



SFUND INTERNATIONAL HOLDINGS LIMITED

廣州基金國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1367)

2019

Interim Report



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Qing (*Chairman*)
(Appointed on 15 January 2019)
Mr. Lam Kwan Sing (*Chief Executive Officer*)
Mr. Liu Zhijun
Ms. Yi Sha
Ms. Wang Mengsu (Appointed on 15 January 2019)
Mr. Hon Ming Sang

Independent Non-Executive Directors

Mr. Fok Ho Yin, Thomas
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

AUDIT COMMITTEE

Mr. Fok Ho Yin, Thomas (*Chairman*)
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

REMUNERATION COMMITTEE

Mr. Fok Ho Yin, Thomas (*Chairman*)
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

NOMINATION COMMITTEE

Mr. Fok Ho Yin, Thomas (*Chairman*)
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

CORPORATE GOVERNANCE COMMITTEE

Mr. Lam Kwan Sing (*Chairman*)
Mr. Hon Ming Sang
Mr. Fok Ho Yin, Thomas
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

COMPANY SECRETARY

Mr. Hon Ming Sang

AUTHORISED REPRESENTATIVES

Mr. Lam Kwan Sing
Mr. Hon Ming Sang

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 904-5
9/F., Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04
33/F., Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

Corporate Information

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Hongkong and
Shanghai Banking Corporation Limited

AUDITOR

Ernst & Young
Certified Public Accountants
22/F., CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

WEBSITE

www.1367.com.hk

STOCK CODE

1367

Management Discussion and Analysis

BUSINESS REVIEW

SFund International Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) was principally engaged in (i) apparel supply chain management services business; (ii) financial services business; (iii) money lending business; and (iv) securities investment during the period.

Apparel Supply Chain Management Services Business

For the six months ended 30 June 2019, the Group’s revenue derived from apparel supply chain management services business was HK\$7,114,000, representing a decrease of approximately 91% when compared to the corresponding period last year of HK\$83,066,000. The decrease was mainly attributable to the significant decrease in the Group’s sales in the United States of America (“USA”) because of the loss of significant customers. Segment loss from the respective segment was HK\$16,800,000 as compared to segment loss of HK\$41,199,000 for the corresponding period last year. The decrease was mainly due to the decrease in sales and gross profit for this segment.

Financial Services Business

For the six months ended 30 June 2019, the Group carried out financial services business through its subsidiaries including Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) in Hong Kong as well as equity interests investment management, investment consultancy services, investment management services, entrusted management of equity interests investment fund and corporate management consultancy services in the People’s Republic of China (the “PRC”).

For the six months ended 30 June 2019, the revenue and operating loss generated in this segment were HK\$641,000 (2018: HK\$8,555,000) and HK\$34,230,000 (2018: operating profit of HK\$883,000), respectively.

The segment loss in this segment were mainly due to increase in provision for impairment of accounts receivable and impairment of goodwill. As at 30 June 2019, the Group had overdue fund management fee receivables of HK\$12,340,000 and HK\$7,894,000 due from 湖南匯垠湘天投資合夥企業 and 湖南匯垠眾益投資合夥企業, respectively, investment funds registered in the Mainland China (the “PRC Funds”), of which the Group acts as the fund manager. The Group has carried out a comprehensive assessment on the recoverability of such fund management fee receivables based on currently available information. Taken into account of the initiated litigation on 唐山境界實業有限公司 (investee company of the PRC Funds) and its related parties and the fact that part of their assets are frozen under judiciary, the Group hereby recognised an impairment amounted to HK\$20,105,000 due to the significant doubt of the recoverability of the fund management fee receivables. No management fee income was recognised in the current period.

Money Lending Business

The Group engaged in the money lending business through Capital Strategic Partners Limited (“Capital Strategic”), an indirect wholly-owned subsidiary of the Company, which holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) to carry out money lending business in Hong Kong. During the six months ended 30 June 2019, the interest income and operating profit generated in this segment were HK\$9,054,000 (2018: HK\$12,047,000) and HK\$6,725,000 (2018: HK\$8,600,000), respectively.

Management Discussion and Analysis

As at 30 June 2019, there were three transactions of loan advanced to customers. The loans were still outstanding as at 30 June 2019 with an aggregate outstanding loan principal of HK\$130,300,000.

On 24 November 2017, Capital Strategic entered into a loan agreement with Yuan Heng Gas Holdings Limited (“Yuan Heng”), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (stock code: 332). Pursuant to the loan agreement, Capital Strategic agreed to grant to Yuan Heng a loan of HK\$180,000,000 (“Original Facility”) for a term of 6 months from the date of the drawdown, which was 25 January 2018, and could be further extended for another 6 months with written consent of Capital Strategic (or any other date as may be agreed by Capital Strategic and Yuan Heng in writing). The loan is secured by the charge over the entire issued share capital of an indirect wholly-owned subsidiary of Yuan Heng and the floating charge over all or any part of the property and/or assets of an indirect wholly-owned subsidiary of Yuan Heng in favour of Capital Strategic. Yuan Heng had repaid HK\$100,000,000 of the Original Facility to Capital Strategic by 6 August 2018.

On 25 January 2019, Capital Strategic and Yuan Heng entered into the first supplemental agreement (the “1st Supplemental Agreement”) pursuant to which Capital Strategic had agreed to extend the maturity date of the remaining HK\$80,000,000 of the Original Facility to 25 July 2019 (or any other date as may be agreed by Capital Strategic and Yuan Heng in writing). Yuan Heng had further repaid HK\$5,000,000 of the Original Facility to Capital Strategic by 16 July 2019.

Subsequently in July 2019, Capital Strategic and Yuan Heng entered into the second supplemental agreement (the “2nd Supplemental Agreement”) with retrospective effect from 25 July 2019 pursuant to which Capital Strategic had agreed to extend the maturity date of the remaining HK\$75,000,000 of the Original Facility to 25 January 2020 (or any other date as may be agreed by Capital Strategic and Yuan Heng in writing). The loan continues to be secured by the share charge and the floating charge.

Further details of the transaction is also set out in the Company’s announcements dated 24 November 2017, 25 January 2018, 25 January 2019 and 26 July 2019 and circular dated 22 December 2017, respectively. The loan is still outstanding as at 30 June 2019.

On 14 February 2018, Capital Strategic entered into another loan agreement with China-HK Holdings Investment Limited (“China-HK”), a company incorporated in Hong Kong with limited liability, pursuant to which Capital Strategic had agreed to provide a loan facility to the China-HK in the principal amount of HK\$40,000,000 for a term of 6 months from the dates of the relevant drawdown, which could be further extended upon the request of China-HK and subject to agreement of Capital Strategic in writing. The loan is secured by the charge over the entire issued share capital of Wide Merit Limited and 2 wholly-owned subsidiaries of China-HK. On 14 August 2018, Capital Strategic and China-HK entered into a supplemental loan agreement to extend the repayment date to 14 February 2019. Further details of the transaction is set out in the Company’s announcements dated 14 February 2018 and 14 August 2018. The loan is still outstanding as at 30 June 2019.

Management had formulated a fundamental policy to establish its internal control systems. The Group would adopt a prudent approach and conduct regular reviews of the composition of the loans portfolio and lending rates charged to each customer to maximise the return of the money lending business as well as diversify the credit risk.

Management Discussion and Analysis

Securities Investment

During the six months ended 30 June 2019, the Group carried out the Group's investment business in securities investment.

During the six months ended 30 June 2019, the revenue arising from this segment was negative revenue of HK\$470,000 (2018: negative revenue of HK\$4,418,000). Revenue was attributable to the net unrealised loss on listed securities investment of HK\$470,000 (2018: net unrealised loss of HK\$4,418,000). No realised gain or loss on listed securities investment was noted during the six months ended 30 June 2019.

The overall performance of the securities investment business recorded a loss of HK\$470,000 for the six months ended 30 June 2019 (2018: loss of HK\$4,418,000), which was primarily attributable to the unrealised loss on securities investment stated above. As at 30 June 2019, the market value of the Group's listed securities portfolio was HK\$752,000 (31 December 2018: HK\$1,222,000).

The Group is currently looking into other investment opportunities including private equities, debt securities, derivatives and funds. The management plans to revise its investment strategies and formulate new investment policies in the near future.

FINANCIAL REVIEW

During the period under review, the Group has diversified its operations into four segments, being

- (a) Apparel supply chain management services;
- (b) Financial services;
- (c) Money lending; and
- (d) Securities investment.

Financial results from the Group's operations are summarised as follows:

Revenue

Revenue by Business Segments

Ratio analysis by business segments for the Group's revenue for the six months ended 30 June 2019 is as follows:

- Apparel supply chain management services business: HK\$7,114,000, 43.5% of revenue (2018: HK\$83,066,000, 83.7%)
- Financial services business: HK\$641,000, 3.9% of revenue (2018: HK\$8,555,000, 8.6%)

Management Discussion and Analysis

- Money lending business: HK\$9,054,000, 55.4% of revenue (2018: HK\$12,047,000, 12.1%)
- Securities investment: negative revenue of HK\$470,000, -2.8% of revenue (2018: negative revenue of HK\$4,418,000, -4.4%)

Revenue by Geographical Segments

Ratio analysis by geographical segments for the Group's revenue for the six months ended 30 June 2019 is as follows:

- USA: HK\$5,600,000, 34.3% of revenue (2018: HK\$78,661,000, 79.3%)
- Mainland China: HK\$735,000, 4.5% of revenue (2018: HK\$9,279,000, 9.3%)
- Hong Kong: HK\$8,586,000, 52.5% of revenue (2018: HK\$7,809,000, 7.9%)
- Other countries: HK\$1,418,000, 8.7% of revenue (2018: HK\$3,501,000, 3.5%)

The Group's revenue for the six months ended 30 June 2019 was HK\$16,339,000, being a decrease of HK\$82,911,000 when compared to the corresponding period last year of HK\$99,250,000. The decrease was mainly due to the net effect of (i) a decrease in revenue derived from apparel supply chain management services business to HK\$7,114,000 (2018: HK\$83,066,000) due to the significant decrease in the Group's sales in the USA because of the loss of significant customers; (ii) a decrease in revenue derived from financial services business of HK\$641,000 (2018: HK\$8,555,000), which were mainly derived from the Group's fund management services and other consultancy services in Mainland China and Hong Kong; (iii) a decrease in interest income from loans advanced to independent third parties of HK\$9,054,000 (2018: HK\$12,047,000); and (iv) an unrealised loss on an investment in listed equity investment at fair value through profit and loss of HK\$470,000 (2018: unrealised loss of HK\$4,418,000), which was arising from the Group's business segment on securities investment.

Cost of Sales

Cost of sales of the Group relates to (i) its apparel supply chain management services business and includes raw materials, subcontracting fees, and other costs. Raw materials were fabrics and ancillary raw materials, including buttons, zippers and threads that the Group purchased and supplied to the third-party manufacturers for their production. Subcontracting fees represented fees paid to the third-party manufacturers for production of apparel products. Other costs include miscellaneous costs such as freight charges, inspection charges, declaration fees, depreciation and insurance; and (ii) the direct cost of fund management services mainly consists of fund manager costs.

Subcontracting fees continues to be the major component of the Group's total cost of sales.

Management Discussion and Analysis

Gross Profit and Margin

The Group's gross profit for the period was HK\$10,326,000, representing a decrease of approximately 39% from HK\$16,932,000 in the corresponding period last year. The decrease in gross profit was due to decrease in sales and gross profit margin for its apparel supply chain management services business.

Other Income

Other income and gains for the period was HK\$757,000, representing a decrease of approximately 20.1% from the corresponding period last year of HK\$948,000. The decrease was mainly due to the decrease in rental income, compensation income, bank interest income and gain on foreign exchange difference, net.

Selling and Distribution Costs

Selling and distribution costs primarily consist of (i) sample cost; (ii) promotion expenses; (iii) staff cost; and (iv) other selling and distribution expenses. Selling and distribution costs decreased by approximately 2.4% from HK\$1,665,000 to HK\$1,625,000, which was mainly due to decrease in sample cost.

Administrative Expenses

Administrative expenses mainly represented employee benefit expenses for the Group's management, finance and administrative personnel, rental expenses for the Group's office premises and travelling expenses. Administrative expenses decreased by approximately 36.5% from HK\$69,230,000 to HK\$43,953,000, which was mainly due to the decrease in salaries and consultancy fees for enhancement of IT system for apparel supply chain management services business.

Other Expenses, Net

Other expenses, net mainly represented the expected credit losses on loans receivable, reversal of impairment of accounts receivable, provision for impairment of fund management fees receivable and impairment of goodwill. Other expenses, net for the period as HK\$29,508,000, representing an increase of approximately 31,629% from HK\$93,000 in the corresponding period last year. The significant increase was mainly due to increase in provision for impairment of fund management fees receivable and impairment of goodwill.

Finance Costs

Finance costs decreased by approximately 15.4% from HK\$10,900,000 to HK\$9,225,000. The decrease was mainly due to decrease in interest expenses for bonds payable.

Management Discussion and Analysis

Loss for the Period

The net loss attributed to the owners of the parent for the six months ended 30 June 2019 amounted to HK\$61,461,000 (2018: HK\$66,717,000), resulted in a basic loss per share for the six months ended 30 June 2019 of HK12.80 cents (2018: HK13.90 cents), representing a decrease in loss attributed to the shareholders of the Company (the "Shareholders") by 7.9%. The decrease in loss was mainly due to decrease in administrative expenses and finance cost due to control on operations expenses (as stated above).

PROSPECTS

To improve the financial position of the Group, the Company is considering various options to strengthen the capital of the Company and will, when appropriate, disclose further development on the above matter, if any, by way of further announcement(s) in accordance with regulatory requirements.

Apparel Supply Chain Management Services Business

The management of the Group expects the business environment for the apparel supply chain management services business in the second half of the year 2019 to remain uncertain. The USA and China rolled out waves of tariffs as the trade war between the two countries still rolls on. Despite the Group has production base in Cambodia and Bangladesh, the impact to the USA customers is still unclear. The management has responded by exploring aggressively for new customers in Canada and Europe. Besides, the management has also streamlined its operation in Hong Kong to reduce operating overheads. Most of the operations are now shifted to regional offices to improve workflow and efficiency.

Money Lending Business

The management expects that the money lending business segment will become one of the Group's stable income sources. In the future, the management is going to put more effort to develop the money lending business and aim to gain a higher level of loan advance balance with significant returns. It is believed that the expansion of money lending business segment will help the Group to lay a solid capital foundation for the development of financial sector and maintain a healthy cash flow. The management will go on paying close attention to the development of this business segment and promptly react to the demand in the market.

Financial Services Business

The management continues looking into possible acquisitions of asset management companies and other financial service platforms located in both Hong Kong and the PRC, in order to build a strong, growing and diversified financial services sector.

The management expects that the contribution from financial services business segment will increase significantly in the near future.

Management Discussion and Analysis

Securities Investment

During the period, the Hong Kong stock market was highly volatile due to both domestic and worldwide social and economic issues. To cope with such situations, the Group will continue to closely monitor the market conditions and may consider to change its investment portfolio from time to time. We will also explore other investment opportunities including but not limited to investment in private equities, debt securities, derivatives and funds.

CAPITAL STRUCTURE

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, including bonds, interest-bearing other borrowings, and equity attributable to owners of the Company, comprising issued capital and reserves. The management of the Group reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issuance of debts and redemption of existing debt. The Group's overall strategy remains unchanged throughout the period.

As at 30 June 2019, the interest-bearing other borrowings were HK\$19,153,000 (31 December 2018: HK\$7,816,000) and bonds payables were HK\$218,617,000 (31 December 2018: HK\$218,093,000). As at 30 June 2019, all borrowings are carried at fixed interest rates ranging from 6% to 8% per annum and repayable in 2020. As at 31 December 2018, all borrowings are carried at fixed interest rates ranging from 5% to 8% per annum and repayable from 2019 to 2020.

LIQUIDITY AND FINANCIAL RESOURCES

During the period, the Group's working capital was financed by both internal resources and other borrowings.

As at 30 June 2019, cash and cash equivalents amounted to HK\$29,179,000, which decreased by approximately 27.3% as compared to HK\$40,159,000 as at 31 December 2018.

As at 30 June 2019, the Group's total borrowings amounted to HK\$237,770,000 (31 December 2018: HK\$225,909,000), mainly consist of finance lease liabilities amounting to HK\$nil (31 December 2018: HK\$82,000) and other borrowings amounting to HK\$19,153,000 (31 December 2018: HK\$7,734,000) and bonds payable amounting to HK\$218,617,000 (31 December 2018: HK\$218,093,000). The other borrowings of the Group as at 30 June 2019 and 31 December 2018 were incurred for operation and business purpose.

The current ratio of the Group as at 30 June 2019 was 0.7 (31 December 2018: 1.6). The gearing ratio is calculated based on (i) the total liabilities divided by the total assets and (ii) the total borrowings divided by the total Shareholders' equity. The gearing ratio of the Group as at 30 June 2019 was approximately 128.2% and -353.8% (31 December 2018: approximately 98.2% and 4,108.9%, respectively).

Management Discussion and Analysis

As at 30 June 2019, the Group had net current liabilities of HK\$97,045,000 (31 December 2018: net current assets of HK\$99,248,000) and net liabilities of HK\$67,213,000 (31 December 2018: net assets of HK\$5,498,000). The net current liabilities and the net liabilities position were attributable to material loss for the period as a result of the poor performance of the Group's businesses and the outstanding bonds payable balance of HK\$218,617,000 due within twelve months from the end of the reporting period. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company are formulating proposals for fund raising exercises and will, when appropriate, disclose further development on the above matter, if any, by way of further announcement(s) in accordance with regulatory requirements and it has taken the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

- (i) Subsequent to the end of the reporting period, Kapok Spirit Investment Limited ("Kapok Spirit"), an entity indirectly wholly owned by a substantial shareholder of the Company, issued a letter of intent to extend the bond maturity date of a bond payable of HK\$80,000,000 upon maturity on 30 September 2019.
- (ii) A substantial shareholder of the Company has undertaken to provide continuous financial support to the Group to meet its liabilities and obligations as and when they fall due.

The directors of the Company have given careful consideration to the future liquidity of the Group and are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future, and accordingly, are satisfied that it is appropriate to prepare these financial statements on a going concern basis.

TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the period. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Management Discussion and Analysis

FOREIGN EXCHANGE EXPOSURE

The Group's foreign currency transactions are mainly denominated in RMB and United States dollars ("US\$"). The Group has currency exposure as certain income and expenses incurred in the PRC were denominated in RMB. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in RMB. During the period, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

CAPITAL EXPENDITURES

During the period, the Group's capital expenditures consisted of additions to property, plant and equipment amounting to HK\$257,000 (2018: HK\$1,431,000).

CAPITAL COMMITMENT

As at 30 June 2019, the Group had a capital commitment of HK\$4,459,000 (31 December 2018: HK\$4,461,000) in relation to the further capital contribution to Hunan Guokai.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, the Group had a total of 184 (2018: 216) employees, including the Directors. Total staff costs (including Directors' remuneration) was approximately HK\$25,650,000 for the period, as compared to approximately HK\$36,371,000 for the corresponding period last year.

Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of the basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other major staff benefits include contributions to Mandatory Provident Fund retirement benefits scheme in Hong Kong and the provision of social insurances for employees who are employed by the Group pursuant to the applicable PRC rules and regulations.

The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme adopted by the Company on 20 June 2014 where options to subscribe for shares of the Company may be granted to the Directors and employees of the Group.

Management Discussion and Analysis

FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed in the section headed “Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies” below, the Group did not have any plans for material investments during the period.

The Group will finance the future acquisitions through internally generated funds and other fund raising activities, including but not limited to issue of new debts or equity instruments.

SIGNIFICANT INVESTMENT

Save as disclosed in this report, there were no significant investments held during the period.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the period.

RISK MANAGEMENT

The Group adopts the following risk management policies and monitoring system to mitigate the risks associated with interest rate, foreign currency, credit, liquidity and equity price in its major operation.

Interest Rate Risk

The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s debt obligations with floating interest rates incurred for trade finance. The Group reviews interest rate risk regularly and monitors closely the fluctuation of interest rates and will make proper adjustment if necessary.

Foreign Currency Risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units’ functional currencies. The Group has currency exposure as income earned and subcontracting fees incurred in Mainland China were denominated in RMB.

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of RMB against US\$ may have impact on the operating results of the Group.

The Group has not entered into any hedging arrangement as the foreign currency risk is considered not material. The management has monitored the Group’s foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Management Discussion and Analysis

Credit Risk

The accounts receivable and loan receivable balances included in the consolidated statement of financial position of the Group represent the Group's maximum exposure to credit risk in relation to the Group's accounts receivable and loan receivables. Concentrations of credit risk are managed by customer and borrower.

The Group performs ongoing credit evaluations of its debtors' financial conditions and requires collateral from its customers. The allowance for doubtful debts is based on a review of the expected collectability of all accounts receivable and loan receivables.

The Group seeks to maintain strict control over its outstanding receivables and has its credit control policy to minimise the credit risks. In addition, all receivable balances are monitored on an ongoing basis and overdue balances are followed up by management.

Liquidity Risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

Equity Price Risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investment classified as financial asset at fair value through profit or loss. The Group's listed investment is listed on the Stock Exchange and is valued at quoted market prices at the end of the reporting period. Management manages this exposure by assessing the risk associated with each individual investment and maintaining a portfolio of investments with different risks in the future if necessary.

CONTINGENT LIABILITIES

The Group did not have material contingent liabilities as at 30 June 2019.

CHARGE ON THE GROUP'S ASSETS

No charges on the Group's assets was noted as at 30 June 2019.

DIVIDEND

The Board does not recommend the distribution of any dividends for the six months ended 30 June 2019 (2018: nil).

Management Discussion and Analysis

FINANCIAL ASSISTANCE FROM SUBSTANTIAL SHAREHOLDER

On 27 October 2017, the Company, as the issuer (the "Issuer"), entered into a subscription agreement (the "Subscription Agreement A") with a company indirectly wholly-owned by 廣州產業投資基金管理有限公司 (Guangzhou Industry Investment Fund Management Co., Ltd.*), a substantial Shareholder, as the subscriber (the "Subscriber"), in relation to the subscription of unsecured bonds to be issued by the Company (the "Bonds"). The issue of Bonds constituted an exempt connected transaction of the Company under Rule 14A.90 of the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange. Pursuant to and subject to the satisfaction (or waiver) of the conditions precedent set out in the Subscription Agreement A, the Company agreed to issue, and the Subscriber agreed to subscribe, for the Bonds in the principal amount of up to HK\$80,000,000 with a coupon rate of 8% per annum payable quarterly in arrears for a term of 23 months from the date of issue of the Bonds. The maturity date of the Bonds will be intended to extend upon maturity. The net proceeds from the issuance of the Bonds are used by the Group as general working capital of the Group, in particular towards money lending and financial services business and to finance suitable investment opportunities if and when they arise.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

There had not been any other equity or debt fund raising activity conducted by the Group in the past twelve months.

PROVISION OF FINANCIAL ASSISTANCE AND ADVANCE TO AN ENTITY

Provision of Financial Assistance Amounting to HK\$20,000,000

On 19 December 2016, Capital Strategic (as lender) entered into a loan agreement (the "DT Loan Agreement") with a third party independent of the Company and its connected person (as defined under the Listing Rules) (the "Borrower"), pursuant to which, Capital Strategic agreed to provide a loan to the Borrower in the principal amount of HK\$20,000,000 (the "DT Loan") for a period of 6 months following the date of the first drawdown at an interest rate of 13% per annum payable on the date falling 6 months from the first drawing of the DT Loan (the "Provision of the Loan").

As at 19 June 2017, the DT Loan was drawn down by the Borrower and a repayment of HK\$1,800,000 was made by the Borrower pursuant to the DT Loan Agreement. As the term of the DT Loan Agreement had expired on 18 June 2017, Capital Strategic and the Borrower had entered into a supplemental deed (the "First Supplement Deed") to, among other matters, (i) extend the maturity date from 19 June 2017, being the immediate following business day of the maturity date which falls on a non-business day, to 18 December 2017; and (ii) revise the DT Loan granted under the DT Loan Agreement down to HK\$18,200,000. Other than the maturity date which had been extended to 18 December 2017 and the amount of the DT Loan had been revised down to HK\$18,200,000 pursuant to the First Supplemental Deed, the principal terms of the DT Loan Agreement remains applicable to Capital Strategic and the Borrower in connection with the DT Loan.

Management Discussion and Analysis

Subsequent to the date of First Supplemental Deed, a repayment on the DT Loan principal amount of approximately HK\$2,566,000 was made by the Borrower pursuant to the DT Loan Agreement and the First Supplemental Deed. As at 18 December 2017, the outstanding DT Loan principal and interest amounts in total was approximately HK\$16,275,000. As the term of the First Supplement Deed had expired on 18 December 2017, Capital Strategic and the Borrower had on 18 December 2017 entered into the second supplemental deed (the "Second Supplemental Deed") to, among other matters, (i) extend the maturity date from 18 December 2017 to 18 June 2018; and (ii) revise the DT Loan granted under the DT Loan Agreement down to approximately HK\$16,275,000. Other than the maturity date which had been extended to 18 June 2018 and the amount of the DT Loan had been revised down to approximately HK\$16,275,000 pursuant to the Second Supplemental Deed, the principal terms of the DT Loan Agreement remains applicable to Capital Strategic and the Borrower in connection with the DT Loan.

Subsequent to the date of Second Supplemental Deed, a repayment on the DT Loan principal amount of approximately HK\$5,113,000 was made by the Borrower pursuant to the DT Loan Agreement, the First Supplemental Deed and the Second Supplemental Deed. As at 18 June 2018, the outstanding DT Loan principal and interest amounts in total was approximately HK\$11,265,000. As the term of the Second Supplement Deed had expired on 18 June 2018, Capital Strategic and the Borrower had on 18 June 2018 entered into the third supplemental deed (the "Third Supplemental Deed") to, among other matters, (i) extend the maturity date from 18 June 2018 to 18 June 2019; and (ii) revise the DT Loan granted under the DT Loan Agreement down to approximately HK\$11,265,000. Other than the maturity date which had been extended to 18 June 2019 and the amount of the DT Loan had been revised down to approximately HK\$11,265,000 pursuant to the Third Supplemental Deed, the principal terms of the DT Loan Agreement remains applicable to Capital Strategic and the Borrower in connection with the DT Loan.

As at 30 June 2019, the DT Loan was still outstanding with a loan principal of approximately HK\$10,300,000. The grant of the DT Loan under the DT Loan Agreement is a financial assistance provided by the Company within the meaning of the Listing Rules.

Provision of Loan to an Entity Amounting to HK\$180,000,000

On 24 November 2017, Capital Strategic, as the lender, entered into a loan agreement (the "MT Loan Agreement") with Yuan Heng, as the borrower, pursuant to which, Capital Strategic would provide a loan of HK\$180,000,000 (the "MT Loan") to Yuan Heng for a term of 6 months from the date of drawdown, which was 25 January 2018, and could be further extended for another 6 months with written consent of Capital Strategic (or any other dates as may be agreed by Capital Strategic and Yuan Heng in writing) at the interest rate of 10% per annum which will be paid monthly.

Management Discussion and Analysis

The MT Loan is secured by (i) a share charge (the “Share Charge”) executed by Firmwill Investments Limited (“Firmwill”), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Yuan Heng, in favor of Capital Strategic, whereby, Firmwill would execute the charge over 1 share in Fully World Limited (“Fully World”), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Firmwill, representing the entire issued share capital of Fully World, to Capital Strategic; and (ii) a floating charge (“Floating Charge”) over all or any part of the property and/or assets of Fully World created by Fully World in favour of Capital Strategic. Yuan Heng had repaid HK\$100,000,000 of the MT Loan to Capital Strategic by 6 August 2018.

On 25 January 2019, Capital Strategic and Yuan Heng entered into the first supplemental agreement (the “1st Supplemental Agreement”) pursuant to which Capital Strategic agreed to extend the maturity date of the remaining HK\$80,000,000 of the MT Loan to 25 July 2019 (or any other date as may be agreed by Capital Strategic and Yuan Heng in writing). Yuan Heng had further repaid HK\$5,000,000 of the MT Loan to Capital Strategic by 16 July 2019.

On 26 July 2019, Capital Strategic and Yuan Heng entered into the second supplemental agreement (the “2nd Supplemental Agreement”) with retrospective effect from 25 July 2019 pursuant to which Capital Strategic had agreed to extend the maturity date of the remaining HK\$75,000,000 of the MT Loan to 25 January 2020 (or any other date as may be agreed by Capital Strategic and Yuan Heng in writing). The MT Loan continues to be secured by the Share charge and the Floating charge.

The grant of the MT Loan under the MT Agreement is a financial assistance provided by the Company within the meaning of the Listing Rules and the MT Loan constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Details of the MT Loan are also set out in the announcements of the Company dated 24 November 2017, 25 January 2018, 25 January 2019 and 26 July 2019 and circular dated 22 December 2017, respectively. The MT Loan was completed on 25 January 2018 and the MT loan is still outstanding as at 30 June 2019.

Management Discussion and Analysis

Provision of Financial Assistance Amounting to HK\$40,000,000

On 14 February 2018, Capital Strategic, as the lender, entered into a loan agreement (the “Loan Agreement”) with China-HK, as the borrower, pursuant to which Capital Strategic would provide a loan facility of HK\$40,000,000 (the “Loan”) to China-HK for a term of 6 months from the date of the relevant drawdown, which could be extended upon the requested of China-HK and subject to agreement of Capital Strategic in writing, at the interest rate of 12% per annum which will be paid on the relevant repayment dates of the Loan drawn down.

On 14 August 2018, Capital Strategic entered into a supplemental loan agreement with China-HK to, among other matters, extend the maturity date from 14 August 2018 to 14 February 2019. Other than the maturity date which had been extended to 14 February 2019 pursuant to the supplemental loan agreement, the principal terms of the Loan Agreement remains applicable to Capital Strategic and China-HK in connection with the Loan.

The Loan is secured by (i) charge over 10,000 shares of China-HK, being the entire issued share capital of the China-HK, in favour of Capital Strategic, by Wide Merit Limited, a company incorporated in the British Virgin Islands, being the holding company of China-HK; and (ii) charges over the entire share capital of 長三角徐州石油科技有限公司 (Changsanjiao Xuzhou Petroleum Technology Company Limited*), being a wholly-owned subsidiary of China-HK, and 鹽城賽孚石油化工有限公司 (Yancheng Saifu Petroleum & Chemical Company Limited*), being a wholly-owned subsidiary of Changsanjiao Xuzhou Petroleum Technology Company Limited.

The provision of the Loan under the Loan Agreement is a financial assistance provided by the Company within the meaning of the Listing Rules and the Loan constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Details of the Loan are set out in the announcement of the Company dated 14 February 2018 and 14 August 2018. The Loan is still outstanding as at 30 June 2019.

Save as disclosed above, the Group did not have any other provision of financial assistance and advance to an entity.

SUBSEQUENT EVENTS

On 26 July 2019, Capital Strategic and Yuan Heng entered into the 2nd Supplemental Agreement with retrospective effect from 25 July 2019 pursuant to which Capital Strategic had agreed to extend the maturity date of the remaining HK\$75,000,000 of the MT Loan to 25 January 2020 (or any other date as may be agreed by Capital Strategic and Yuan Heng in writing). The MT Loan continues to be secured by the Share charge and the Floating charge. The provision of MT Loan would constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Details of the transaction are set out in the announcements of the Company dated 24 November 2017, 25 January 2018, 25 January 2019 and 27 July 2019 and circular dated 22 December 2017, respectively.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2019, none of the Directors or Chief Executive of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required, to be recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period or up to the date of this report were there any rights to acquire benefits by means of the acquisition of shares of the Company in or debentures of the Company granted to any of the Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 20 June 2014 (the "Share Option Scheme") which became effective on 11 July 2014. The purpose of the Share Option Scheme is to motivate certain eligible persons to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. Eligible persons of the Share Option Scheme, amongst others, include any executives, any employee (including proposed, full-time or part-time employee), a director or proposed director (including an Independent Non-executive Director) of any member of the Group, a direct or indirect shareholder of any member of the Group and an associate of any of the aforementioned persons.

The maximum number of shares which may be issued under the Share Option Scheme and any other schemes of the Group must not exceed 48,000,000 shares, representing 10% of the total number of shares in issue as at the date of listing of the shares of the Company on the Stock Exchange.

The maximum number of shares issued and to be issued upon exercise of the options granted to any one eligible person (including exercised and outstanding options) under the Share Option Scheme in any 12-month period must not exceed 1% of the issued shares from time to time unless approved in advance by the Shareholders in general meeting with such eligible person and his close associates (as defined in the Listing Rules) (if such eligible person is a connected person) abstaining from voting.

Other Information

Any offer of an option under the Share Option Scheme proposed to be made to a Director, Chief Executive or substantial Shareholder or to any of their respective associates must first be approved by the Independent Non-executive Directors (excluding Independent Non-executive Director who or whose associate is the grantee of the option). In addition, where any grant of options to a substantial Shareholder (as defined in the Listing Rules) or an Independent Non-executive Director or to any of their respective associates which would result in the relevant class of securities in issue and to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) in excess of 0.1% of the relevant class of securities in issue; and (ii) with an aggregate value (based on the closing price of the securities at the date of each grant) in excess of HK\$5,000,000, such further grant of options is subject to approval by the Shareholders in general meeting, with such person, his associates and all core connected persons (as defined in the Listing Rules) of the Company abstaining from voting.

The offer of a grant of options under the Share Option Scheme may be accepted by the eligible person for a period of 28 days from the date of the offer and by payment received by the Company of HK\$1.00 as consideration for the grant of an option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as to be determined and notified by the Directors to each grantee, but shall end in any event not later than 10 years from the date on which the option is deemed to be granted and accepted in accordance with the Share Option Scheme.

The Share Option Scheme will be valid and effective for a period of ten years from 20 June 2014.

The exercise price is determined by the Board and shall be at least the highest of: (i) the nominal value of a share; (ii) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the offer date; and (iii) the average closing price of a share as stated in the Stock Exchange's daily quotations sheet for the five business days (as defined in the Listing Rules) immediately preceding the offer date.

As at 30 June 2019, no share options were granted, cancelled, lapsed or forfeited under the Share Option Scheme and there were no outstanding share options under the Share Option Scheme as at 30 June 2019.

EQUITY-LINKED AGREEMENTS

For the period, save for the Share Option Scheme previously mentioned, the Company has not entered into any equity-linked agreements, and there did not subsist any equity-linked agreement entered into by the Company as at 30 June 2019.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the section headed "Related Party Transactions/Exempted Continuing Connected Transactions" on page 21 to 22 of this report, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the period.

Other Information

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed below, during the period and up to the date of this report, none of the Directors are considered to have interests in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group required to be disclosed under the Listing Rules.

Name of the Director	Position(s) within Company	Position(s) in other companies which may compete with the Group
Mr. Li Qing	Executive Director and Chairman of the Board	SFund International Investment Fund Management Limited – chairman of the board and director
Mr. Liu Zhijun	Executive Director	廣州產業投資基金管理有限公司 (Guangzhou Industry Investment Fund Management Co., Ltd*) – general manager
Ms. Yi Zha	Executive Director	廣州產業投資基金管理有限公司 (Guangzhou Industry Investment Fund Management Co., Ltd*) – financial controller SFund International Investment Fund Management Limited – director
Ms. Wang Mengsu	Executive Director	SFund International Investment Fund Management Limited – assistant general manager and investment director

RELATED PARTY TRANSACTIONS/EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Details of the related party transactions of the Group are set out in note 18, 19 and 24 to the condensed consolidated financial statements which constituted exempted continuing connected transactions under Chapter 14A of the Listing Rules.

During the period, the Group had the following continuing connected transactions which are exempted from the reporting, announcement or independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules and are included herein for information only.

1. Loan Agreement with Mr. Lai Leong

During the period, the Group entered into the loan agreements in total amount of HK\$6,000,000 (the "Loans") with Mr. Lai Leong, who is deemed to be interested in 36.93% shareholding of the Company as at 30 June 2019, pursuant to which Mr. Lai Leong had agreed to provide the Loans to the Group at interest rate of 8% per annum with a term of 6 months. Mr. Lai Leong through his wholly-owned company, Plus Value International Limited, holds 177,300,000 Shares, representing 36.93% of the issued share capital of the Company and thus Mr. Lai Leong and Plus Value International Limited are the controlling Shareholders as at 30 June 2019. For the six months ended 30 June 2019, the interest expense to Mr. Lai Leong was HK\$69,000.

Other Information

2. Bond Subscription Agreement with Kapok Spirit Investment Limited

On 27 October 2017, the Company, as the issuer, entered into the Subscription Agreement A with Kapok Spirit Investment Limited, a company indirectly wholly-owned by Guangzhou Industry Investment Fund Management Co., Ltd., a substantial Shareholder, as the subscriber, in relation to the subscription of the Bonds. The issue of Bonds constituted an exempt connected transaction of the Company under Rule 14A.90 of the Listing Rules. Pursuant to and subject to the satisfaction (or waiver) of the conditions precedent set out in the Subscription Agreement A, the Company agreed to issue, and the subscriber agreed to subscribe, for the Bonds in the principal amount of up to HK\$80,000,000 with a coupon rate of 8% per annum payable quarterly in arrears for a term of 23 months from the date of issue of the Bonds. Kapok Spirit Investment Limited is an associate of Guangzhou Industry Investment Fund Management Co., Ltd. Ms. Wang Mengsu, the Executive Director of the Company, is the director of Kapok Spirit Investment Limited. Under the Listing Rules and is therefore a connected person of the Company as defined under the Listing Rules. For the six months ended 30 June 2019, the interest expense in relation to the Bonds was HK\$3,193,000.

3. Loan Agreement with SFund International Investment Fund Management Limited

On 29 January 2019, the Company entered into the loan agreement with SFund International Investment Fund Management Limited, a substantial Shareholder of the Company, pursuant to which SFund International Investment Fund Management Limited had agreed to provide the loan to the Company in the principal amount of HK\$2,900,000, at interest rate of 8% per annum with a term of 6 months. SFund International Investment Fund Management Limited holds 139,200,000 shares, representing 29% of the issued share capital of the Company. For the six months ended 30 June 2019, the interest expense in relation to the SFund International Investment Fund Management Limited was HK\$97,000.

The continuing connected transactions mentioned above have been reviewed by the Independent Non-executive Directors who have confirmed that the transactions have entered into: (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (c) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of shareholders of the Company as a whole.

Save as disclosed above, the Group has not entered into any connected transaction or continuing connected transaction during the period which should be disclosed pursuant to the requirements under the Listing Rules.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, so far as is known to the Directors or Chief Executive of the Company, the following persons (other than Directors or Chief Executive of the Company), who had interests or short positions in the shares and the underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO were as follows.

Long positions in the Ordinary Shares of HK\$0.01 each of the Company

Name of Shareholder	Capacity/Nature of Interests	Number of Shares held		Approximate Shareholding Percentage	
		Long Position	Short Position	Long position	Short Position
SFund International Investment Fund Management Limited (Note 1)	Beneficial owner	139,200,000	90,000,000	29%	18.75%
廣州產業投資基金管理有限公司 Guangzhou Industry Investment Fund Management Co., Ltd.* (Note 1)	Interest in a controlled corporation	139,200,000	90,000,000	29%	18.75%
廣州市城市建設投資集團有限公司 Guangzhou City Construction Investment Group Limited* (Note 1)	Interest in a controlled corporation	139,200,000	90,000,000	29%	18.75%
廣州滙垠天粵股權投資基金管理公司 Guangzhou Huiyin Tianye Equity Investment Fund Management Co., Ltd.* (Note 1)	Interest in a controlled corporation	139,200,000	90,000,000	29%	18.75%
廣州科技金融創新投資控股有限公司 Guangzhou Technology Financial Innovation Investment Holdings Ltd.* (Note 1)	Interest in a controlled corporation	139,200,000	90,000,000	29%	18.75%
Plus Value International Limited (Note 2)	Beneficial owner	177,300,000	–	36.93	–
Lai Leong (Note 2)	Interest in a controlled corporation	177,300,000	–	36.93	–

Note:

- SFund International Investment Fund Management Limited is wholly-owned by Guangzhou Huiyin Tianye Equity Investment Fund Management Co., Ltd.*, which is owned as to 95% by Guangzhou Technology Financial Innovation Investment Holdings Ltd.* and as to 5% by Guangzhou Industry Investment Fund Management Co., Ltd.*. Guangzhou Technology Financial Innovation Investment Holdings Ltd. is wholly-owned by Guangzhou Industry Investment Fund Management Co., Ltd.*. Guangzhou Industry Investment Fund Management Co., Ltd.* is wholly-owned by Guangzhou City Construction Investment Group Limited.*
- Plus Value International Limited is wholly-owned by Mr. Lai Leong. By virtue of the SFO, Mr. Lai Leong is deemed to be interested in the Shares held by Plus Value International Limited.

Save as disclosed above, as at 30 June 2019, no person, other than the Directors and Chief Executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in shares and Underlying Shares and Debentures of the Company" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Other Information

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions (the "Required Standard of Dealings"). The Company has confirmed, having made specific enquiry of the directors, all the directors have complied with the Required Standard of Dealings throughout the six months ended 30 June 2019.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining high standards of corporate governance consistent with the needs and requirements of its business and the Shareholders. The Company has adopted the code provisions (the "Code Provisions") as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Listing Rules. The corporate governance principles of the Company emphasise a quality board, sound internal controls, and transparency and accountability to all the Shareholders.

The Company has complied with the Code Provisions of the CG Code throughout the six months ended 30 June 2019.

CHANGE OF DIRECTORS INFORMATION

During the period and up to the date of this interim report, the updated information on Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are as follow:

1. Mr. Lam Kwan Sing – Appointed as an independent non-executive director and chairman of the remuneration committee and the corporate governance committee of Summit Ascent Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 102) on 14 June 2019.
2. Mr. Fok Ho Yin, Thomas – Retired as an independent non-executive director and ceased the chairman of audit committee, nomination committee and remuneration committee of Landing International Development Limited (a company listed on the Main Board of the Stock Exchange, stock code: 582) on 27 June 2019.

Other Information

3. Mr. Chan Wai Cheung, Admiral
 - Resigned as independent non-executive director and ceased the chairman of audit committee, nomination committee and remuneration committee of Carnival Group International Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 996) on 30 April 2019.
 - Resigned as non-executive director and the member of nomination committee and remuneration committee of China Nonferrous Metals Company Limited (a company listed on the GEM of the Stock Exchange, stock code: 8306) on 31 May 2019.

AUDIT COMMITTEE

The Audit Committee was established on 20 June 2014 and amended on 30 December 2015 with specific written terms of reference which is available on the websites of the Stock Exchange and the Company. The Audit Committee comprises three independent non-executive Directors, namely Mr. Fok Ho Yin, Thomas, Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong. The chairman of the Audit Committee is Mr. Fok Ho Yin, Thomas.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and financial reporting matters including the review of the unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 June 2019 and the Company's external auditor, Ernst & Young.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 20 June 2014 with specific written terms of reference which is available on the websites of the Stock Exchange and the Company.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's policy and structure for the overall remuneration of directors and management, including the policy of granting of share options to employees under the Company's share option scheme. No director or any of his/her associates may be involved in any decisions as to his/her own remuneration.

The Remuneration Committee currently comprises the three independent non-executive Directors, namely Mr. Fok Ho Yin, Thomas, Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong. The chairman of the Remuneration Committee is Mr. Fok Ho Yin, Thomas.

Other Information

NOMINATION COMMITTEE

The Nomination Committee was established on 20 June 2014 with specific written terms of reference which is available on the websites of the Stock Exchange and the Company.

The Nomination Committee has reviewed the structure, size, composition and diversity of the Board, identifying suitable individuals qualified to become Board members, assessing the independence of the independent non-executive directors of the Company and making recommendations to the Board on the appointment or re-appointment of Directors of the Company.

The Nomination Committee currently comprises the three independent non-executive Directors, namely Mr. Fok Ho Yin, Thomas, Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong. The chairman of the Nomination Committee is Mr. Fok Ho Yin, Thomas.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2019 (six months ended 30 June 2018: Nil). No dividend was paid during the period under review.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement and interim report are published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.1367.com.hk. Printed copies in both languages are posted to Shareholders.

BOARD OF DIRECTORS

As at the date of this report, the Board of the Company comprises six executive Directors, namely Mr. Li Qing, Mr. Lam Kwan Sing, Mr. Liu Zhijun, Ms. Yi Sha, Ms. Wang Mengsu and Mr. Hon Ming Sang; three independent non-executive Directors, namely, Mr. Fok Ho Yin, Thomas, Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong.

By Order of the Board
SFund International Holdings Limited
Li Qing
Chairman

Hong Kong, 30 August 2019

The English translation of Chinese names or words in this report, where indicated by “”, are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	4,5	16,339	99,250
Cost of sales and services rendered		(6,013)	(82,318)
Gross profit		10,326	16,932
Other income	5	757	948
Selling and distribution costs		(1,625)	(1,665)
Administrative expenses		(43,953)	(69,230)
Other expenses, net		(29,508)	(93)
Finance costs	6	(9,225)	(10,900)
Share of profit of an associate		263	–
Loss before tax	7	(72,965)	(64,008)
Income tax	8	(21)	(1,329)
Loss for the period		(72,986)	(65,337)
Attributable to:			
Owners of the parent		(61,461)	(66,717)
Non-controlling interests		(11,525)	1,380
		(72,986)	(65,337)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	HK(12.80) cents	HK(13.90) cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Loss for the period	(72,986)	(65,337)
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	275	(881)
Other comprehensive income for the period	275	(881)
Total comprehensive income for the period	(72,711)	(66,218)
Attributable to:		
Owners of the parent	(61,351)	(67,219)
Non-controlling interests	(11,360)	1,001
	(72,711)	(66,218)

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	2,622	3,165
Right-of-use assets	12	6,964	10,824
Goodwill		2,674	11,110
Intangible assets		17,100	17,100
Investment in an associate		2,028	1,770
Financial assets at fair value through profit or loss	13	4,176	3,509
Deposits and other receivables		205	6,298
Total non-current assets		35,769	53,776
CURRENT ASSETS			
Inventories		1	50
Accounts receivable	14	43	42,139
Loans receivable	15	129,141	131,256
Prepayments, deposits and other receivables	16	44,527	43,398
Cash and cash equivalents		29,179	40,159
Total current assets		202,891	257,002
CURRENT LIABILITIES			
Trade payables	17	708	7,337
Other payables and accruals	16	52,206	52,530
Interest-bearing other borrowings	18	19,153	7,816
Bonds payable	19	218,617	79,962
Tax payable		9,252	10,109
Total current liabilities		299,936	157,754
NET CURRENT (LIABILITIES)/ASSETS		(97,045)	99,248
TOTAL ASSETS LESS CURRENT LIABILITIES		(61,276)	153,024

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Other payables and accruals		3,070	6,528
Bonds payable	19	–	138,131
Deferred tax liabilities		2,867	2,867
Total non-current liabilities		5,937	147,526
Net (liabilities)/assets		(67,213)	5,498
EQUITY			
Equity attributable to owners of the parent			
Issued capital	20	4,800	4,800
Reserves		(82,549)	(21,198)
Non-controlling interests		(77,749)	(16,398)
Total equity		(67,213)	5,498

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the parent									
	Issued capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Legal reserve HK\$'000	Merger reserve HK\$'000	Retained profits/ losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2018	4,800	48,873	10,071	(56)	49	8,417	14,265	86,419	20,793	107,212
Profit/(loss) for the period	-	-	-	-	-	-	(66,717)	(66,717)	1,380	(65,337)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	(502)	-	-	-	(502)	(379)	(881)
Total comprehensive income for the period	-	-	-	(502)	-	-	(66,717)	(67,219)	1,001	(66,218)
At 30 June 2018 (unaudited)	4,800	48,873*	10,071*	(558)*	49*	8,417*	(52,452)*	19,200	21,794	40,994

	Attributable to owners of the parent									
	Issued capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Legal reserve HK\$'000	Merger reserve HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2019	4,800	48,873	10,071	(1,594)	49	8,417	(87,014)	(16,398)	21,896	5,498
Loss for the period	-	-	-	-	-	-	(61,461)	(61,461)	(11,525)	(72,986)
Other comprehensive income for the period:										
Exchange differences on translation of foreign operations	-	-	-	110	-	-	-	110	165	275
Total comprehensive income for the period	-	-	-	110	-	-	(61,461)	(61,351)	(11,360)	(72,711)
At 30 June 2019 (unaudited)	4,800	48,873*	10,071*	(1,484)*	49*	8,417*	(148,475)*	(77,749)	10,536	(67,213)

* These reserve accounts comprise the negative reserves of HK\$82,549,000 (30 June 2018: positive reserves of HK\$14,400,000) in the condensed consolidated statement of financial position as at 30 June 2019.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	(9,564)	(248,360)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	(257)	(1,431)
Distribution income received	175	–
Redemption of unlisted investment	2,311	–
Purchase of wealth management products launched by banks	(3,467)	–
Deposit paid for the acquisition of an associate	–	(1,717)
Decrease in non-pledged time deposits with original maturity of more than three months when acquired	–	1,201
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(1,238)	(1,947)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of bonds	–	217,800
New trade finance loans	–	3,588
Repayment of trade finance loans	–	(5,690)
Proceeds from other borrowings	20,302	–
Repayment of other borrowings	(9,023)	–
Lease payments	(3,577)	(2,632)
Capital element of finance lease rental payments	(42)	(47)
Interest paid	(8,239)	(2,832)
NET CASH FLOWS (USED IN)/FROM FINANCING ACTIVITIES	(579)	210,187
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,381)	(40,120)
Cash and cash equivalents at the beginning of the period	40,159	98,640
Effect of foreign exchange rate changes, net	401	434
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	29,179	58,954
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	29,179	49,147
Non-pledged time deposits with original maturity of less than three months when acquired	–	9,807
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	29,179	58,954

Notes to the Condensed Consolidated Financial Statements

30 June 2019

1. CORPORATE INFORMATION

SFund International Holdings Limited was incorporated in the Cayman Islands on 30 September 2013 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company is Plus Value International Limited, which is incorporated in the British Virgin Islands (the "BVI"). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Suites 904-5, 9/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

During the six months ended 30 June 2019, the Group was principally engaged in (i) the trading of apparel products and provision of apparel supply chain management services; (ii) the provision of financial services; (iii) the money lending business; and (iv) securities investment. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing").

2. BASIS OF PRESENTATION AND PREPARATION

These unaudited condensed consolidated financial statements for the six months ended 30 June 2019 (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2018.

As at 30 June 2019, the Group had net current liabilities of HK\$97,045,000 (31 December 2018: net current assets of HK\$99,248,000) and net liabilities of HK\$67,213,000 (31 December 2018: net assets of HK\$5,498,000). The net current liabilities and the net liabilities position were attributable to material loss for the period as a result of the poor performance of the Group's businesses and the outstanding bonds payable balance of HK\$218.6 million due within twelve months from the end of the reporting period. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

The directors of the Company are formulating proposals for fund raising exercises, further details of which will be disclosed by way of announcements and it has taken the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

- (i) Subsequent to the end of the reporting period, Kapok Spirit Investment Limited ("Kapok Spirit"), an entity indirectly wholly owned by a substantial shareholder of the Company, issued a letter of intent to extend the bond maturity date of a bond payable of HK\$80,000,000 upon maturity on 30 September 2019.
- (ii) A substantial shareholder of the Company has undertaken to provide continuous financial support to the Group to meet its liabilities and obligations as and when they fall due.

Notes to the Condensed Consolidated Financial Statements

30 June 2019

2. BASIS OF PRESENTATION AND PREPARATION *(Continued)*

The directors of the Company have given careful consideration to the future liquidity of the Group and are of the opinion that the Group will be able to meet its financial obligations as they fall due for the foreseeable future, and accordingly, are satisfied that it is appropriate to prepare these financial statements on a going concern basis. The interim financial statements do not include any adjustments that might be necessary should the Group not be able to continue as a going concern.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

Amendments to HKFRS 9	<i>Prepayment Features with Negative Compensation</i>
Amendments to HKAS 19	<i>Plan Amendment, Curtailment or Settlement</i>
Amendments to HKAS 28	<i>Long-term Interests in Associates and Joint Ventures</i>
HK(IFRIC)-Int 23	<i>Uncertainty over Income Tax Treatments</i>
Annual Improvements 2015-2017 Cycle	<i>Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23</i>

Other than as explained below regarding the impact of Amendments to HKAS 28 *Long-term Interests in Associates and Joint Venture* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the presentation of the Group's Interim Financial Statements. The nature and impact of the new and revised HKFRSs that are applicable to the Group are described below:

- (a) Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group assessed its business model for its long-term interests in the associates upon adoption of the amendments on 1 January 2019 and concluded that the long-term interests in associates continue to be measured at amortised cost in accordance with HKFRS 9. Accordingly, the amendments did not have any impact on the Group's Interim Financial Statements.

Notes to the Condensed Consolidated Financial Statements

30 June 2019

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

- (b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as “uncertain tax positions”). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered the interpretation did not have any significant impact on the Group’s Interim Financial Statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the apparel trading and related services segment engages in trading of apparel products and provision of the apparel supply chain management services;
- (b) the financial services segment engages in securities dealing business, provision of asset management services, corporate finance and related advisory services;
- (c) the money lending segment engages in the provision of loan financing; and
- (d) the securities investment segment engages in investment in listed and unlisted investments.

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group’s loss before tax except that bank interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

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

- (a) all assets are allocated to operating segments other than unallocated assets, cash and cash equivalents and tax recoverable; and
- (b) all liabilities are allocated to operating segments other than unallocated liabilities, interest-bearing other borrowings, bonds payable, tax payable, deferred tax liabilities and other head office and corporate liabilities as these liabilities are managed on a group basis.

Notes to the Condensed Consolidated Financial Statements

30 June 2019

4. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2019 (Unaudited)

	Apparel trading and related services HK\$'000	Financial services HK\$'000	Money lending HK\$'000	Securities investment HK\$'000	Total HK\$'000
Revenue from contracts with customers:					
Recognised at a point in time	5,696	-	-	-	5,696
Recognised over time	1,418	641	-	-	2,059
	7,114	641	-	-	7,755
Revenue from other sources	-	-	9,054	(470)	8,584
Segment revenue	7,114	641	9,054	(470)	16,339
Segment results	(16,800)	(34,230)	6,725	(470)	(44,775)
<i>Reconciliation:</i>					
Bank interest income					28
Corporate and other unallocated expenses					(18,993)
Finance costs					(9,225)
Loss before tax					(72,965)
As at 30 June 2019 (Unaudited)					
Segment assets	11,897	58,482	131,892	757	203,028
<i>Reconciliation:</i>					
Corporate and other unallocated assets					35,632
Total assets					238,660
Segment liabilities	16,768	96,407	132,792	8,134	254,101
<i>Reconciliation:</i>					
Elimination of intersegment payables					(204,387)
Corporate and other unallocated liabilities					256,159
Total liabilities					305,873

Notes to the Condensed Consolidated Financial Statements

30 June 2019

4. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2018 (Unaudited)

	Apparel trading and related services HK\$'000	Financial services HK\$'000	Money lending HK\$'000	Securities investment HK\$'000	Total HK\$'000
Revenue from contracts with customers:					
Recognised at a point in time	83,066	–	–	–	83,066
Recognised over time	–	8,555	–	–	8,555
	83,066	8,555	–	–	91,621
Revenue from other sources	–	–	12,047	(4,418)	7,629
Segment revenue	83,066	8,555	12,047	(4,418)	99,250
Segment results	(41,199)	883	8,600	(4,418)	(36,134)
<i>Reconciliation:</i>					
Bank interest income					192
Corporate and other unallocated expenses					(17,166)
Finance costs					(10,900)
Loss before tax					(64,008)
As at 31 December 2018 (Audited)					
Segment assets	38,722	86,717	135,686	1,227	262,352
<i>Reconciliation:</i>					
Corporate and other unallocated assets					48,426
Total assets					310,778
Segment liabilities	24,374	94,753	128,503	8,134	255,764
<i>Reconciliation:</i>					
Elimination of intersegment payables					(197,662)
Corporate and other unallocated liabilities					247,178
Total liabilities					305,280

Notes to the Condensed Consolidated Financial Statements

30 June 2019

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical Information

During the period, approximately 33.3% (six months ended 30 June 2018: 75.9%) of the Group's total revenue from external customers, based on the locations of the products shipped to/locations of customers, were attributed to the United States of America ("USA"). For the purpose of identifying total revenue from external customers, revenue derived from fair value changes on equity investment at fair value through profit or loss are excluded.

An analysis of disaggregation of revenue from apparel trading and related services segment based on the locations of the products shipped to/locations of customers is as follows:

	30 June 2019 HK\$'000 (Unaudited)	30 June 2018 HK\$'000 (Unaudited)
USA	5,600	78,661
Mainland China	96	904
Others	1,418	3,501
	7,114	83,066

Revenue from financial services segment amounting to HK\$639,000 (six months ended 30 June 2018: HK\$8,375,000) and HK\$2,000 (six months ended 30 June 2018: HK\$180,000), based on the locations of customers, were derived in the Mainland China and Hong Kong, respectively. Revenue from money lending segment, based on location of the customers, were derived in Hong Kong.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the period is set out below:

		Six months ended 30 June	
Segment		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Customer A	Apparel trading and related services	5,527	N/A*
Customer B	Apparel trading and related services	–	44,059
Customer C	Apparel trading and related services	N/A*	29,604
Customer D	Money lending	5,967	N/A*
Customer E	Money lending	2,400	N/A*

* *Less than 10% of revenue*

Notes to the Condensed Consolidated Financial Statements

30 June 2019

5. REVENUE AND OTHER INCOME

Revenue represents (i) the aggregate of the net invoiced value of apparel products sold, after allowances for returns and trade discounts; (ii) interest income from money lending business; (iii) services income from advisory and fund management services; and (iv) change in fair value of an equity investment.

An analysis of the Group's revenue and other income is as follows:

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue from contracts with customers		
Sale of goods	5,623	83,066
Product service income	1,491	–
Advisory service income	2	180
Fund management fee income	639	8,375
Revenue from other sources		
Interest income from money lending business	9,054	12,047
Unrealised loss on an equity investment at fair value through profit or loss	(470)	(4,418)
	16,339	99,250

Notes to the Condensed Consolidated Financial Statements

30 June 2019

5. REVENUE AND OTHER INCOME *(Continued)*

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 30 June 2019

Segments	Apparel trading and related services HK\$'000 (unaudited)	Financial services HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Type of goods or services			
Sales of goods	5,623	–	5,623
Product service income	1,491	–	1,491
Advisory service income	–	2	2
Fund management fee income	–	639	639
	7,114	641	7,755
Geographical markets			
USA	5,600	–	5,600
Mainland China	96	639	735
Hong Kong	–	2	2
Others	1,418	–	1,418
	7,114	641	7,755
Timing of revenue recognition			
Goods or services transferred at a point in time	5,696	–	5,696
Services transferred over time	1,418	641	2,059
	7,114	641	7,755

Notes to the Condensed Consolidated Financial Statements

30 June 2019

5. REVENUE AND OTHER INCOME *(Continued)*

Revenue from contracts with customers *(continued)*

Disaggregated revenue information *(continued)*

For the six months ended 30 June 2018

Segments	Apparel trading and related services HK\$'000 (unaudited)	Financial services HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Type of goods or services			
Sales of goods	83,066	–	83,066
Advisory service income	–	180	180
Fund management fee income	–	8,375	8,375
	83,066	8,555	91,621
Geographical markets			
USA	78,661	–	78,661
Mainland China	904	8,375	9,279
Hong Kong	–	180	180
Others	3,501	–	3,501
	83,066	8,555	91,621
Timing of revenue recognition			
Goods transferred at a point in time	83,066	–	83,066
Services transferred over time	–	8,555	8,555
	83,066	8,555	91,621

Notes to the Condensed Consolidated Financial Statements

30 June 2019

5. REVENUE AND OTHER INCOME *(Continued)*

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Other income		
Bank interest income	28	192
Rework and compensation income	–	129
Rental income	126	252
Distribution income	175	138
Sundry income	428	237
	757	948

6. FINANCE COSTS

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest on trade finance loans	–	30
Interest on a finance lease	–	4
Interest on bonds payable	8,761	10,518
Interest on other borrowings	318	137
Unwinding of finance costs on lease liabilities	146	211
	9,225	10,900

Notes to the Condensed Consolidated Financial Statements

30 June 2019

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Cost of inventories sold	4,488	81,890
Depreciation of property, plant and equipment	889	1,186
Depreciation of right-of-use assets	3,179	2,446
Minimum lease payments under operating leases	935	1,828
Impairment of loans receivable	1,050	304
Impairment of accounts receivable, net*	19,726	–
Impairment of goodwill*	8,436	–
Foreign exchange differences, net	(136)	(773)

* During the six months ended 30 June 2019, impairment losses on fund management fee receivables of HK\$20,105,000 and goodwill of HK\$8,436,000 were recognised in profit or loss, respectively. In the opinion of the directors, due to the significant doubt of the recoverability of the overdue fund management fee receivables and unsatisfactory performance of the Group's fund management business, these amounts are not expected to be recoverable and their respective carrying values are written down to zero during the period.

8. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 June 2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the period.

The subsidiary of the Company established in Mainland China is subject to the People's Republic of China (the "PRC") corporate income tax at a standard rate of 25% (six months ended 30 June 2018: 25%) during the period.

No provision for Macao complementary tax has been made as the Company's subsidiary established in Macao is exempted from Macao complementary tax pursuant to Macao's relevant tax legislations (six months ended 30 June 2018: nil).

Cambodian tax on profit has been provided at the rate of 20% (six months ended 30 June 2018: 20%) on the taxable profits or a minimum tax of 1% (six months ended 30 June 2018: 1%) of total revenues, whichever is higher, arising during the period.

Notes to the Condensed Consolidated Financial Statements

30 June 2019

8. INCOME TAX *(Continued)*

No provision for Bangladesh income tax has been made on the liaison office of the Company's subsidiary as no assessment profit in Bangladesh was generated during the period (six months ended 30 June 2018: nil).

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current:		
– Hong Kong	–	103
– Elsewhere	21	1,226
Total tax charge for the period	21	1,329

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share for the six months ended 30 June 2019 is based on the loss attributable to owners of the parent of HK\$61,461,000 (six months ended 30 June 2018: HK\$66,717,000), and the weighted average number of ordinary shares of 480,000,000 (six months ended 30 June 2018: 480,000,000) in issue during the period.

Diluted loss per share equals to basic loss per share as there was no potentially dilutive ordinary shares in issue during the six months ended 30 June 2019 and 2018.

10. DIVIDENDS

The board of directors does not recommend the payment of any dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group purchased items of property, plant and equipment at costs of HK\$257,000 (six months ended 30 June 2018: HK\$1,431,000).

Notes to the Condensed Consolidated Financial Statements

30 June 2019

12. RIGHT-OF-USE ASSETS

	HK\$'000 (Unaudited)
At 1 January 2019	10,824
Additions	–
Depreciation provided during the period (note 7)	(3,179)
Remeasurement from early termination of a lease	(651)
Exchange realignment	(30)
	6,964
At 30 June 2019	6,964
At 30 June 2019:	
Cost	20,102
Accumulated depreciation	(13,138)
	6,964
Net carrying amount	6,964
	HK\$'000 (Audited)
At 1 January 2018	11,494
Additions	5,605
Depreciation provided during the year	(5,710)
Remeasurement from early termination of lease	(444)
Exchange realignment	(121)
	10,824
At 31 December 2018	10,824
At 31 December 2018:	
Cost	24,473
Accumulated depreciation	(13,649)
	10,824
Net carrying amount	10,824

Notes to the Condensed Consolidated Financial Statements

30 June 2019

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Listed equity investment	752	1,222
Unlisted equity investments	11	2,287
Wealth management products launched by banks	3,413	–
	4,176	3,509

14. ACCOUNTS RECEIVABLE

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade receivables	319	22,019
Fund management fee receivables	20,261	20,967
	20,580	42,986
Impairment	(20,537)	(847)
	43	42,139

Trade receivables

Trade receivables relate to the Group's apparel trading and related services business. The Group's trading terms with its customers in the apparel trading and related services business are mainly on credit. The credit period generally ranges from 30 to 90 days (2018: 30 to 90 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department in order to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over these balances. Trade receivables are non-interest-bearing.

Notes to the Condensed Consolidated Financial Statements

30 June 2019

14. ACCOUNTS RECEIVABLE *(Continued)*

Trade receivables *(Continued)*

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 1 month	16	9,874
1 to 2 months	–	9,281
2 to 3 months	–	753
Over 3 months	–	1,393
	16	21,301

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
At 1 January	718	283
Impairment loss (reversed)/recognised	(379)	435
Exchange realignment	(36)	–
At 30 June/31 December	303	718

Fund management fees receivables

Fund management fees receivables relate to the Group's fund management business and are due from investment funds in which the Group acts as the fund manager. Pursuant to the respective fund management agreements, the fund management fee shall be paid in advance at the beginning of each year. As at 30 June 2019, the fund management fee receivables net of impairment provision was HK\$27,000 (31 December 2018: HK\$20,838,000).

Notes to the Condensed Consolidated Financial Statements

30 June 2019

14. ACCOUNTS RECEIVABLE (Continued)

Fund management fees receivables (Continued)

An aging analysis of fund management fees receivables net of impairment provision as at the end of the reporting period, base on the period in which services were rendered, is as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Not yet due	–	721
Less than 1 year past due	27	13,363
More than 1 year past due	–	6,754
	27	20,838

The movements in provision for impairment of fund management fees receivables is as follow:

	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
At 1 January	129	47
Impairment loss recognised	20,105	82
At 30 June/31 December	20,234	129

15. LOANS RECEIVABLE

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Loans receivable	130,400	131,465
Less: allowance for expected credit loss	(1,259)	(209)
	129,141	131,256

Loans receivable arising from the money lending business of the Group bear interest at rates ranging from 10% to 13% (31 December 2018: 10% to 13%) per annum. The grants of these loans were approved and monitored by the Group's management. As at 30 June 2019, loans receivable with an aggregate carrying amount of HK\$118,883,000 (31 December 2018: HK\$119,889,000) were secured by the pledge of collaterals.

Notes to the Condensed Consolidated Financial Statements

30 June 2019

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES/OTHER PAYABLES AND ACCRUALS

In 2018, a substantial shareholder of the Company (the "Substantial Shareholder"), through a 51% owned subsidiary of the Group, advanced an amount of RMB28,440,000 (approximately HK\$32,348,000) (31 December 2018: RMB28,440,000 (approximately HK\$32,366,000)) (the "Advance") to an independent third party (the "Borrower") for the purpose of capital contribution to two investment funds managed by the Group (the "Pass-through Arrangement"). The Advance is unsecured, bears interest at 1.5% per month with maturity on 21 August 2018. Under this Pass-through Arrangement, the Group should bear no responsibilities as to the repayment of the Advance by the Borrower and other liabilities as well as the interest associated to the Advance. As at 30 June 2019, the amount of proceed received from the Substantial Shareholder and the Advance to the Borrower amounting to RMB28,440,000 (approximately HK\$32,348,000) (31 December 2018: RMB28,440,000 (approximately HK\$32,366,000)) were presented on a gross basis and included in "other payables and accruals" and "prepayments, deposits and other receivables", respectively, on the condensed consolidated statement of financial position as the associated document/agreement in connection with the Pass-through Arrangement did not establish the Group's right of off-set.

17. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 1 month	708	7,337

The trade payables are non-interest-bearing and are normally settled on an average term of 30 days.

Notes to the Condensed Consolidated Financial Statements

30 June 2019

18. INTEREST-BEARING OTHER BORROWINGS

	30 June 2019 (Unaudited)			31 December 2018 (Audited)		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current						
Finance lease payable	-	-	-	5.00	2019	82
Other loan						
– unsecured	6.00	2020	10,253	6.00	2019	7,734
Loans from shareholders						
– unsecured	8.00	2019	8,900	-	-	-
			19,153			7,816

Notes:

- (a) Certain of the Group's other borrowings were secured by:
- (i) certain security deposits placed to banks by a former director of a subsidiary of the Group; and
 - (ii) personal guarantees given by a former director of a subsidiary of the Group.
- (b) As at 30 June 2019, other loans of HK\$8,912,500 were denominated in United States dollars ("US\$").
- (c) As at 31 December 2018, other loans of HK\$7,734,000 and finance lease payable of HK\$82,000 were denominated in US\$ and RMB, respectively.

19. BONDS PAYABLE

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Unlisted bonds repayable within one year	218,617	79,962
Unlisted bonds repayable after one year	-	138,131
	218,617	218,093

Notes to the Condensed Consolidated Financial Statements

30 June 2019

19. BONDS PAYABLE (Continued)

At the end of the reporting period, the particulars of the straight bonds issued by the Company are as follows:

Issue date	Maturity from issue date	Coupon rate	Effective interest rate	Principal outstanding	
				30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
30 October 2017	23 months	8%	7.93%	80,000*	80,000*
24 January 2018	720 days	7.5%	8.21%	95,000	95,000
14 February 2018	720 days	7.5%	7.92%	40,000	40,000

All bonds are unsecured and contain no conversion feature.

* The straight bond was issued by the Company to Kapok Spirit, an entity indirectly wholly owned by a substantial shareholder of the Company. Subsequent to the end of the reporting period, Kapok Spirit issued a letter of intent to extend the bond maturity date upon maturity on 30 September 2019.

20. SHARE CAPITAL

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Authorised:		
1,000,000,000 ordinary shares of HK\$0.01 each	10,000	10,000
Issued and fully paid:		
480,000,000 ordinary shares of HK\$0.01 each	4,800	4,800

21. NOTE TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

During the six months ended 30 June 2018, the Group recognised the right-of-use assets and the corresponding lease liabilities in respect of the rights and obligations for using the rental leases, with aggregate amounts of HK\$980,000 and HK\$980,000, respectively. There was no such non-cash transaction during the period.

Notes to the Condensed Consolidated Financial Statements

30 June 2019

22. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group subleased a property under an operating lease arrangement, with a lease negotiated for a term of two years.

As at the end of the reporting period, the Group had total future minimum lease receivables under a non-cancellable operating lease with its tenant falling due as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within one year	–	126

(b) As lessee

The Group leases certain of its office premises and staff quarter under operating lease arrangements. The leases are negotiated for terms ranging from 6 months to two years which are cancellable with notice periods ranging from one to three months.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within one year	196	126

23. COMMITMENTS

In addition to the operating lease commitments detailed in note 22(b) above, the Group had a capital commitment of RMB3,920,000 (approximately HK\$4,459,000) in relation to capital injection in an associate, Hunan Guakai Railway Development Private Equity Fund Management Company Limited (31 December 2018: RMB3,920,000 (approximately HK\$4,461,000)).

Notes to the Condensed Consolidated Financial Statements

30 June 2019

24. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these Interim Financial Statements, the Group had the following significant transactions with related parties during the period:

	Notes	Six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest expense payable to Kapok Spirit	(i)	3,193	3,193
Interest expense payable to Mr. Lai Leong	(ii)	69	62
Interest expense payable to SFund International Investment Fund Management Limited ("SFund Investment")	(ii)	97	–
Referral fee to SFund Investment	(iii)	2,955	2,900

Notes:

- (i) The interest expense on a bond payable was paid to Kapok Spirit, a company indirectly wholly owned by a substantial shareholder of the Company. Details of which are included in note 19 to the Interim Financial Statements.
- (ii) The interest expenses on shareholders' loans were paid to Mr. Lai Leong and SFund Investment. Details of the shareholders' loans are included in note 18 to the Interim Financial Statements.
- (iii) The referral fee was paid to SFund Investment, a substantial shareholder of the Company, for referral services rendered during the period. The referral fee was charged based on mutually agreed terms.

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Short term employee benefits	2,841	4,680
Post-employment benefits	27	36
Total compensation paid to key management personnel	2,868	4,716

Notes to the Condensed Consolidated Financial Statements

30 June 2019

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amount		Fair value	
	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Financial asset				
Equity investments at fair value through profit or loss	763	3,509	763	3,509
Wealth management products launched by banks	3,413	–	3,413	–

Management has assessed that the fair values of accounts receivable, loans receivable, the current portion of financial assets included in prepayments, deposits and other receivables, cash and cash equivalents, trade payables, the current portion of financial liabilities included in other payables and accruals and interest-bearing other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, interest-bearing other borrowing and bonds payable have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing other borrowing and bonds payable as at 30 June 2019 was assessed to be insignificant. In the opinion of the directors, their carrying amounts are not significantly different from their respective fair values.

The fair values of listed and unlisted equity investments are based on quoted market price and net asset value, respectively. For wealth management products launched by banks with no quoted prices in active markets, their fair values are determined by valuation techniques whose inputs include quoted prices of underlying investment portfolio which are observable.

Notes to the Condensed Consolidated Financial Statements

30 June 2019

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable inputs (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
As at 30 June 2019 (Unaudited)				
Financial assets at fair value through profit or loss:				
Listed equity investment	752	–	–	752
Unlisted equity investments	–	–	11	11
Wealth management products launched by banks	–	3,413	–	3,413
	752	3,413	11	4,176
As at 31 December 2018 (Audited)				
Financial assets at fair value through profit or loss:				
Listed equity investment	1,222	–	–	1,222
Unlisted equity investments	–	–	2,287	2,287
	1,222	–	2,287	3,509

The Group did not have any financial liabilities measured at fair value as at 30 June 2019 and 31 December 2018.

During the six months ended 30 June 2019 and the year ended 31 December 2018, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Notes to the Condensed Consolidated Financial Statements

30 June 2019

26. EVENT AFTER THE REPORTING PERIOD

On 26 July 2019, the Group and Yuan Heng Gas Holdings Limited (“Yuan Heng”), an independent third party, entered into the second supplemental agreement with retrospective effect from 25 July 2019 pursuant to which the Group had agreed to extend the maturity date of the remaining HK\$75,000,000 of the original facility to 25 January 2020 (or any other date as may be agreed by the Group and Yuan Heng in writing). The loan continues to be secured by the charge over the entire issued share capital of an indirect wholly-owned subsidiary of Yuan Heng and the floating charge over all or any part of the property and/or assets of an indirect wholly-owned subsidiary of Yuan Heng in favour of the Group.

27. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the board of directors on 30 August 2019.

Independent Review Report



TO THE BOARD OF DIRECTORS OF SFUND INTERNATIONAL HOLDINGS LIMITED (Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We were engaged to review the interim financial information set out on pages 27 to 56, which comprises the condensed consolidated statement of financial position of SFund International Holdings Limited (the “Company”) and its subsidiaries (the “Group”) as at 30 June 2019 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and 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 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants.

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. Our report is made 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 Hong Kong Institute of Certified Public Accountants. 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.

DISCLAIMER OF CONCLUSION

We do not express a conclusion on the interim financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Conclusion section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for a conclusion on these financial statements.

Independent Review Report

BASIS FOR DISCLAIMER OF CONCLUSION

As discussed in note 2 to the interim financial statements concerning the adoption of the going concern basis on which the interim financial statements have been prepared, the Group had net current liabilities of HK\$97,045,000 and net liabilities of HK\$67,213,000 as at 30 June 2019. These conditions indicate the existence of a material uncertainty that casts a significant doubt on the Group's ability to continue as a going concern. The directors of the Company are undertaking certain measures to improve the Group's liquidity and financial position which are set out in note 2 to the interim financial statements. The interim financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to uncertainties, including (i) the ultimate success of the formulation of the fund raising exercises conducted by the Group, and (ii) the final outcome of the Group in obtaining the continuous financial support from its substantial shareholders. We were unable to obtain sufficient appropriate evidence as to the likelihood, or otherwise, of these measures being successful. As a result of these multiple uncertainties, the potential interaction of these uncertainties, and, the possible cumulative effects thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate and the related disclosures are sufficient.

If the Group had prepared the interim financial statements on an alternative basis, significant adjustments to the amounts and presentation of financial statement items may have been required.

Ernst & Young
Certified Public Accountants

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Central, Hong Kong

30 August 2019