246,892
Lease liabilities		6,267	9,751
Deferred tax liabilities		38,990	37,465
		<u>369,264</u>	<u>597,170</u>
NET ASSETS		<u>1,140,635</u>	<u>1,229,192</u>
EQUITY			
Share capital	19	2,080,113	2,080,113
Reserves		<u>(1,024,501)</u>	<u>(936,404)</u>
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		1,055,612	1,143,709
Non-controlling interests		<u>85,023</u>	<u>85,483</u>
TOTAL EQUITY		<u>1,140,635</u>	<u>1,229,192</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to equity shareholders of the Company									
	Share capital	Shares-based compensation reserve	Shares held under the share award scheme	Exchange reserve	Fair value reserve	Statutory surplus reserve	(Accumulated losses)/ retained earnings	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	2,080,113	29,675	(56,661)	(257,776)	-	219,816	(871,458)	1,143,709	85,483	1,229,192
Changes in equity for the six months ended 30 June 2021:										
Loss/profit for the period	-	-	-	-	-	-	(100,636)	(100,636)	1,746	(98,890)
Other comprehensive income	-	-	-	12,539	-	-	-	12,539	1,032	13,571
Total comprehensive income/(expenses)	-	-	-	12,539	-	-	(100,636)	(88,097)	2,778	(85,319)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(3,238)	(3,238)
Transfer from statutory reserve to accumulated losses upon deregistration of subsidiaries	-	-	-	-	-	(311)	311	-	-	-
Transfer to reserve	-	-	-	-	-	3,759	(3,759)	-	-	-
At 30 June 2021 (Unaudited)	2,080,113	29,675	(56,661)	(245,237)	-	223,264	(975,542)	1,055,612	85,023	1,140,635
At 1 January 2020	2,080,113	40,216	(49,365)	(344,145)	(2,495)	190,546	329,378	2,244,248	283,713	2,527,961
Changes in equity for the six months ended 30 June 2020:										
Loss for the period	-	-	-	-	-	-	(236,362)	(236,362)	(144,606)	(380,968)
Other comprehensive (expenses)/income	-	-	-	(47,351)	2,495	-	-	(44,856)	(6,580)	(51,436)
Total comprehensive (expenses)/income	-	-	-	(47,351)	2,495	-	(236,362)	(281,218)	(151,186)	(432,404)
Repurchase of own shares	-	-	-	-	-	-	(8,783)	(8,783)	-	(8,783)
Step acquisition from non-controlling interests	-	-	-	(1,987)	-	-	45,747	43,760	(38,390)	5,370
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(15,214)	(15,214)
Transfer to reserve	-	-	-	-	-	21,424	(21,424)	-	-	-
At 30 June 2020 (Unaudited)	2,080,113	40,216	(49,365)	(393,483)	-	211,970	108,556	1,998,007	78,923	2,076,930

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Operating activities		
Cash generated from operations	387,740	661,549
Tax paid	(34,133)	(66,643)
Tax refunded	763	77
Net cash generated from operating activities	354,370	594,941
Investing activities		
Withdrawal of pledged bank deposits	–	229
Dividend received from other financial assets	13,530	–
Advance to an associate	(7,506)	(30,891)
Purchase of other financial asset	–	(2,500)
Proceeds from disposal of other financial assets	–	13,015
Capital injection to an associate	–	(2,205)
Other investing cash flows	1,623	7,720
Net cash generated from/(used in) investing activities	7,647	(14,632)
Financing activities		
Payment for repurchase of shares	–	(8,783)
Proceeds from new bank loans	–	31,284
Repayment of bank loans	(6,500)	(122,900)
Proceeds from new borrowings	71,702	833,437
Repayment of borrowings	(261,871)	(1,162,604)
Redemption of unsecured bonds	(53,390)	(13,690)
Dividends paid to non-controlling shareholders	(3,238)	(15,214)
Capital element of lease rentals paid	(5,262)	(7,267)
Interest element of lease rentals paid	(497)	(414)
Other interest paid	(14,123)	(116,622)
Other financing cash flows	1,995	13,739
Net cash used in financing activities	(271,184)	(569,034)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

For the six months ended 30 June 2021

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Net increase in cash and cash equivalents	90,833	11,275
Effect of foreign exchange rate changes	(604)	(5,964)
Cash and cash equivalents at beginning of the period	595,495	703,563
Cash and cash equivalents at end of the period	685,724	708,874
Analysis of balances of cash and cash equivalents:		
Cash at banks and in hand	685,724	708,874

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated interim financial information and notes does not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). The unaudited condensed consolidated interim financial information should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2020. The Group’s policies on financial risk management were set out in the financial statements included in the Company’s 2020 Annual Report and there have been no significant changes in these policies for the six months ended 30 June 2021, except as described below.

In the current interim period, the Group has applied, for the first time, certain new and revised HKFRSs issued by the HKICPA. The application of the new and revised HKFRSs in the current interim period has had no significant effect on the amounts reported and/or disclosures set out in these condensed consolidated interim financial information.

2. SIGNIFICANT INCIDENTS DURING THE PERIOD

The unaudited condensed consolidated interim financial information for the period ended 30 June 2021 has taken into the consideration of the financial impact related to the Incidents. The below is the table showing the correction of financial impacts related to the Incidents during the period ended 30 June 2021 and 30 June 2020.

The definition of Incidents, background of the Incidents and the below table should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2020 note 4.1 and 4.2 accordingly.

2. SIGNIFICANT INCIDENTS DURING THE PERIOD (Cont'd)

2.1 Adjustments to the consolidated statement of profit or loss (extracted):

For the period ended 30 June 2021

	Balance before the Incidents HK\$'000	Adjustments		Adjusted Balance HK\$'000
		(ii) HK\$'000	(iv) HK\$'000	
Interest and handling expenses	(33,074)	(79,993)	–	(113,067)
Impairment loss on financial instruments	(835)	–	(813)	(1,648)

For the period ended 30 June 2020

	As previously reported HK\$'000	Adjustments					As restated HK\$'000
		(i) HK\$'000	(ii) HK\$'000	(iii) HK\$'000	(iv) HK\$'000	(v) HK\$'000	
Interest, guarantee and financing consultancy service income	307,732	87,925	–	–	–	–	395,657
Interest and handling expenses	(70,959)	–	(94,496)	–	–	–	(165,455)
Net interest income and service income	236,773	87,925	(94,496)	–	–	–	230,202
Impairment loss on financial instruments	(36,514)	–	–	–	(416,985)	–	(453,499)
General and administrative expenses	(116,148)	–	–	(10,306)	–	–	(126,454)
Profit/(loss) before taxation	119,134	87,925	(94,496)	(10,306)	(416,985)	–	(314,728)
Income tax	(44,259)	–	–	–	–	(21,981)	(66,240)
Profit/(loss) for the period	74,875	87,925	(94,496)	(10,306)	(416,985)	(21,981)	(380,968)
Profit/(loss) for the period attributable to:							
Owners of the Company	70,567	79,755	(92,809)	(10,306)	(263,630)	(19,939)	(236,362)
Non-controlling interests	4,308	8,170	(1,687)	–	(153,355)	(2,042)	(144,606)
Profit/(loss) for the period	74,875	87,925	(94,496)	(10,306)	(416,985)	(21,981)	(380,968)

2. SIGNIFICANT INCIDENTS DURING THE PERIOD (Cont'd)

2.1 Adjustments to the consolidated statement of profit or loss (extracted): (Cont'd)

Notes:

- (i) Being adjustment on the omission of the Unauthorised Loan Receivables and related interest receivables and interest income during the Incidents Period that resulted in an understatement of loan receivables and interest receivables and interest income during the period.
- (ii) Being adjustment on the omission of the Unauthorised Loans and related interest payables and interest expenses during the Incidents Period that resulted in an understatement of loan payables and interest payables and interest expenses and handing expenses during the period.
- (iii) Being adjustment on general and administrative expenses that has been wrongly recorded in loan receivables that resulted in overstatement of other receivables and understatement of general and administrative expenses during the period.
- (iv) Being adjustment on the recognition on impairment loss on loan receivables and interest receivables related to Unauthorised Loan Receivables and interest receivables.
- (v) Being adjustment on the recognition of income tax expenses derived from the Incidents.

2. SIGNIFICANT INCIDENTS DURING THE PERIOD (Cont'd)

2.2 *Outbreak of COVID-19 pandemic*

The COVID-19 pandemic started since December 2019 and with the prolonged effect, has brought additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

In preparing these condensed consolidated financial information, the Group has taken into account the increased risks caused by COVID-19 on impairment of the Group's financial and non-financial assets when assessing assets impairment.

Management has been closely monitoring the development of the COVID-19 outbreak and considered that, save as disclosed elsewhere in the condensed consolidated financial information and except for the Incidents noted in Note 2.1, there are no other matters that would result in a significant adverse impact on the Group's results and financial position as at the reporting date as result of the COVID-19. The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures accordingly.

2.3 *Other significant incident during the period*

The trading of the Company's shares on the Main Board of the Stock Exchange has been halted since 29 March 2021 pending the Company to fulfill the Resumption Guidance set out by the Stock Exchange on 28 June 2021.

3. REVENUE AND SEGMENT REPORTING

a) Revenue

The amount of each significant category of revenue during the periods is as follows:

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Interest, guarantee and financing consultancy services income from:		
Pawn loans, loan receivables from micro-lending and money-lending	121,533	207,773
Loan receivables from the Incidents	–	87,925
Other loan receivables	37,443	99,959
	158,976	395,657
Interest and handling expenses from:		
Bank loans	(443)	(5,910)
Borrowings and loan payables	(18,161)	(44,547)
Loan payables from the Incidents	(79,993)	(94,496)
Unsecured bonds	(12,687)	(13,536)
Lease liabilities	(497)	(414)
Other finance costs	(1,286)	(6,552)
	(113,067)	(165,455)
Net interest income and service income	45,909	230,202
Income recognised over time under HKFRS 15:		
Education consultancy service	2,778	2,447

b) Segmental Information

Operating segment information

The Directors have determined that the Group has only one reportable segment as the Group is principally engaged in providing financing service which is the basis to allocate resources and assess performance of the Group for both periods.

There was no customer who individually contributed over 10% of the Group's revenue for the Reporting Period (2020: Nil).

4. OTHER INCOME AND OTHER GAINS AND LOSSES

a) Other Income

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Bank interest income	2,252	2,671
Dividend income from financial assets at FVTPL	13,530	–
Income from government subsidies	2,798	15,373
Other consultancy service income	118	14,973
Others	3,474	3,855
	22,172	36,872

b) Other Gains and Losses

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Gain on deregistration of subsidiaries	2,186	–
Loss from changes in fair value of financial assets at FVTPL, net	(7,779)	(2,408)
Loss from changes in fair value of contingent consideration receivables	(1,551)	–
Exchange (loss)/gain, net	(210)	1,995
Loss on disposal of financial assets at FVTOCI	–	(2,816)
Impairment loss on intangible assets	(20,444)	–
	(27,798)	(3,229)
Total	(5,626)	33,643

5. IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited) (Restated)
Impairment loss on loan and interest receivables from the Incidents (Note 2)	813	416,985
Impairment loss on loan and other receivables	835	36,514
	1,648	453,499

6. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging:

	For the six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited) (Restated)
(a) Staff costs (including directors' emoluments):		
Salaries, allowances and other benefits	37,257	45,182
Contributions to defined contribution retirement plans	3,104	1,602
	40,361	46,784
(b) Other items:		
Depreciation of property, plant and equipment		
– self-owned assets	1,770	2,029
– right-of-use assets	5,743	6,971

7. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
Current tax – PRC Enterprise Income Tax		
Provision for the period	17,872	68,205
Over-provision in respect of prior periods	(5,704)	–
Deferred tax		
Origination and reversal of temporary differences	(3,731)	(1,965)
	8,437	66,240

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$100,636,000 (2020 (restated): HK\$236,362,000) and the weighted average number of ordinary shares in issue less shares held under the Company's share award scheme during the period of 202,323,367 (2020: 207,340,322).

Pursuant to an ordinary resolution passed by shareholders at the special general meeting held on 7 January 2021, every twenty issued existing shares be consolidated into one consolidated share and to round down the number of consolidated shares in the issued share capital of the Company to the nearest whole number by disregarding each and every fractional consolidated share which would otherwise arise therefrom.

The weighted average number of shares for calculating basic and diluted loss per shares have been adjusted retrospectively on the assumption that the Share Consolidation have been effective in both periods.

Diluted loss per share is not presented as the Company does not have any dilutive potential ordinary share for both periods.

9. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the Reporting Period (2020: Nil).

10. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment

During the six months ended 30 June 2021, the Group acquired property, plant and equipment having a total costs of approximately HK\$2,139,000 (2020: HK\$371,000).

11. GOODWILL

	<i>HK\$'000</i>
At 1 January 2021	500,726
Impairment loss on goodwill	(66,670)
Exchange adjustment	5,337
	<hr/>
At 30 June 2021 (Unaudited)	439,393

Goodwill has been allocated for impairment testing purposes to the following CGUs.

- Financing business in Beijing, PRC (“Division A”)
- Education business in United Kingdom (“Division B”)
- Financing business in Shenzhen, PRC (“Division C”)

The carrying amounts of goodwill as at 30 June 2021 and 31 December 2020 allocated to these units are as below:

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Division A	420,567	481,841
Division B	18,565	18,626
Division C	261	259
	<hr/> 439,393	<hr/> 500,726

12. OTHER FINANCIAL ASSETS

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Financial assets mandatorily measured at FVTPL		
– Equity securities listed in Hong Kong	2,034	1,870
– Unlisted investment funds in the PRC	12,992	21,264
	<hr/>	<hr/>
Total	15,026	23,134

13. LOAN RECEIVABLES

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Pawn loan receivables	179,335	236,115
Loan receivables arising from:		
– Micro-lending	1,308,258	1,276,216
– Money-lending	397,638	532,088
Loan receivables from Incidents	1,354,200	1,323,725
Other loan receivables	472,567	651,201
	3,711,998	4,019,345
Less: Impairment	(1,482,430)	(1,416,523)
	2,229,568	2,602,822
Amounts due within one year	1,909,453	2,134,916
Amounts due after one year	320,115	467,906
	2,229,568	2,608,822

Notes:

- i) The loan receivables in the PRC carry interest plus service charge at a range of monthly effective rates of 0.74% to 3.00% (31 December 2020: 0.74% to 3.00%), and the loan receivables in Hong Kong carry interest at a range of monthly effective rates of 0.35% to 5.00% (31 December 2020: 0.35% to 4.97%).
- ii) A typical loan generally has a term of 90 days to 30 years (31 December 2020: 90 days to 30 years).
- iii) As at 30 June 2021, included in the Group's loan receivables balance are debtors with aggregate carrying amount of HK\$1,066,358,000 (31 December 2020: HK\$1,235,649,000) which are past due. Out of the past due balances, HK\$910,702,000 (31 December 2020: HK\$859,160,000) has been past due 90 days or more. The Directors consider credit risks have increased significantly for those past due more than 30 days and those past due more than 90 days are considered as credit-impaired.
- iv) Certain loan receivables with the aggregate amount of HK\$213,404,000 (31 December 2020: HK\$252,167,000) were pledged to the vendor to secure the consideration payable for acquisitions of Shenzhen Credit Gain, Chongqing Credit Gain and Chongqing Dongrong. Such loan receivables will be released upon the Group pays the consideration to the vendor in April 2022.

13. LOAN RECEIVABLES (Cont'd)

a) Maturity profile

As at the end of the Reporting Period, the maturity profile of loan receivables, based on maturity date, is as follows:

At 30 June 2021 (Unaudited)

	Pawn loan receivables HK\$'000	Loan receivables arising from micro-lending HK\$'000	Loan receivables arising from money-lending HK\$'000	Loan receivables from the incidents HK\$'000	Other loan receivables HK\$'000	Total HK\$'000
Due within 1 month or on demand	152,964	466,033	75,752	1,354,200	396,032	2,444,981
Due after 1 month but within 3 months	25,719	156,373	12,588	-	5,648	200,328
Due after 3 months but within 6 months	-	267,379	33,392	-	70,887	371,658
Due after 6 months but within 12 months	652	328,035	42,723	-	-	371,410
Due after 12 months	-	90,438	233,183	-	-	323,621
Impairment	(23,891)	(51,040)	(10,852)	(1,354,200)	(42,447)	(1,482,430)
	155,444	1,257,218	386,786	-	430,120	2,229,568

At 31 December 2020 (Audited)

	Pawn loan receivables HK\$'000	Loan receivables arising from micro-lending HK\$'000	Loan receivables arising from money-lending HK\$'000	Loan receivables from the incidents HK\$'000	Other loan receivables HK\$'000	Total HK\$'000
Due within 1 month or on demand	145,014	515,142	42,956	1,323,725	583,713	2,610,550
Due after 1 month but within 3 months	17,704	71,455	31,912	-	-	121,071
Due after 3 months but within 6 months	72,478	349,803	55,145	-	25,308	502,734
Due after 6 months but within 12 months	919	241,233	38,855	-	42,180	323,187
Due after 12 months	-	98,583	363,220	-	-	461,803
Impairment	(8,704)	(34,061)	(19,267)	(1,276,872)	(77,619)	(1,416,523)
	227,411	1,242,155	512,821	46,853	573,582	2,602,822

14. INTEREST RECEIVABLES

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Interest receivables	9,655	24,356

All of the interest receivables are expected to be recovered within one year.

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Non-current asset		
Deposit paid for potential investment project	35,000	35,000
Current assets		
Other receivables	76,009	74,707
Prepayments	2,607	2,570
Deposit placed with brokers	1,160	12,936
Utility and sundry deposits	4,124	4,097
	83,900	94,310
	118,900	129,310

Notes:

Except for the deposits paid for potential investment project, all of the other receivables, deposits and prepayments are expected to be recovered or recognised as expense within one year.

16. BORROWINGS AND LOAN PAYABLES

	Notes	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Borrowings from employees and independent third parties	(a)	65,385	80,541
Borrowings from shareholders		24,814	4,051
Borrowings from related parties	(b)	8,622	22,279
Loan payables arising from the Incidents		1,383,914	1,464,876
Note payables	(c)	208,246	246,582
Payable to interest holders of consolidated structured entity – investment fund	(d)	–	7,622
		1,690,981	1,825,951
Amounts due within one year		1,521,610	1,619,401
Amounts due after one year		169,371	206,550
		1,690,981	1,825,951

Notes:

- The Group borrowed funds from its employees and certain independent third parties for the development of its money lending business. At 30 June 2021, the borrowings from the employees and certain independent third parties amounted to approximately HK\$65,385,000 (31 December 2020: approximately HK\$80,541,000), which bore a financing cost measured at annualised rate of 6.5% to 9% (31 December 2020: 6% to 10.5%), were repayable within one year and not secured by any assets or guarantees.
- The Group borrowed funds from Geston Limited, a company that is controlled by Mr. Cheung Siu Lam ("Mr. Cheung"), a former non-executive director up to 31 August 2020 and father of Dr. Cheung Chai Hong, a former executive director of the Company up to 17 December 2022. At 30 June 2021, the borrowings from the related party amounted to approximately HK\$8,622,000 (31 December 2020: HK\$22,279,000), which bore a finance cost measured at annualized rate of 6% (31 December 2020: 6%), were repayable within one year and not secured by any assets or guarantees.

16. BORROWINGS AND LOAN PAYABLES (Cont'd)

Notes: (Cont'd)

- c) In February 2018, the Company issued note payable with principal amount of HK\$270,000,000. The note bears an interest rate of 8% per annum and is secured by equity interest of Brilliant Star Capital (Cayman) Limited, a wholly-owned subsidiary of the Group, and personal guarantee given by Mr. Cheung and Madam Lo Wan ("Madam Lo"), controlling shareholders of the Company. Mr. Cheung and Madam Lo deposited 930,000,000 shares of the Company into a specific account with the safe keeping agent. The note is repayable in May 2024.
- d) The amount represents third party interests in consolidated structured entity, which consists of third-party unit/shareholders' interests in consolidated structured entity which are reflected as a liability since they can be redeemed for cash. The realisation of net assets attributable to third-party unit/shareholders' interests in consolidated structured entity cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated investment fund that are subject to the actions of third-party unit holders.
- e) As at 30 June 2021, the aggregate amount of outstanding financial guarantees of the Company under certain financial products issued by third parties amounts to RMB99,700,000 (equivalent to approximately HK\$119,820,000) (31 December 2020: RMB99,700,000 (equivalent to approximately HK\$118,459,000)) if the guarantees were called upon in entirety.

17. BANK LOANS

At the end of the reporting period, the bank loans were secured as follows:

	<i>Notes</i>	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Bank loans secured by:			
– the Group's bank deposits	<i>(i)</i>	10,000	10,000
– a related company's property	<i>(ii)</i>	15,500	22,000
		25,500	32,000

Notes:

- (i) At 30 June 2021, a bank loan of HK\$10,000,000 (31 December 2020: HK\$10,000,000) was secured by Group's bank deposits of HK\$10,131,000 (31 December 2020: HK\$10,120,000).
- (ii) At 30 June 2021, a bank loan of HK\$15,500,000 (31 December 2020: HK\$22,000,000) was secured by the first mortgage for the property held by Fortuna Grace Limited, a company owned by Cheung Siu Lam, a director of the Company.
- (iii) At the end of the reporting period, all bank loans of the Group were repayable within one year or on demand.
- (iv) The effective interest rates on the Groups bank loans is 2.86% per annum (31 December 2020: 2.93% per annum).
- (v) All of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the bank loans would become payable on demand. The Group regularly monitors its compliance with these covenants. At 30 June 2021, none of the covenants relating to the bank loans had been breached (at 31 December 2020: Nil).

18. UNSECURED BONDS

The Company issued unlisted and unsecured bonds. The details of the due date and coupon rate per annum are shown as below table. All of unsecured bonds are carried at amortised cost. The unsecured bonds are subject to the fulfillment of covenants relating to certain financial ratios, as are commonly found in leading arrangements. If the Group were to breach the covenants, unsecured bonds would become payable on demand. The Group regularly monitors its compliance with these covenants. At 30 June 2021 and 31 December 2020, none of the covenants relating to the unsecured bonds had been breached.

	Coupon rate per annum	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
Unsecured bonds – current liabilities	2.00%-13.39%	111,721	52,329
Unsecured bonds – non-current liabilities	3.00%-7.00%	154,636	246,892
		266,357	299,221

19. CAPITAL, RESERVES AND DIVIDENDS

a) Share capital

	No. of shares	HK\$'000
Ordinary shares, issued and fully paid:		
At 1 January 2020	4,256,089,347	2,080,113
Shares repurchased in December 2019 and cancelled in February 2020	(7,672,000)	–
Shares repurchased and cancelled	(62,696,000)	–
	<u>4,185,721,347</u>	<u>2,080,113</u>
At 31 December 2020 and 1 January 2021	(3,976,435,280)	–
Shares consolidation	<u>209,286,067</u>	<u>2,080,113</u>

Share consolidation

Pursuant to an ordinary resolution passed by shareholders at the special general meeting held on 7 January 2021, every twenty issued existing shares be consolidated into one consolidated share and to round down the number of consolidated shares in the issued share capital of the Company to the nearest whole number by disregarding each and every fractional consolidated share which would otherwise arise therefrom.

19. CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

a) *Share capital (Cont'd)*

Note:

Repurchase of own shares

During the year ended 31 December 2020, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$'000
Shares repurchased and cancelled				
January 2020	3,762,000	0.4200	0.3900	1,506
March 2020	48,000	0.2800	0.2800	13
April 2020	544,000	0.3300	0.2800	163
May 2020	25,802,000	0.2020	0.1600	4,482
June 2020	17,018,000	0.1600	0.1420	2,620
July 2020	10,276,000	0.1750	0.1520	1,643
Sep 2020	5,246,000	0.1540	0.1490	795

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchased shares of HK\$11,222,000 was paid wholly out of retained earnings.

The Company cancelled all the repurchased shares during the year ended 31 December 2020.

b) *Equity settled share-based transactions*

For the six months ended 30 June 2021, no share options were granted under the Company's share option scheme (2020: Nil).

No options were exercised and lapsed, respectively, for the six months ended 30 June 2021 (2020: Nil and Nil).

20. SHARE AWARD SCHEME

On 14 January 2019, the Directors adopted a share award scheme (the "Scheme") to recognise the contribution by any employee(s), director(s) or advisor(s) of any member of the Group (the "Grantees") and to give incentives thereto in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group.

20. SHARE AWARD SCHEME (Cont'd)

	<i>No. of shares</i>	<i>HK\$'000</i>
At 1 January 2020	89,754,000	49,365
Purchased during the year	<u>49,500,000</u>	<u>7,296</u>
At 31 December 2020 and 1 January 2021	139,254,000	56,661
Shares consolidation	<u>(132,291,300)</u>	<u>–</u>
At 30 June 2021 (unaudited)	<u>6,962,700</u>	<u>56,661</u>

Up to the date of approving the Group's unaudited condensed consolidated interim financial statements, no award shares are granted to selected Grantees.

21. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in this interim report, the Group had the following significant transactions with its related parties during the Reporting Period:

a) *Transactions with key management personnel of the Group*

Remuneration for key management personnel of the Group is as follows:

	For the six months ended 30 June	
	2021	2020
	HK\$'000	<i>HK\$'000</i>
	(Unaudited)	(Unaudited) (Restated)
Key management personnel compensation:		
– Short-term employee benefits	3,609	3,879
– Post-employment benefits	<u>92</u>	<u>107</u>
	3,701	<u>3,986</u>

Total remuneration is included in "staff costs".

21. MATERIAL RELATED PARTY TRANSACTIONS (Cont'd)

b) *Financing arrangements*

The details of the borrowings from shareholders included in borrowings and loan payables are as follows:

Name	<i>Note</i>	At 30 June 2021 HK\$'000 (Unaudited)	At 31 December 2020 HK\$'000 (Audited)
<i>Short-term borrowings</i>			
– Madam Lo	(1)	20,764	–
– Ms. Cheung Siu Hung	(2)	4,050	4,051
<i>Other payables</i>			
– Madam Lo		–	6,000
		24,814	10,051

Notes:

- (1) The loan from Madam Lo, a substantial shareholder of the Company, is unsecured, bears interest at annualised rate of 9% (31 December 2020: Nil) per annum and is repayable on 26 July 2021. Related interest expense incurred on this loan during the six months ended 30 June 2021 was approximately HK\$764,000 (2020: Nil), which is included in interest and handling expenses.
- (2) The loan from Ms. Cheung Siu Hung, a shareholder of the Company and aunt of Dr. Cheung Chai Hong, a former executive director of the Company up to 17 December 2022, is unsecured, bears interest at 7% (31 December 2020: 7%) per annum and is repayable on demand. Related interest expense incurred on this loan during the six months ended 30 June 2021 was approximately HK\$139,000 (2020: HK\$139,000), which is included in interest and handling expenses.

21. MATERIAL RELATED PARTY TRANSACTIONS (Cont'd)

c) Transaction with a related party

- (i) The details of consultancy fee paid by the Group during the periods are as follows:

	Note	For the six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Consultancy fee			
Oyster Pie Solutions Limited	(i)	473	-

- (i) A joint venture held by the Group.
- (ii) The details of rental paid by the Group are as follows:
- (1) During the six months ended 30 June 2021, the Group paid office rental of approximately HK\$771,000 and HK\$1,241,000 to 北京元長厚茶葉有限公司 and 北京萬方後海前企業經營管理有限公司, respectively, of which Madam Lo is the legal representative since 5 January 2021. In addition, as at 30 June 2021, the Group had paid rental deposits of approximately HK\$270,000 and HK\$222,000 to 北京元長厚茶葉有限公司 and 北京萬方後海前企業經營管理有限公司, respectively, which was included in "Other receivables, deposits and prepayments" in the consolidated statement of financial position.
 - (2) During the six months ended 30 June 2021, the Group paid rental expenses in respect of former director's quarter of approximately HK\$900,000 (2020: HK\$900,000) to Anton (H.K.) Limited, in which Mr. Cheung and Madam Lo, the controlling shareholders of the Company, have controlling interests. In addition, as at 30 June 2021, the Group had paid rental deposit of HK\$300,000 (2020: Nil) to Anton (H.K.) Limited, the amount was included in "Other receivables, deposits and prepayments" in the condensed consolidated statement of financial position.

22. EVENTS AFTER THE REPORTING PERIOD

- (i) On 24 December 2021, the Company announced Mr. Zhang Min (“Mr. Zhang”) has been appointed as a non-executive director of the Company.
- (ii) On 25 April 2022, an ordinary resolution proposed at the Annual General Meeting in relation to the approval of the appointment of Baker Tilly Hong Kong Limited as the auditors of the Company following the retirement of Crowe (HK) CPA Limited with effect from the conclusion of the Annual General Meeting and until the conclusion of the next annual general meeting of the Company.
- (iii) On 17 October 2022, Mr. Zhang has been re-designed from a non-executive director to an executive director of the Company and Mr. Fang Feiyue resigned as a non-executive director of the Company with immediate effect to focus on his personal business commitment.
- (iv) On 22 November 2022, the Board announced that Mr. Zhang who is an executive director of the Company has been appointed as the CEO of the Company with effect from 22 November 2022. The Company has established a Business Risks Committee (the “Committee”) with Mr. Zhang as the chairman of the Committee and all independent non-executive directors as members. The main responsibility of the Committee is to approve any loan, investment or guarantee transaction exceeding the sum of RMB30,000,000, other than notifiable transactions and connected transactions as defined by the Listing Rules which are approved by the Board.
- (v) On 16 December 2022, the Board announced that Dr. Cheung Chai Hong has tendered his resignation as an executive director of the Company with effect from 17 December 2022. Mr. Chan Yuk Ming has tendered his resignation as a non-executive director of the Company and chairman of the Board with effect from 17 December 2022.

23. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of the Company on 6 January 2023.

OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2021, the following directors had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

Long Positions in Shares and Underlying Shares of the Company

Name of Director (Note 1)	Capacity	Number of Ordinary Shares held	Aggregate Long Position in Shares to Issued Share Capital (Note 2)
Cheung Chai Hong	Beneficial owner	10,000	0.0047%
Chan Yuk Ming	Beneficial owner	1,000,000	0.47%

Notes:

- Both Mr. Cheung Chai Hong and Mr. Chan Yuk Ming resigned as directors of the Company with effect from 17 December 2022.
- The percentage is calculated based on the total number of issued shares as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, none of the directors had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of substantial shareholders maintained under Section 336 of the SFO or were otherwise notified to the Company:

Long Positions in Shares and Underlying Shares of the Company

Name	Capacity	Number of Ordinary Shares held	Aggregate Long Position in Shares to Issued Share Capital (Note 4)
Cheung Siu Lam	Beneficial owner of 86,002,212 ordinary shares, family interest of 25,342,100 ordinary shares (Note 1) and interest in controlled corporation of 4,320,000 ordinary shares (Note 3)	115,664,312	55.27%
Lo Wan	Beneficial owner of 25,342,100 ordinary shares, family interest of 86,002,212 ordinary shares (Note 2) and interest in controlled corporation of 4,320,000 ordinary shares (Note 3)	115,664,312	55.27%
China United SME Guarantee Corporation	Beneficial owner of ordinary shares	30,259,000	14.46%

Notes:

1. By virtue of the SFO, Cheung Siu Lam is deemed to be interested in 25,342,100 ordinary shares held by his spouse, Lo Wan.
2. By virtue of the SFO, Lo Wan, being spouse of Cheung Siu Lam, is deemed to be interested in 86,002,212 ordinary shares held by Cheung Siu Lam.
3. Arbalice Holdings Limited is beneficially owned as to 60% by Cheung Siu Lam and 40% by his spouse, Lo Wan. By virtue of the SFO, Cheung Siu Lam and Lo Wan are deemed to be interested in 4,320,000 shares held by Arbalice Holdings Limited.
4. The percentage is calculated based on the total number of issued shares as at 30 June 2021.

Save as disclosed above, no persons, other than a director whose interests are set out above, had registered an interest or a short position in the shares and underlying shares or debentures of the Company that was required to be recorded under section 336 of the SFO.

SHARE OPTION

The Company adopted a share option scheme on 7 June 2004 (the “2004 Scheme”) which was terminated on 6 June 2014. The Company adopted a new share option scheme (the “2014 Scheme”) at the Company’s annual general meeting held on 20 May 2014. Unless otherwise cancelled or amended, the 2014 Scheme will remain in force for 10 years from that date.

Subsequent to the termination of the 2004 Scheme, no further option can be granted thereunder but in all other respects, the provisions of the 2004 Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

The following share options were outstanding under the 2004 Scheme and the 2014 Scheme for the Reporting Period:

Director	Date of offer	Exercise price HK\$	Outstanding at 1.1.2021	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2021	Exercise period	Closing price of the securities immediately before the date on which the options were offered HK\$	Fair value of each option at the date of grant HK\$
Other eligible grantees	11.04.14 26.08.15	13.20 10.92	1,500,000 2,750,000	- -	- -	- -	1,500,000 2,750,000	11.04.14 – 10.04.24 26.08.15 – 25.08.25	12.60 9.8	9.246 5.78

FOREIGN EXCHANGE AND CURRENCY RISKS

The Group's monetary assets, liabilities and transactions are principally denominated in Renminbi ("RMB") and Hong Kong Dollars ("HKD"). The Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against RMB. The Group has a net exchange exposure to RMB as the Group's assets are principally located in the PRC. The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its statement of financial position exposure to fluctuations in exchange rates as at 30 June 2021.

Contingent liabilities

The Directors consider that the Group had no material contingent liabilities as at 30 June 2021.

APPROVAL OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of the Company on 6 January 2023.

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries of its securities during the six months ended 30 June 2021.

SHARE AWARD SCHEME

During the Reporting Period, there were 6,962,700 shares held in trust by the trustee under the Share Award Scheme and no awards have been granted or agreed to be granted under Share Award Scheme.

Up to the date of approving the Group's unaudited condensed consolidated interim financial statements, no award shares were granted to selected Grantees.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the Reporting Period (six months ended 30 June 2020: Nil).

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the Reporting Period, except for code provisions A.2.1 and A.6.1:

Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The Board considers that the chairman's responsibilities are to manage the Board whereas the chief executive officer's responsibilities are to manage the Company's businesses. The responsibilities of the chairman and the chief executive officer respectively are clear and distinctive and hence written terms thereof are not necessary.

On the date of this report Mr. Zhang Min is the chief executive officer of the Company and assume the duties of chairman of the Board temporarily until a new chairman has been elected.

Code Provision A.6.1

Code provision A.6.1 of the CG Code stipulates that every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on appointment. Subsequently he should receive any briefing and professional development necessary to ensure that he has a proper understanding of the issuer's operations and business and is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies.

There is currently no arrangement in place for providing professional briefings and training programmes to directors. Nevertheless, the directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. The Company would consider to engage external legal and other professional advisers for providing professional briefings and training programmes to directors whenever necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Company Code") on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Company Code throughout the Reporting Period.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”), which comprises one non-executive director and four independent non-executive directors, has reviewed the interim results for six months ended 30 June 2021. The Audit Committee considered that the unaudited condensed consolidated interim financial information for the Reporting Period is in compliance with the relevant financial reporting standards, requirement on the Listing Rules and Laws of Hong Kong, and the Company has made appropriate disclosures thereof. The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the chief financial officer or external auditors of the Company before submission to the Board.
- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.
- To review the adequacy and effectiveness of the Company’s financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee provides supervision on the internal control system of the Group and reports to the Board on any material issues and makes recommendations to the Board.

On behalf of the Board

Zhang Min

Executive Director & Chief Executive Officer

Hong Kong, 6 January 2023