



GREEN INTERNATIONAL
Holdings Limited

格林國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2700)

INTERIM REPORT
2019

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Green International Holdings Limited
Interim Report 2019

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Qigang (*Chairman*)
Mr. Chen Hanhong
Mr. Liu Dong

Independent Non-executive Directors

Mr. Wu Hong
Mr. David Tsoi
Mr. Wang Chunlin

AUDIT COMMITTEE

Mr. David Tsoi (*Chairman*)
Mr. Wu Hong
Mr. Wang Chunlin

REMUNERATION COMMITTEE

Mr. David Tsoi (*Chairman*)
Mr. Yu Qigang
Mr. Wu Hong
Mr. Wang Chunlin

NOMINATION COMMITTEE

Mr. Yu Qigang (*Chairman*)
Mr. David Tsoi
Mr. Wu Hong
Mr. Wang Chunlin

COMPANY SECRETARY

Mr. Tsang Kwok Wai
(appointed on 1 April 2019)
Mr. Chan Chun Kau
(resigned with effect from
31 March 2019)

AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31st Floor, Gloucester Tower
The Landmark, 11 Pedder Street
Central, Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2208-09, 22/F
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

Corporate Information

PRINCIPAL BANKERS

OCBC Wing Hang Bank Limited

WEBSITE

<http://www.irasia.com/listco/hk/greeninternational/>

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

Tricor Investor Services Limited
Level 54 Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

2700

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2019

		For the six months ended 30 June	
	Notes	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue	4	40,775	41,073
Direct costs and operating expenses		(15,431)	(10,794)
Gross profit		25,344	30,279
Other income and gains, net	5	997	5,105
Selling expenses		(16,799)	(18,767)
Administrative expenses		(36,355)	(40,486)
Gain on disposal of a subsidiary		–	240
Fair value changes of derivative financial instruments			
– Financial assets at fair value through profit or loss		(10,898)	–
– Financial liabilities at fair value through profit or loss		2,913	1,606
Finance costs, net	6	(6,090)	(7,234)
Loss before income tax	7	(40,888)	(29,257)
Income tax (expense)/credit	8	(188)	483
Loss for the period		(41,076)	(28,774)
Loss for the period attributable to:			
– Equity holders of the Company		(40,869)	(30,849)
– Non-controlling interests		(207)	2,075
		(41,076)	(28,774)
Loss per share for loss for the period attributable to the equity holders of the Company			(Restated)
– Basic and diluted (HK\$ cents)	9	(3.38)	(5.68)

The notes on pages 10 to 49 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Loss for the period	(41,076)	(28,774)
Other comprehensive income/(expense), net of tax		
— Exchange differences	676	(1,991)
Total comprehensive expense for the period	(40,400)	(30,765)
Total comprehensive expense for the period attributable to:		
— Equity holders of the Company	(40,186)	(32,399)
— Non-controlling interests	(214)	1,634
	(40,400)	(30,765)

The notes on pages 10 to 49 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment		79,355	80,662
Right-of-use assets		29,289	–
Goodwill		36,420	36,420
Trademark user right and technical know-how		94,887	94,887
		239,951	211,969
Current assets			
Inventories		9,717	9,240
Trade receivables	11	6,510	4,341
Prepayments, deposits and other receivables		16,969	22,360
Financial asset at fair value through profit or loss		4,102	15,000
Derivative financial assets	15(a)	703	703
Tax recoverable		707	707
Bank balances-trust and segregated accounts	12	640	11,826
Bank balances (general accounts) and cash	12	160,109	52,911
		199,457	117,088
Total assets		439,408	329,057
EQUITY			
Capital and reserves attributable to the equity holders of the Company			
Share capital	16	58,931	28,742
Reserves		147,105	57,479
		206,036	86,221
Non-controlling interests		11,824	12,038
Total equity		217,860	98,259

The notes on pages 10 to 49 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
LIABILITIES			
Non-current liabilities			
Convertible bonds	15(a)	–	56,807
Bonds payables	14	10,613	9,733
Lease liabilities		51,133	34,316
Deferred tax liabilities		9,800	9,989
		71,546	110,845
Current liabilities			
Trade payables	13	9,875	18,209
Contract liabilities		6,218	11,117
Other payables, accruals and deposits received		43,814	39,752
Convertible bonds	15(a)	72,754	14,379
Financial liabilities at fair value through profit or loss	15(b)	–	2,913
Loan from a related company		–	30,753
Lease liabilities		17,341	2,465
Tax payable		–	365
		150,002	119,953
Total liabilities		221,548	230,798
Total equity and liabilities		439,408	329,057
Net current assets/(liabilities)		49,455	(2,865)
Total assets less current liabilities		289,406	209,104

The notes on pages 10 to 49 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to the equity holders of the Company								
	Share capital HK\$'000 (Unaudited)	Share premium HK\$'000 (Unaudited)	Share-based equity reserve* HK\$'000 (Unaudited)	Convertible bonds – equity component reserve* HK\$'000 (Unaudited)	Exchange reserve* HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Non-controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
As at 31 December 2017	19,725	544,946	4,696	12,328	5,828	(674,270)	(86,747)	6,678	(80,069)
Addition of HKFRS 9 (Note)	-	-	-	-	-	(369)	(369)	-	(369)
Adjusted balance at 1 January 2018	19,725	544,946	4,696	12,328	5,828	(674,639)	(87,116)	6,678	(80,438)
Total comprehensive income/(expenses) for the period									
Acquisition of subsidiaries	-	-	-	-	-	-	-	4,795	4,795
Loss for the period	-	-	-	-	-	(30,849)	(30,849)	2,075	(28,774)
Other comprehensive expenses for the period	-	-	-	-	(1,551)	-	(1,551)	(440)	(1,991)
	-	-	-	-	(1,551)	(30,849)	(32,400)	6,430	(25,970)
Transaction with owners									
Issue of convertible bonds	-	-	-	124,677	-	-	124,677	-	124,677
Redemption of convertible bonds	2,850	51,567	-	(6,329)	-	6,931	54,419	-	54,419
Conversion of financial liabilities at fair value	726	12,503	-	-	-	-	13,229	-	13,229
Conversion of convertible bonds	-	-	-	(713)	-	-	(713)	-	(713)
Lapse of share options	-	-	(1,838)	-	-	1,838	-	-	-
Deferred tax	-	-	-	(772)	-	-	(772)	-	(772)
	3,576	64,070	(1,838)	116,263	-	8,769	190,840	-	190,840
As at 30 June 2018 (restated)	23,301	609,016	2,858	128,591	4,277	(696,719)	71,324	13,108	84,432
As at 1 January 2019	28,742	627,290	2,858	162,202	6,994	(741,865)	86,221	12,038	98,259
Total comprehensive income/(expenses) for the period									
Loss for the period	-	-	-	-	-	(40,869)	(40,869)	(207)	(41,076)
Other comprehensive income/(expenses) for the period	-	-	-	-	683	-	683	(7)	676
	-	-	-	-	683	(40,869)	(40,186)	(214)	(40,400)
Transaction with owners									
Issue of share capital	30,189	129,812	-	-	-	-	160,001	-	160,001
Lapse of share options	-	-	(2,858)	-	-	2,858	-	-	-
	30,189	129,812	(2,858)	-	-	2,858	160,001	-	160,001
As at 30 June 2019	58,931	757,102	-	162,202	7,677	(779,876)	206,036	11,824	217,860

* The other reserves as presented in the condensed consolidated statement of financial position are comprised of these reserve accounts.

Note: Upon the adoption of HKFRS 9 “Financial Instruments” on 1 January 2018, an impact of HK\$369,000 was recorded as an adjustment to the accumulated losses as at 1 January 2018, which represented the impairment loss allowance.

The notes on pages 10 to 49 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Notes	Six months ended 30 June	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Net cash used in operating activities		(18,988)	(163,073)
Net cash used in investing activities		(1,992)	(45,562)
Net cash generated from financing activities		128,094	229,704
Net increase in cash and cash equivalents		107,114	21,069
Cash and cash equivalents as at 1 January		52,911	26,458
Effects of exchange rate changes on balances denominated in foreign currencies		84	(1,991)
Cash and cash equivalents as at 30 June	12	160,109	45,536

The notes on pages 10 to 49 are an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Green International Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 8 March 2006 as an exempted company with limited liability. Its registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in 2006.

During the six months ended 30 June 2019, the Company and its subsidiaries (the “**Group**”) was principally engaged in provision of (i) health, medical and related services, (ii) beauty and wellness services, and (iii) integrated financial services comprising money-lending, securities brokerage, advising on securities and asset management.

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

These condensed consolidated financial statements do not include all the information and disclosure required in the annual financial statements, and should be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 December 2018.

These condensed consolidated financial statements have been prepared on a historical cost convention, except as disclosed in the accounting policies and the explanatory notes. These condensed consolidated financial statements are presented in Group’s functional currency, Hong Kong dollars (“**HK\$**”), and all values are rounded to the nearest thousand (“**HK\$’000**”), except when otherwise indicated.

Notes to the Condensed Consolidated Interim Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2019. HKFRSs comprise Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s financial statements and amounts reported for the current period and prior year except as stated below:

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

Notes to the Condensed Consolidated Interim Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group leases various rental contracts which are typically made for fixed periods. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of fixed payments (including in-substance fixed payments).

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

The Group has adopted HKFRS 16 from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the simplified transition approach in the standard. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening balance sheet on 1 January 2019.

Notes to the Condensed Consolidated Interim Financial Statements

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Impacts and changes in accounting policies of application on HKFRS 16 Leases *(Continued)*

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as “operating leases” under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019 in each territory or region where the lease assets are located.

The Group elected the modified retrospective approach for the application of HKFRS 16 as lessee and recognised the cumulative effect of initial application without restating comparative information.

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group’s activities expose it to a variety of financial risk: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risk.

These condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual statements; they should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2018. There has been no change in any risk management policies since the year end.

Notes to the Condensed Consolidated Interim Financial Statements

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Fair value estimation on a recurring basis

The table below analyses financial instruments carried at fair value at the end of each reporting period, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted price (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's assets and liabilities that are measured at fair value as at 30 June 2019 and 31 December 2018:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 30 June 2019				
<i>Financial assets</i>				
Financial asset at fair value through profit or loss	4,102	–	–	4,102
Derivative financial assets <i>(Note 15(a))</i>	–	–	703	703

Notes to the Condensed Consolidated Interim Financial Statements

3. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Fair value estimation on a recurring basis *(Continued)*

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 31 December 2018				
<i>Financial assets</i>				
Financial asset at fair value through profit or loss	15,000	–	–	15,000
Derivative financial assets <i>(Note 15(a))</i>	–	–	703	703
<i>Financial liabilities</i>				
Financial liabilities at fair value through profit or loss	–	–	2,913	2,913

There were no transfers between Levels 1, 2 and 3 and changes in valuation techniques during the periods.

Notes to the Condensed Consolidated Interim Financial Statements

4. REVENUE AND SEGMENT INFORMATION

The Group primarily operates in Hong Kong and the People's Republic of China (the "**PRC**"). The Group's operating businesses are structured and managed separately according to the nature of their operations and the products or services they provide. Each of the Group's business units represents a strategic business unit that offers products or services which are subject to risks and returns that are different from those of the other business units. The Group's business units are as follows:

- (a) the health and medical segment engages in the operation of health, medical and related businesses of its clubhouse, hemodialysis center and hospital;
- (b) the beauty and wellness segment engages in the provision of beauty and wellness services; and
- (c) the financial segment engages in money lending, securities brokerage, advising on securities and asset management businesses.

Operating segments are identified for financial reporting purposes in a manner consistent with the internal reporting provided to the chief operating decision-maker. The board (the "**Board**") of directors (the "**Directors**") is identified as the Group's chief operating decision-maker.

Inter-segment revenue is eliminated on consolidation. Inter-segment sales and transfers are transacted according to the relevant prevailing market prices.

Segment results are presented as operating profit or loss.

Notes to the Condensed Consolidated Interim Financial Statements

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

Revenue of the Group by operating, together with analyses of the segment revenue by geographical regions, is as follows:

	Health and medical business <i>HK\$'000</i> (Unaudited)	Beauty and wellness business <i>HK\$'000</i> (Unaudited)	Financial business <i>HK\$'000</i> (Unaudited)	Consolidated <i>HK\$'000</i> (Unaudited)
For the six months ended 30 June 2019				
Hong Kong				
– At a point in time	–	–	13	13
The PRC				
– At a point in time	20,936	19,826	–	40,762
	20,936	19,826	13	40,775
For the six months ended 30 June 2018				
Hong Kong				
– At a point in time	–	–	79	79
The PRC				
– At a point in time	19,392	21,602	–	40,994
	19,392	21,602	79	41,073

Geographical analysis of revenue is allocated based on the geographical locations in which customers are located and the geographical locations of operations for health and medical business, beauty and wellness business and financial business segments, respectively. There was no revenue from any single customer contributing over 10% of total revenue of the Group for the six months ended 30 June 2019 and 2018.

Notes to the Condensed Consolidated Interim Financial Statements

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

Results by operating segments are as follows:

	For the six months ended	
	30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Health and medical business	(13,314)	(3,507)
Beauty and wellness business	2,865	3,515
Financial business	(2,220)	(1,570)
Total net operating loss by operating segments	(12,669)	(1,562)
Unallocated corporate expenses, net	(14,144)	(22,307)
Fair value change of derivative financial instruments		
– Financial assets at fair value through profit or loss	(10,898)	–
– Financial liabilities at fair value through profit or loss	2,913	1,606
Gain on disposal of a subsidiary	–	240
Finance costs, net	(6,090)	(7,234)
Loss before income tax	(40,888)	(29,257)
Income tax (expense)/credit	(188)	483
Loss for the period	(41,076)	(28,774)

Notes to the Condensed Consolidated Interim Financial Statements

4. REVENUE AND SEGMENT INFORMATION (Continued)

Non-current assets of the Group, excluding financial instruments, by operating segments and geographical regions are as follows:

	Health and medical business HK\$'000 (Unaudited)	Beauty and wellness business HK\$'000 (Unaudited)	Financial business HK\$'000 (Unaudited)	Unallocated corporate assets HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
As at 30 June 2019					
Hong Kong	-	-	2	809	811
The PRC	102,251	136,241	-	648	239,140
Segment total non-current assets (excluding financial instruments)	102,251	136,241	2	1,457	239,951
	Health and medical business HK\$'000 (Audited)	Beauty and wellness business HK\$'000 (Audited)	Financial business HK\$'000 (Audited)	Unallocated corporate assets HK\$'000 (Audited)	Consolidated HK\$'000 (Audited)
As at 31 December 2018					
Hong Kong	-	-	69	1,123	1,192
The PRC	82,476	127,682	-	619	210,777
Segment total non-current assets (excluding financial instruments)	82,476	127,682	69	1,742	211,969

Notes to the Condensed Consolidated Interim Financial Statements

5. OTHER INCOME AND GAINS, NET

	For the six months ended 30 June	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Donation received	–	3,961
Sundry income	873	1,144
Reversal of expected credit losses of other receivables	124	–
	997	5,105

6. FINANCE COSTS, NET

	For the six months ended 30 June	
	2019 <i>HK\$'000</i> (Unaudited)	2018 <i>HK\$'000</i> (Unaudited)
Interest incomes:		
– Bank deposits	(66)	(18)
Interest expenses:		
– Convertible bonds	3,352	3,945
– Bonds payable	880	927
– Other borrowings	486	1,448
– Lease liabilities	1,438	932
	6,090	7,234

Notes to the Condensed Consolidated Interim Financial Statements

7. LOSS BEFORE INCOME TAX

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Depreciation of property, plant and equipment	5,939	6,284
Depreciation of right-of-use assets	10,862	–
Employee benefit expenses	17,282	20,823
Operating lease rental expenses	–	8,780

8. INCOME TAX (EXPENSE)/CREDIT

Hong Kong profits tax and the PRC enterprise income tax have been provided at the rate of 16.5% and 25% respectively (for the six months ended 30 June 2018: 16.5% and 25% respectively), on the estimated assessable profits for the period, based on existing legislation, interpretations and practices in respect thereof.

The amounts of income tax (expense)/credit charged to the condensed consolidated statement of profit or loss are as follows:

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current taxation		
PRC enterprise income tax		
– Current year	(377)	(9)
– Under-provision in respect of prior year	–	315
	(377)	306
Deferred taxation	189	177
Income tax (expense)/credit	(188)	483

Notes to the Condensed Consolidated Interim Financial Statements

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	For the six months ended	
	30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the purpose of basic and diluted loss per share	(40,869)	(30,849)
	'000	'000
		(Restated)
Number of shares		
Weighted average number of ordinary shares in issue	1,210,575	543,571
		(Restated)
Loss per share		
Basic loss per share (HK cents)	(3.38)	(5.68)

Note: The weighted average number of ordinary shares for the six months ended 30 June 2019 and 2018 has been adjusted for four-to-one share consolidation of the Company which became effective on 4 March 2019.

Diluted

For the six months ended 30 June 2019 and 2018, the effect of the Company's share option and convertible bonds was anti-dilutive and were therefore not included in the calculation of the diluted loss per share.

Notes to the Condensed Consolidated Interim Financial Statements

10. DIVIDENDS

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: Nil).

11. TRADE RECEIVABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade receivables arising from the ordinary course of business of dealing in securities transactions:		
— Cash clients	—	75
— Clearing house	—	—
	—	75
Trade receivables arising from ordinary course of business, except for business of dealing in securities transactions	58,489	56,245
Less: Provision for discount on past due balances	(51,979)	(51,979)
	6,510	4,266
Total	6,510	4,341

Notes to the Condensed Consolidated Interim Financial Statements

11. TRADE RECEIVABLES *(Continued)*

Trade receivables arising from the business of dealing in securities

The Group seeks to maintain tight control over its outstanding trade receivables and has procedures and policies to assess its clients' credit quality and defines credit limits for each client. All client acceptances and credit limit are approved by designated approvers according to the clients' credit worthiness.

The normal settlement terms of trade receivables from clients and clearing house arising from the ordinary course of business of securities brokerage services are two trading days after the trade date.

Trade receivables due from cash clients are secured by clients' securities, which are publicly traded equity securities listed in Hong Kong. The fair values of the securities as at 30 June 2019 were HK\$Nil (31 December 2018: approximately HK\$75,000). All trade receivables from cash clients are neither past due nor impaired as at 30 June 2019 and 31 December 2018 and the directors of the Company are of the opinion that the amount are recoverable. Cash client receivables which were past due but not impaired bear interest at interest rates by reference to Hong Kong prime rate plus certain basis points based on management's discretion.

In addition, the Group has a policy for determining the allowance for impairment of trade receivables without sufficient collateral based on the evaluation of collectability and aging analysis of accounts and on management's judgement including the creditworthiness, collateral and the past collection history of each client.

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date the credit was initially granted up to the reporting date and the fair values of the collateral held.

Notes to the Condensed Consolidated Interim Financial Statements

11. TRADE RECEIVABLES *(Continued)*

Trade receivables arising from businesses other than dealing in securities

The Group's trade receivables are generally with credit periods of 90 days. The maximum exposure to credit risk at the end of the reporting period is the carrying amounts of the trade receivables. The Group does not hold any collateral as security. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history to minimise the credit risk.

The ageing analysis of gross carrying amount of trade receivables, based on invoice dates, as at 30 June 2019 and 31 December 2018 were as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 30 days	4,358	3,410
31–60 days	981	572
61–90 days	498	182
91–180 days	244	54
Over 180 days	52,408	52,027
	58,489	56,245

Management assessed the credit quality of those trade receivables of approximately HK\$5,837,000 (31 December 2018: HK\$4,164,000) that are neither past due nor impaired by reference to the repayment history and current financial position of those customers. Those receivables are related to individual customers for whom there was no recent history of default and no significant change in credit quality. Management believes that no provision for impairment is necessary and those balances are expected to be fully recoverable.

Notes to the Condensed Consolidated Interim Financial Statements

12. CASH AND BANK BALANCES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Bank balances — trust and segregated accounts <i>(Note (iii))</i>	640	11,826
Bank balances (general accounts) and cash <i>(Note (iv))</i>	160,109	52,911
	160,749	64,737

Notes:

- (i) An indirect wholly-owned subsidiary of the Company receives and holds money deposited by clients in the course of the conduct of the regulated activities of its ordinary business. The client's monies are maintained in one or more segregated bank accounts. The Group has recognised the corresponding trade payables to respective clients. However, the Group does not have a currently enforceable right of offset those payables with deposits placed.
- (ii) The amounts comprise cash held by the Group and short-term bank deposits at market interest rates with an original maturity of three months or less.
- (iii) Segregated accounts

From the Group's ordinary business in provision of brokerage and related services, the Group receives and holds money deposited by clients in the course of the conduct of the regulated activities. These clients' monies are maintained in segregated bank accounts at market interest rates. The Group has recognized the corresponding accounts payable to respective clients. At 30 June 2019, the segregated accounts with authorized institutions in relation to its brokerage business totaling HK\$640,000 (31 December 2018: HK\$11,826,000).

Notes to the Condensed Consolidated Interim Financial Statements

12. CASH AND BANK BALANCES (Continued)

Notes: (Continued)

(iv) House accounts

Cash and bank balances comprise cash held by the Group and bank deposits at variable interest rate with original maturity of three months or less.

At 30 June 2019, the Group's certain bank deposits of approximately HK\$24,128,000 (31 December 2018 HK\$35,594,000) denominated in RMB were placed with bank in the PRC.

Cash and bank balance are denominated in the following currencies:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Hong Kong dollars	136,611	35,497
Renminbi	24,138	29,239
US dollars	–	1
	160,749	64,737

Cash at banks earns interest at floating rates based on daily bank deposit rates.

RMB is not a freely convertible currency in the PRC and the remittance of funds out of the PRC is subject to the foreign exchange control imposed by the government of the PRC. The Group's cash and bank balances denominated in RMB which located in Hong Kong are not subject to the foreign exchange control.

Notes to the Condensed Consolidated Interim Financial Statements

13. TRADE PAYABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade payables arising from the ordinary course of business of dealing in securities transactions:		
– Cash clients	656	11,900
– Clearing house	1	1
Trade payables from purchase of goods other ordinary course of business, except for business of dealing in securities transactions	9,218	6,308
	9,875	18,209

Trade payables arising from the business of dealing in securities

The trade payables balances arising from the ordinary course of business of securities brokerage services are normally settled in two trading days after the trade date except for the money held on behalf of clients at the segregated bank accounts which are repayable on demand. No ageing analysis is disclosed as, in the opinion of directors of the Company, an ageing analysis does not give additional value in view of the nature of this business.

Notes to the Condensed Consolidated Interim Financial Statements

13. TRADE PAYABLES *(Continued)*

Trade payables arising from other businesses

The ageing analysis of trade payables, based on invoice dates, as at 30 June 2019 and 31 December 2018 are as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 30 days	3,273	2,737
31–60 days	2,187	1,064
61–90 days	244	57
91–180 days	178	72
Over 180 days	3,336	2,378
	9,218	6,308

14. BONDS PAYABLES

Bonds payables recognised in the condensed consolidated statement of financial position is calculated as follows:

	<i>HK\$'000</i>
As at 1 January 2018	8,516
Interest paid	(500)
Interest expense	1,717
As at 31 December 2018	9,733
Interest expense	880
As at 30 June 2019	10,613

Notes to the Condensed Consolidated Interim Financial Statements

14. BONDS PAYABLES *(Continued)*

As at 30 June 2019, there were outstanding bonds with an aggregate principal amount HK\$14,000,000.

- (i) On 28 June 2016, the Company entered into a placing agreement with Enhanced Securities Limited (“**Enhanced Securities**”), pursuant to which Enhanced Securities agreed with the Company to place bonds up to a principal amount of HK\$10,000,000 to a placee who is an independent third party at 100% of principal amount of the bonds. The bond is denominated in Hong Kong dollars, unsecured, bears interest at 5% per annum and will mature on the date falling on the seventh anniversary of the issue of the bond. Interest is payable in arrears annually on each anniversary of the date of the issue.

The bond was successfully placed to the placee on the same date. The effective interest rate of the bond was 10.40% to 11.16% per annum.

- (ii) On 24 March 2017, the Company entered into a placing agreement with Green Securities Limited (“**Green Securities**”), pursuant to which Green Securities agreed with the Company to place bonds up to a principal amount of HK\$4,000,000 to a placee who is an independent third party at 100% of the principal amount of the bonds. The bond is denominated in Hong Kong dollars, unsecured, bears interest at 7.15% per annum and will mature on the date falling on the seventh anniversary of the issue of the bond. Interest is payable in arrears annually on each anniversary of the date of the issue.

The bond was successfully placed to the placee on the same date. The effective interest rate of the bond was 10.55% to 13.24% per annum.

The fair value of each of the bonds at issue was calculated using market interest rates for equivalent bonds. The difference between the fair value at issue and the net proceeds received was recognised within other income and gains (Note 6) in the condensed consolidated statement of profit and loss.

Notes to the Condensed Consolidated Interim Financial Statements

15. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

For the purpose of this note, references to number of conversion shares and conversion prices refer to the status of affairs prior to the four-to-one share consolidation of the Company which became effective on 4 March 2019. The adjustments to conversion shares and conversion prices as a result of the share consolidation are disclosed in the Company's announcement dated 1 March 2019.

(a) Convertible Bonds

Movements of convertible bonds during the six months ended 30 June 2019 and the year ended 31 December 2018 are summarised as follows:

	2nd Tai Cheng CB	3rd Tai Cheng CB	2015 CB	Qianhai CB	Zheyin Tianqin 2017 CB	Investor CB	Zheyin Tianqin 2018 CB	Total
	HK'000 (Note (i))	HK'000 (Note (i))	HK'000 (Note (ii))	HK'000 (Note (iii))	HK'000 (Note (iv))	HK'000 (Note (v))	HK'000 (Note (vi))	HK'000
As at 1 January 2018	5,628	431	30,841	12,358	26,504	-	-	75,762
Issue of convertible bonds	-	-	-	-	-	27,200	60,000	87,200
Equity component on initial recognition	-	-	-	-	-	(6,462)	(40,967)	(47,429)
Redemption option derivative component on initial recognition	-	-	-	-	-	5,160	37,061	42,221
Deferred tax liabilities on initial recognition	-	-	-	-	-	(257)	(772)	(1,029)
Conversion of convertible bonds	-	-	-	-	(26,504)	(25,689)	-	(52,193)
Redemption of convertible bonds	(5,965)	(483)	(31,610)	-	-	-	-	(38,058)
Interest expenses	337	52	769	2,021	496	164	4,020	7,859
Accrued interest	-	-	-	-	(496)	(116)	(2,535)	(3,147)
As at 31 December 2018	-	-	-	14,379	-	-	56,807	71,186

Notes to the Condensed Consolidated Interim Financial Statements

15. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(a) Convertible Bonds *(Continued)*

	2nd Tai Cheng CB	3rd Tai Cheng CB	2015 CB	Qianhai CB	Zheyin Tianqin 2017 CB	Investor CB	Zheyin Tianqin 2018 CB	Total
	HK'000 <i>(Note (i))</i>	HK'000 <i>(Note (i))</i>	HK'000 <i>(Note (ii))</i>	HK'000 <i>(Note (iii))</i>	HK'000 <i>(Note (iv))</i>	HK'000 <i>(Note (v))</i>	HK'000 <i>(Note (vi))</i>	HK'000
Analysed by maturity date as at 31 December 2018:								
Within one year and included in current liabilities	-	-	-	14,379	-	-	-	14,379
Over one year and included in non-current liabilities	-	-	-	-	-	-	56,807	56,807
As at 31 December 2018	-	-	-	14,379	-	-	56,807	71,186
As at 1 January 2019	-	-	-	14,379	-	-	56,807	71,186
Interest expenses	-	-	-	456	-	-	2,896	3,352
Accrued interest	-	-	-	-	-	-	(1,784)	(1,784)
As at 30 June 2019	-	-	-	14,835	-	-	57,919	72,754
Analysed by maturity date as at 30 June 2019:								
Within one year and included in current liabilities	-	-	-	14,835	-	-	57,919	72,754
As at 30 June 2019	-	-	-	14,835	-	-	57,919	72,754

Notes to the Condensed Consolidated Interim Financial Statements

15. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(a) Convertible Bonds *(Continued)*

(i) *Tai Cheng CB*

On 8 May 2012, the Group acquired 55% equity interests in Tai Cheng International Limited (“**Tai Cheng**”) for a total consideration of not exceeding HK\$30,000,100. Tai Cheng is principally engaged in trading of toys in Hong Kong. The consideration of HK\$30,000,000 (the remaining consideration of HK\$100 was settled in cash) was settled by the issue of convertible bonds to Tai Shing (the “**Tai Cheng CB**”) in three tranches of not exceeding HK\$10,000,000 each (subject to the adjustments with reference of the actual profit of Tai Cheng of previous year).

The first tranche of Tai Cheng CB:

On 29 October 2013, the Company issued the first tranche of Tai Cheng CB in an aggregate principal amount of HK\$6,163,639 (the “**1st Tai Cheng CB**”) to Hong Kong Tai Shing Toys Trading Limited (“**Tai Shing**”) which was supposed to mature on 29 October 2016. On 15 March 2017, the Company entered into a side letter with Tai Shing, pursuant to which the Company and Tai Shing agreed to cancel the 1st Tai Cheng CB in the principal amount of HK\$6,163,639 in exchange for 2% per annum promissory note in the same principal amount issued by the Company, which was supposed to mature on 30 November 2017. Its principal amount and accrued interest were fully repaid in cash by the Company in July 2018.

Notes to the Condensed Consolidated Interim Financial Statements

15. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(a) Convertible Bonds *(Continued)*

(i) **Tai Cheng CB** *(Continued)*

The second tranche of Tai Cheng CB:

On 13 October 2014, the Company issued the second tranche of Tai Cheng CB in an aggregate principal amount of HK\$5,628,138 (the “**2nd Tai Cheng CB**”) to Tai Shing carrying conversion right to convert into 13,727,165 shares at the conversion price of HK\$0.41 per share (after adjustment, but before 2019 share consolidation) which matured on 13 October 2017. The principal amount and accrued interest of the 2nd Tai Cheng CB were fully repaid in cash by the Company in July 2018, upon exercising of the cash redemption right at the option of Tai Shing.

The third tranche of Tai Cheng CB:

On 8 September 2015, the Company issued the third tranche of Tai Cheng CB in an aggregate principal amount of HK\$477,241 (the “**3rd Tai Cheng CB**”) to Tai Shing carrying conversion right to convert into 1,164,002 shares at the conversion price of HK\$0.41 per share (after adjustment, but before 2019 share consolidation) which matured on 8 September 2018. The principal amount and accrued interest of the 3rd Tai Cheng CB were fully repaid in cash by the Company in November 2018, upon exercising of the cash redemption right at the option of Tai Shing.

There were no outstanding Tai Cheng CB as at 30 June 2019 and 31 December 2018.

Notes to the Condensed Consolidated Interim Financial Statements

15. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(a) Convertible Bonds *(Continued)*

(ii) 2015 CB

On 6 March 2015, the Company issued the 3% per annum convertible bonds in the aggregate principal amount of HK\$29,000,000 (the “**2015 CB**”) carrying conversion right to convert into 87,878,787 shares at the conversion price of HK\$0.33 per share (before 2019 share consolidation) maturing on 6 March 2018. On 6 March 2018, the 2015 CB matured and its principal amount and accrued interest were fully redeemed in cash at the option of the convertible bonds holders.

There were no outstanding 2015 CB as at 30 June 2019 and 31 December 2018.

(iii) Qianhai CB

On 15 April 2016, the Company issued the 8% per annum convertible bonds to Hong Kong Qian Hai Financial Group Limited in an aggregate principal amount of HK\$12,000,000 (the “**Qianhai CB**”) carrying conversion right to convert into 40,000,000 shares at the conversion price of HK\$0.30 per share (after adjustment, but before 2019 share consolidation) maturing on 15 April 2019. The carrying value of the Qianhai CB as at 30 June 2019 was approximately HK\$14,835,000.

The Company is in the process of arranging for the redemption procedure regarding the Qianhai CB.

Notes to the Condensed Consolidated Interim Financial Statements

15. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(a) Convertible Bonds *(Continued)*

(iv) *Zheyin Tianqin 2017 CB*

On 3 March 2017, the Company issued 8% per annum convertible bonds to Zheyin Tianqin (Shenzhen) Investment Limited (“**Zheyin Tianqin**”) in an aggregate principal amount of HK\$25,000,000 (the “**Zheyin Tianqin 2017 CB**”) carrying conversion right to convert into 125,000,000 shares at the conversion price of HK\$0.20 per share (before 2019 share consolidation) and maturing on 3 March 2018. Pursuant to the exercise of the conversion rights attaching to the Zheyin Tianqin 2017 CB on 1 March 2018, 125,000,000 shares were allotted and issued by the Company to the nominated entity of Zheyin Tianqin, Dogain Capital Limited, based on the conversion price of HK\$0.20 per conversion share (before 2019 share consolidation).

There were no outstanding Zheyin Tianqin 2017 CB as at 30 June 2019 and 31 December 2018.

(v) *Investor CB*

On 8 February 2018, the Company issued 6% per annum convertible bonds to Mr. Liu Dong (the “**Investor**”) in an aggregate principal amount of HK\$27,200,000 (the “**Investor CB**”) carrying conversion right to convert into 160,000,000 shares at the conversion price of HK\$0.17 per share (before 2019 share consolidation) and maturing on 10 February 2020. Pursuant to the exercise of the conversion rights attaching to the Investor CB on 2 March 2018, 160,000,000 shares were allotted and issued by the Company to the nominated entity of the Investor, Smoothly Good Investment Development Limited (“**Smoothly Good**”), based on the conversion price of HK\$0.17 per conversion share (before 2019 share consolidation).

Notes to the Condensed Consolidated Interim Financial Statements

15. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(a) Convertible Bonds *(Continued)*

(v) *Investor CB (Continued)*

The movements of the carrying value of the Investor CB are as follows:

	Liability component <i>HK'000</i>	Equity component <i>HK'000</i>	Redemption option derivative component <i>HK'000</i>	Total <i>HK'000</i>
As at 1 January 2018	-	-	-	-
Issue of Investor convertible bonds	25,641	6,719	(5,160)	27,200
Deferred tax liability upon conversion of convertible bonds	-	(257)	-	(257)
Effective interest charged	164	-	-	164
Interest payable	(116)	-	-	(116)
Release of deferred tax liability upon on conversion of convertible bonds	-	257	-	257
Change in fair value of derivative financial asset component of convertible bonds	-	-	(7,611)	(7,611)
Conversion of convertible bonds	(25,689)	(6,719)	12,771	(19,637)
As at 31 December 2018 and 30 June 2019	-	-	-	-

There were no outstanding Investor CB as at 30 June 2019 and 31 December 2018.

Notes to the Condensed Consolidated Interim Financial Statements

15. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(a) Convertible Bonds *(Continued)*

(vi) **Zheyin Tianqin 2018 CB**

On 19 April 2018, the Company issued 6% per annum convertible bonds to the nominated entity of Zheyin Tianqin, Dogain Capital Limited, in an aggregate principal amount of HK\$60,000,000 (the “**Zheyin Tianqin 2018 CB**”) carrying conversion right to convert into 352,941,176 shares at the conversion price of HK\$0.17 per share (before 2019 share consolidation) and maturing on 20 April 2020, being the second anniversary of the date of issue of the convertible bonds (or the next business day, if the anniversary date is not a business day). The carrying value of the Zheyin Tianqin 2018 CB as at 30 June 2019 was approximately HK\$57,919,000.

Notes to the Condensed Consolidated Interim Financial Statements

15. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(a) Convertible Bonds *(Continued)*

(vi) *Zheyin Tianqin 2018 CB (Continued)*

The movements of the carrying value of the Zheyin Tianqin 2018 CB are as follows:

	Liability component <i>HK'000</i>	Equity component <i>HK'000</i>	Redemption option derivative component <i>HK'000</i>	Total <i>HK'000</i>
As at 1 January 2018	-	-	-	-
Issue of Zheyin Tianqin 2018 convertible bonds	55,322	41,739	(37,061)	60,000
Deferred tax liability upon conversion of convertible bonds	-	(772)	-	(772)
Effective interest charged	4,020	-	-	4,020
Interest payable	(2,535)	-	-	(2,535)
Change in fair value of derivative financial asset component of convertible bonds	-	-	36,358	36,358
As at 31 December 2018 and 1 January 2019	56,807	40,967	(703)	97,071
Effective interest charged	2,896	-	-	2,896
Interest payable	(1,784)	-	-	(1,784)
As at 30 June 2019	57,919	40,967	(703)	98,183

Notes to the Condensed Consolidated Interim Financial Statements

15. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(b) Financial liabilities at fair value through profit or loss

Movements of financial liabilities at fair value through profit and loss during the six months ended 30 June 2019 and the year ended 31 December 2018 are summarised as below:

	Marsa CBs <i>HK'000</i> <i>(Note (i))</i>	Ample Reach CBs <i>HK'000</i> <i>(Note (ii))</i>	Total <i>HK'000</i>
As at 1 January 2018	13,229	–	13,229
Issue of convertible bonds, at fair value	–	31,422	31,422
Conversion and cancellation of convertible bonds	(6,087)	–	(6,087)
Changes in fair value	(7,142)	(28,509)	(35,651)
As at 31 December 2018 and 1 January 2019	–	2,913	2,913
Changes in fair value	–	(2,913)	(2,913)
As at 30 June 2019	–	–	–

Notes to the Condensed Consolidated Interim Financial Statements

15. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(b) Financial liabilities at fair value through profit or loss *(Continued)*

(i) **Marsa CBs**

On 21 November 2014, the Company entered into a sale and purchase agreement (the “**Acquisition Agreement**”) with Mr. Chung Sum Sang and Ms. Eva Au (the “**Vendors**”) pursuant to which the Company acquired from the Vendors the entire equity interest of Rainbow Star Global Limited (“**Rainbow Star**”) (which indirectly owns 70% equity interest in Shenzhen Marsa Guer Chain Enterprise Limited, “**Shenzhen Marsa**”) for the maximum aggregate consideration of HK\$217,000,000, out of which HK\$54,250,000 was settled in cash and the remaining consideration of not more than HK\$162,750,000 was supposed to be settled by the issue of three equal tranches of convertible bonds by the Company, in the principal sum of HK\$54,250,000 each (the “**1st Marsa CB**”, the “**2nd Marsa CB**” and the “**3rd Marsa CB**”, respectively, and collectively referred to as the “**Marsa CBs**”). In accordance with the terms and conditions of the Acquisition Agreement, the Company issued the 1st, 2nd and 3rd Marsa CBs to the Vendors or their nominees on 20 May 2015, 20 May 2016 and 3 May 2018 in the principal sum of HK\$54,250,000 each.

Notes to the Condensed Consolidated Interim Financial Statements

15. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(b) Financial liabilities at fair value through profit or loss *(Continued)*

(i) **Marsa CBs** *(Continued)*

The Company's obligations under the Marsa CBs are subject to the fulfillment of profit guarantee that the audited consolidated net profit after tax of Shenzhen Marsa for each of the three years ending 31 December 2015, 2016 and 2017 shall not be less than RMB20,000,000, failing which the Company shall have the right to redeem and cancel in whole or part of the Marsa CBs at nominal sum by reference to the shortfall proportion (the "**PG Failure Cancellation Right**"). Shenzhen Marsa did not meet the profit guarantee for all 2015, 2016 and 2017 and accordingly, principal amounts of HK\$36,298,675, HK\$41,978,650 and HK\$48,163,150 are liable to be redeemed and cancelled by the Company in respect of the 1st, 2nd and 3rd Marsa CBs, respectively. In addition, the Company shall have the right to redeem any uncanceled 1st, 2nd and 3rd Marsa CBs (in part or in whole) by issuing shares of the Company at the conversion price of HKD\$0.50 per share (the "**Share Redemption Election Right**") during the period commencing from the first business day immediately after the respective issue date of the 1st, 2nd and 3rd Marsa CBs (as the case may be) and ending on the business day immediately before their respective maturity dates. The Company has duly exercised the PG Failure Cancellation Right on 3 May 2018 and the Share Redemption Election Right on 4 May 2018 in respect of the 1st, 2nd and 3rd Marsa CBs, details of which are set out in the Company's announcement dated 4 May 2018.

Notes to the Condensed Consolidated Interim Financial Statements

15. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(b) Financial liabilities at fair value through profit or loss *(Continued)*

(i) **Marsa CBs** *(Continued)*

In addition, if the audited consolidated net profit after tax of Shenzhen Marsa for all of the three years ending 31 December 2015, 2016 and 2017 are less than RMB20,000,000, the Company shall have the right to require the vendors to repurchase the 100% equity interest in Rainbow Star at the aggregate consideration already paid to them (the “**Sell-back Right**”). The Company has decided not to exercise the Sell-back Right for the reasons set out in the Company’s announcement dated 16 October 2018 and the Company’s circular dated 28 December 2018. The non-exercise of the Sell-back Right was approved by independent shareholders at an extraordinary general meeting of the Company held on 17 January 2019.

As disclosed in the Company’s announcement dated 4 May 2018, the Company cancelled part of the 1st, 2nd and 3rd Marsa CBs based on the fulfillment shortfall of the Profit Guarantee and exercised the Share Redemption Election Right over all the Marsa CBs so remained after the said partial cancellation, as a result of which the Company has allotted and issued 72,619,050 Shares (before 2019 share consolidation) on 17 May 2018 in full performance of its obligations under the Marsa CBs.

There were no outstanding Marsa CBs as at 30 June 2019 and 31 December 2018.

Notes to the Condensed Consolidated Interim Financial Statements

15. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(b) Financial liabilities at fair value through profit or loss

(Continued)

(ii) **Ample Reach CB**

On 28 November 2017, the Company (as purchaser) entered into an acquisition agreement with Ample Reach Limited (“**Ample Reach**”), pursuant to which the Company acquired Charm Eastern Limited, through which the Company was effectively acquiring 70% equity interest of Li County Phoenix Hospital Company Limited (“**Phoenix Opco**”) and Yiyang Zizhong Kidney Disease Hospital Company Limited (“**Zizhong Opco**”), which together with Phoenix Opco and Charm Eastern Limited are collectively referred to as the “**Hospital Group**”) for a total consideration of HK\$75,015,625 (the “**Hospital Acquisition**”), out of which HK\$34,000,000 was paid in cash and HK\$41,015,625 was settled by the issue of three equal tranches of zero-coupon convertible bonds to Ample Reach in the principal amount of HK\$13,671,875 each, maturing respectively on 30 September 2018, 30 April 2019 and 30 September 2019 (the “**1st Ample Reach CB**”, the “**2nd Ample Reach CB**” and the “**3rd Ample Reach CB**”, respectively and collectively, the “**Ample Reach CBs**”). On completion of the Hospital Acquisition on 31 January 2018, Ample Reach CBs in the face value of HK\$41,015,625 were issued to the Ample Reach in satisfaction of the consideration payable on completion. These Ample Reach CBs were recognized at fair value on issue at approximately HK\$31,422,000.

The Company’s obligations under the Ample Reach CBs are subject to the fulfillment of profit guarantee that the net profit before tax and non-controlling interest of the Hospital Group (excluding one-off income) for each of the six months period ending 30 June 2018, 31 December 2018 and 30 June 2019 shall meet the minimum profit of RMB2,500,000 (the “**First PG**”), RMB5,000,000 (the “**Second PG**”) and RMB5,000,000 (the “**Third PG**”), respectively, failing which the Company shall have the right to cancel in whole or part of the Ample Reach CBs by reference to the shortfall proportion.

Notes to the Condensed Consolidated Interim Financial Statements

15. CONVERTIBLE BONDS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

(b) Financial liabilities at fair value through profit or loss

(Continued)

(ii) **Ample Reach CB** *(Continued)*

As disclosed in the Company's announcement dated 10 September 2018, the Company exercised the automatic conversion right over the entire principal amount of the 1st Ample Reach CB and allotted and issued 78,125,000 Shares (before 2019 share consolidation) (the "**Escrowed Shares**") at the conversion price of HK\$0.175 per Share (before 2019 share consolidation) but put them in escrow and withhold their release until and unless the Second PG is determined by the Company to be satisfied in full. Under the Deed of Undertaking given by Ample Reach on 10 September 2018, if the Second PG is not satisfied in full, the Company shall be entitled to sell the Escrowed Shares and to retain the entire sale proceeds of the Escrowed Shares as liquidated damages.

The Hospital Group was loss-making during the six months ended 31 December 2018. On 29 March 2019, the Company determined that the Vendor has failed to satisfy the Second PG in its entirety. Accordingly, the entire tranche of the 2nd Ample Reach CB was cancelled, and the Company will engage a placing agent to sell the Escrowed Shares as soon as practicable.

As disclosed in the Company's announcement dated 29 August 2019, the Company determined that the Vendor has failed to satisfy the Third PG in its entirety. Accordingly, the entire tranche of the 3rd Ample Reach CB shall be cancelled.

Upon the determination of the First PG, Second PG and Third PG as disclosed above, there were no outstanding Ample Reach CBs.

Notes to the Condensed Consolidated Interim Financial Statements

16. SHARE CAPITAL

	Number of shares		Amount	
	2019 Number '000 (Unaudited)	2018 Number '000 (Audited)	2019 HK'000 (Unaudited)	2018 HK'000 (Audited)
Authorised:				
Ordinary shares of HK\$0.04 (2018: HK\$0.01) each				
At 1 January (Unaudited)	20,000,000	4,000,000	200,000	40,000
Increase in authorized share capital (Note (iii))	-	16,000,000	-	160,000
Share Consolidation (Note (vii))	(15,000,000)	-	-	-
At 30 June 2019 (Unaudited)/31 December 2018 (Audited)	5,000,000	20,000,000	200,000	200,000
Issued and fully paid:				
Ordinary shares of HK\$0.04 (2018: HK\$0.01) each				
At 1 January (Unaudited)	2,874,197	1,972,453	28,742	19,725
Share Consolidation (Note (vii))	(2,155,648)	-	-	-
Issue of shares upon conversion of convertible bonds (Note (i), (ii), (iv) and (v))	-	435,744	-	4,357
Issue of shares on subscriptions of new shares (Note (vi) and (viii))	754,717	466,000	30,189	4,660
At 30 June 2019 (Unaudited)/ 31 December 2018 (Audited)	1,473,266	2,874,197	58,931	28,742

Notes to the Condensed Consolidated Interim Financial Statements

16. SHARE CAPITAL *(Continued)*

Notes:

Changes in authorized and issued share capital during the period:

- (i) On 5 March 2018, Zheyin Tianqin 2017 CB with principal amount of HK\$25,000,000 was converted into 125,000,000 ordinary shares at the conversion price of HK\$0.20 per share.
- (ii) On 5 March 2018, Investor CB with principal amount of HK\$27,200,000 was converted into 160,000,000 ordinary shares at the conversion price of HK\$0.17 per share.
- (iii) On 19 March 2018, the authorized share capital of the Company was increased from HK\$40,000,000 divided into 4,000,000,000 shares to HK\$200,000,000 divided into 20,000,000,000 shares.
- (iv) On 17 May 2018, Marsa CBs were partially cancelled due to failure of profit guarantee with the remained principal amount being converted into 72,619,050 ordinary shares at the conversion price of HK\$0.50 per share.
- (v) On 28 September 2018, 1st Ample Reach CB with principal amount of HK\$13,671,875 was converted into 78,125,000 ordinary shares at the conversion price of HK\$0.175 per share.
- (vi) On 5 December 2018, an aggregate of 466,000,000 Subscription Shares were allotted and issued to the Share Subscribers at the Subscription Price of HK\$0.053 per Subscription Share.
- (vii) The 2019 Share Consolidation became effective on 4 March 2019 on the basis of every four issued and unissued ordinary shares of par value HK\$0.01 each in the share capital of the Company being consolidated into one consolidated share of par value HK\$0.04 each.
- (viii) On 3 April 2019, the Company issued and allotted 754,716,981 ordinary shares pursuant to the Subscription Agreement under the Specific Mandate (as defined in the announcement jointly made by the Company and the Subscriber dated 1 February 2019 and the Circular of the Company dated 1 March 2019).

Notes to the Condensed Consolidated Interim Financial Statements

17. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Key management compensation

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Wages, salaries and other short-term employee benefits	1,920	2,636
Pension costs — defined contribution plans	14	17
	1,934	2,653

(b) Other transaction

In addition to the transactions and the balances detailed elsewhere in the consolidated financial statements, the Group has the following transactions with related parties:

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest expense to HK Yinger	483	1,448
Rentals paid	—	24
	483	1,472

Notes to the Condensed Consolidated Interim Financial Statements

17. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balance with a related party

	For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Loans from HK Yinger, a company wholly owned by Mr. Yu	-	3,220

The loans from Hong Kong Sheen Smile International Investment Limited (“**HK Yinger**”) was unsecured and carried interest at rate ranged from 4.8% to 6.5% per annum. They are repayable within 1 year and classified as current liabilities. As at 30 June 2019, the principal amount outstanding was HK\$Nil (2018: HK\$3,220,000).

18. SUBSEQUENT EVENTS

There were no events or transactions other than those disclosed in the report, if any, that would require recognition or disclosure in our consolidated financial statements for the six months ended 30 June 2019.

19. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year’s presentation.

Management Discussions and Analysis

BUSINESS REVIEW

Business of the Group

For the six months ended 30 June 2019 (the “**Period**”), the Group is principally engaged in the provision of (i) health, medical and related services, (ii) beauty and wellness services, and (iii) integrated financial services comprising money-lending, securities brokerage, advising on securities and asset management.

The revenue of the health, medical and related services segment includes hospital business (the “**Hospital Business**”) and club house business (the “**Club House Business**”). The Group operates its Hospital Business in China through Li County Phoenix Hospital Company Limited (“**Phoenix Opco**”) and Yiyang Zizhong Kidney Disease Hospital Company Limited (“**Zizhong Opco**”) having the medical organisation operating license granted by the local bureau of the National Health and Family Planning Commission to carry out, amongst other permitted medical treatments, hemodialysis treatment. The management of the Group keeps exploring business opportunities and strategies to expand the Hospital Business in other provinces in China. The Club House Business represents a club house business operated in China providing health and related services.

The Group operates its beauty and wellness business (the “**Beauty Business**”) through the Marsa group. Marsa group provides beauty products and wellness services under brand name of “**瑪莎**” through beauty centers and shops in China, with gross floor area ranging from approximately 248 sq.m. to 871 sq.m. per shop/center. As at 30 June 2019, there are in total 102 staff employed by Marsa group, selling beauty and cosmetics products and providing beauty and wellness services to customers.

By leveraging its past experiences, expertise and professional beautician teams, Marsa group has successfully developed a network of beauty and wellness services centers and shops in China with advanced beauty and cosmetics equipments and modern decorations, aiming to provide a relaxing and comfortable environment to customers. Other related businesses include the development and research and sale of skin care and beauty products, beauty equipments and accessories and healthcare and nutritional supplements such as herbal teas. To strengthen its business, Marsa group also expands its business through the cooperation with business partners on a profit-sharing basis.

Management Discussions and Analysis

For the segment of integrated financial services (the “**Financial Business**”), the Group continued to explore business opportunities and strategies to develop its integrated financial services through three wholly-owned subsidiaries, namely (i) Green Capital (Hong Kong) Limited, a licensed moneylender in Hong Kong; (ii) Green Securities Limited, a licensed corporation licensed to carry out type-1 (dealing in securities) and type-4 (advising on securities) regulated activities in Hong Kong; and (iii) Green Asset Management Limited, a licensed corporation licensed to carry out type-9 (asset management) regulated activities in Hong Kong.

Significant Events During the Six Months Ended 30 June 2019

The following events occurred during the Period:

- (i) At the extraordinary general meeting of the Company held on 17 January 2019, the non-exercise of the Sell-back Right of Marsa was approved by the independent shareholders.
- (ii) On 22 January 2019, the Company proposed to consolidate four Pre-consolidation Share of par value of HK\$0.01 each into one ordinary share of par value of HK\$0.04 each (each a “**Consolidated Share**”). The four-to-one share consolidation (the “**Share Consolidation**”) was approved by shareholders at the extraordinary general meeting of the Company held on 1 March 2019 and took effect on 4 March 2019.
- (iii) On 25 January 2019 (after trading hours), the Company and Jumbo Faith International Limited (“**Jumbo Faith**”) entered into the Subscription Agreement, pursuant to which Jumbo Faith conditionally agreed to subscribe, and the Company conditionally agreed to allot and issue, 754,716,981 Consolidated Shares (the “**Subscription Consolidated Shares**”) of par value of HK\$0.04 each in the share capital of the Company at the subscription price of HK\$0.212 per Subscription Consolidated Share after the four-to-one Share Consolidation. At the extraordinary general meeting of the Company held on 18 March 2019, the issuance of 754,716,981 Subscription Consolidated Shares was approved by the independent shareholders. The Subscription Consolidated Shares was completed on 3 April 2019 and the net proceeds raised therefrom amount to approximately HK\$156 million.

Management Discussions and Analysis

- (iv) As disclosed in the Company's announcement dated 29 March 2019, the Company determined that the Second PG failed in its entirety and the entire 2nd Ample Reach CB in the principal amount of HK\$13,671,875 was cancelled. As a result of the non-fulfillment of the Second PG, the Company is entitled to sell the Escrowed Shares and to retain the entire sale proceeds of the Escrowed Shares as liquidated damages.
- (v) At the annual general meeting of the Company held on 26 June 2019, a new share option scheme was approved by the shareholders of the Company.

FINANCIAL REVIEW

Revenue

The Group reported revenue in the amount of approximately HK\$40,775,000 (2018: HK\$41,073,000) during the Period, representing a decrease of approximately 0.73%. Details of the revenue for the Period are set out in Note 4 to the condensed consolidated financial statements.

Health and Medical Business

The revenue and operating loss of the health and medical segment for the Period were approximately HK\$20,936,000 and HK\$13,314,000 respectively (for the six months ended 30 June 2018: HK\$19,392,000 and HK\$3,507,000 respectively). The revenue and operating loss of the Hospital Business during the Period were approximately HK\$19,198,000 and HK\$1,846,000, respectively, as compared to approximately HK\$9,840,000 and operating profit of HK\$2,535,000 in the corresponding period in 2018. The increase in the operating loss of the health and medical segment for the Period was mainly attributable to the unsatisfactory performance of the Club House Business.

Management Discussions and Analysis

Beauty and Wellness Business

The revenue and operating profits of the Beauty Business for the Period were approximately HK\$19,826,000 and HK\$2,865,000 respectively (for the six months ended 30 June 2018: HK\$21,602,000 and HK\$3,515,000 respectively). Due to an urban redevelopment order issued by the Shenzhen government, one of the beauty centers operated by the Group was required to close down in April 2019. The Group is looking for suitable premises to re-locate the closed center and will continue to explore suitable opportunities to open new centers, whether on its own or through cooperation with business partners, not only in Shenzhen but also in other cities in China.

Integrated Financial Business

The revenue and operating loss of the Financial Business for the Period was approximately HK\$13,000 and HK\$2,220,000 respectively (for the six months ended 30 June 2018: HK\$79,000 and HK\$1,570,000 respectively).

Administrative Expenses

The Group reported administrative expenses of approximately HK\$36,355,000 for the Period (for the six months ended 30 June 2018: HK\$40,486,000), representing a decrease of approximately 10.20%. The decrease in the administrative expenses was mainly attributable to implementing cost control measures.

Finance Costs

The Group reported finance costs, net of approximately HK\$6,090,000 for the Period (for the six months ended 30 June 2018: HK\$7,234,000). Details of the finance costs, net for the Period are set out in Note 6 to the condensed consolidated financial statements.

Management Discussions and Analysis

Non-fulfillment of the Second and Third Profit Guarantee

On completion of the Hospital Acquisition, Ample Reach CBs in the face value of HK\$41,015,625 were issued to Ample Reach in satisfaction of the consideration payable on completion. The Ample Reach CBs were recognised at fair value on issue at approximately HK\$31,422,000. Following the determination of the Second PG and Third PG as disclosed in the Note (15)(b)(ii) to the condensed consolidated financial statements, the entire 2nd and 3rd Ample Reach CBs shall be cancelled. Hence, a change in fair value of financial liabilities at fair value through profit or loss in the amount of approximately HK\$2,913,000 was credited and recognised in the condensed consolidated statement of profit or loss for the Period.

Entitlement to sale proceeds of the Escrowed Shares

As disclosed in the Note (15)(b)(ii) to the condensed consolidated financial statements, the Company determined and resolved that the Second PG has failed in its entirety, as a result of which the Company shall be entitled to sell the Escrowed Shares and to retain the entire sale proceeds of the Escrowed Shares as liquidated damages. The Escrowed Shares were recognised in the condensed consolidated statement of financial position as at 30 June 2019 and 31 December 2018 as financial assets at fair value through profit or loss. As at 30 June 2019, the carrying value of the Escrowed Shares was approximately HK\$4,102,000. Hence, a decrease in fair value of financial assets at fair value through profit or loss in the amount of approximately HK\$10,898,000 was recognised in the condensed consolidated statement of profit or loss for the Period.

Loss for the period

The Group reported net loss for the Period of approximately HK\$41,076,000 (for the six months ended 30 June 2018: HK\$28,774,000).

Financial Position

As disclosed in the announcement of the Company dated 3 April 2019, the share subscription by Jumbo Faith was completed on 3 April 2019 raising net proceeds of approximately HK\$156 million, as a result of which the financial position of Group was strengthened. The Group reported net assets of approximately HK\$217,860,000 as at 30 June 2019.

Management Discussions and Analysis

Mandatorily Convertible Notes

HK Yinger CB

On 23 March 2018, the Company issued 3% per annum convertible bonds to the nominated entity of HK Yinger, Fluent Robust Limited, in an aggregate principal amount of HK\$120,000,000 (the “**HK Yinger CB**”) carrying conversion right for the holder to convert into 705,882,352 shares of the Company at the initial conversion price of HK\$0.17 per share (before 2019 share consolidation), subject to anti-dilutive adjustments, and maturing on 23 March 2020, being the second anniversary of the date of issue of the convertible bonds.

Pursuant to the terms of the HK Yinger CB, the HK Yinger CB is only redeemable by cash at the option of the Company but not the holder of the HK Yinger CB. The Company’s redemption option is exercisable at any time from the date of issuance to the maturity date and the amount payable upon redemption is the principal amount of the bonds redeemed. Unless the Company is required to redeem the HK Yinger CB pursuant to their terms as a result of the serving of default notice by the holder of the bonds upon the occurrence of an event of default, or redeemed pursuant to the exercise of the Company’s early redemption, or it becomes necessary for the Company to redeem all or part of the HK Yinger CB on the maturity date as conversion is prohibited by the Conversion Restrictions (i.e. essentially the restrictions against conversion which would reduce the public float to less than 25% or result in a mandatory offer obligation under the Takeovers Code), the HK Yinger CB are automatically converted into shares of the Company at the maturity date.

The Company notices that the mandatory conversion of HK Yinger CB may be subject to the approval of independent shareholders at general meeting. However, since the shareholders are viewed as being part of the Company and shareholders at general meetings form part of the Company’s governing structure, the Company considers that the mandatory conversion is within the control of the Company despite this contingency. Moreover, since the conversion feature results in the conversion of a fixed amount of the notes under the issuer’s functional currency into a fixed number of shares of the issuer, the HK Yinger CB meets the definition of equity instrument and hence the entire instrument was recognized in equity of the Company and Group at the date of its issuance at its issuance price of HK\$120,000,000, which in the opinion of directors of the Company represented its fair value at its issuance date, less transaction costs.

Management Discussions and Analysis

The Company is taking advice on regulatory compliance to facilitate the mandatory conversion of HK Yinger CB at or before maturity on 23 March 2020. Further announcement(s) will be made by the Company if and when there is any update on this process.

CONNECTED TRANSACTIONS

On 25 January 2019 (after trading hours), the Company and Jumbo Faith entered into the Subscription Agreement, pursuant to which Jumbo Faith conditionally agreed to subscribe, and the Company conditionally agreed to allot and issue, 754,716,981 Subscription Consolidated Shares of par value of HK\$0.04 each in the share capital of the Company at the subscription price of HK\$0.212 per Subscription Consolidated Share after the four-to-one Share Consolidation. At the extraordinary general meeting of the Company held on 18 March 2019, the issuance of 754,716,981 Subscription Consolidated Shares was approved by the independent shareholders. The Subscription Consolidated Shares was completed on 3 April 2019 and the net proceeds raised therefrom amount to approximately HK\$156 million.

USE OF PROCEEDS OF EQUITY FUND RAISING ACTIVITIES

Date of announcement	Fund raising activity	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds
27 November 2018	Subscription of 466,000,000 Pre-consolidation Shares at HK\$0.053 per Pre-consolidation Share under general mandate, which was completed on 5 December 2018	Approximately HK\$24.5 million	To repay debts and to meet the Group's liabilities when they fall due.	Fully utilized as intended.

Management Discussions and Analysis

Date of announcement	Fund raising activity	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds
3 April 2019	Subscription of 754,716,981 shares to at the subscription price of HK\$0.212 per under specific mandate, which was completed on 3 April 2019	HK\$156 million	The net proceeds were intended to be utilized as to: (a) approximately HK\$31 million to repay, by way of offsetting, the principal and interest of the HK Yinger Loan Facility up to 12 February 2019; (b) approximately HK\$15 million being set aside for the cash redemption of the Qianhai 2016 CB maturing in April 2019; (c) approximately HK\$64 million being set aside for meeting repayment obligations of debts and liabilities of the Group; (d) approximately HK\$8 million for replenishing the capital requirements of the financial services companies of the Group; and (e) approximately HK\$38 million for the Group's general corporate expenses (such as salaries, rental expenses and professional fees) for the next twelve months.	Up to the date of this announcement, the net proceeds were actually utilized as to: (a) approximately HK\$31 million for offsetting the principal and interest of the HK Yinger Loan Facility up to 12 February 2019; (b) approximately HK\$15 million continuing to be set aside for the cash redemption of the Qianhai 2016 CB; (c) approximately HK\$64 million being set aside for meeting repayment obligations of debts and liabilities of the Group; (d) approximately HK\$2 million already injected into and HK\$6 million being set aside for replenishing the capital requirements of, the financial services companies of the Group; and (e) approximately HK\$38 million continuing to be set aside for the Group's general corporate expenses (such as salaries, rental expenses and professional fees).

Management Discussions and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2019, the Group had total assets of approximately HK\$439,408,000 (31 December 2018: HK\$329,057,000) and interest-bearing borrowings of approximately HK\$10,613,000 (31 December 2018: HK\$40,486,000), representing a gearing ratio, defined as interest-bearing borrowings over total assets, of approximately 2.42 % (31 December 2018: 12.30%).

As at 30 June 2019, the Group had net current assets of approximately HK\$49,455,000 (31 December 2018: net current liabilities of approximately HK\$2,865,000), being the shortfall of current assets of approximately HK\$199,457,000 (31 December 2018: HK\$117,088,000) below the current liabilities of approximately HK\$150,002,000 (31 December 2018: HK\$119,953,000), representing a current ratio of approximately 1.33 (31 December 2018: 0.98).

As at 30 June 2019, the Group had cash and bank balances (including trust and segregated accounts) of approximately HK\$160,749,000 (31 December 2018: HK\$64,737,000). As at 30 June 2019, the Group had cash and bank balances (excluding trust and segregated accounts), of approximately HK\$160,109,000 (31 December 2018: HK\$52,911,000).

GEARING RATIO AND FINANCIAL MANAGEMENT

As there was no bank borrowing, the gearing ratio was not shown. The Group's financing and treasury activities were managed centrally at the corporate level.

SIGNIFICANT INVESTMENT HELD

The Group had no significant investment held as at 30 June 2019.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Group had no acquisition and disposal of subsidiaries during the Period.

CHARGES ON ASSETS

None of the Group's assets was pledged to secure any facilities and borrowings granted to the Group as at 30 June 2019.

Management Discussions and Analysis

CONTINGENT LIABILITIES

The Group had no contingent liabilities as at 30 June 2019.

FOREIGN EXCHANGE EXPOSURE

The Group's business transactions were mainly carried out in Hong Kong Dollars and Renminbi. The Group was not engaged in any hedging measures during the Period. The Group will regularly review its position and will use forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

CAPITAL STRUCTURE

Save as the disclosure herein, there were no changes in the capital structure of the Company during the Period.

(A) Share Capital

Details on the movements of the share capital for the Period are set out in Note 16 to the condensed consolidated financial statements.

(B) Share Options

Details on the movements of the share options granted under the old share option scheme of the Company, which was adopted on 2 September 2006 and expired on 1 September 2016 (the "Old Share Option Scheme"), for the Period are set out as follows:

	Weighted average exercise price in HK\$ per share	Number of share options
At 1 January 2019 (<i>Note (i)</i>)	1.28	3,500,000
Lapsed (<i>Notes (i) & (ii)</i>)	1.28	(3,500,000)
At 30 June 2019	n/a	-

Management Discussions and Analysis

Notes:

- (i) The 2019 Share Consolidation became effective on 4 March 2019, on the basis of every four issued and unissued ordinary shares of par value HK\$0.01 each in the share capital of the Company being consolidated into one consolidated share of par value HK\$0.04 each.
- (ii) As disclosed in the joint announcement of the Company dated 2 May 2019, 3,500,000 outstanding share options granted under the Old Share Option Scheme lapsed automatically after the close of the option offer on the closing date of 2 May 2019.

At the annual general meeting of the Company held on 26 June 2019, a new share option scheme (the “**New Share Option Scheme**”) was approved by the shareholders of the Company. During the Period, no share options were granted under the New Share Option Scheme.

Details of the New Share Option Scheme are disclosed as follows:

(1) The purpose of the scheme

- (a) The New Share Option Scheme is a share incentive scheme and is established to provide the Company with a flexible means of giving incentive or rewards to Eligible Participants for their retention and contribution or potential contribution to the Group.
- (b) The New Share Option Scheme will provide the Eligible Participants with an opportunity to have a personal stake in the Company with a view to motivating the Eligible Participants to utilize their performance and efficiency for the benefit of the Group and attracting and retaining or otherwise maintaining an on-going relationship with the Eligible Participants whose contributions are or will be beneficial to the long term growth of the Group.

Management Discussions and Analysis

(2) *The participants of the scheme*

The Eligible Participants of the New Share Option Scheme are determined taking into account the Company's operations and financial situation from time to time and the contributions and potential contributions which the Eligible Participants have made or may make to the Group, and in accordance with the rules of the relevant stock exchange(s), the laws and regulations of the relevant jurisdictions and the relevant provisions of the Articles of Association of the Company.

The Board may at its discretion grant Options to the following Eligible Participants:

- (i) any director, employee (whether full time or part time employee), professional adviser, business consultant or service vendor to the Group or any entity in which any member of the Group holds any interest (the "**Invested Entity**");
- (ii) any discretionary trust whose discretionary objects include any director, employee (whether full time or part time employee), professional adviser, business consultant or service vendor to the Group or any Invested Entity; and
- (iii) a company beneficially owned by any director, employee (whether full time or part time employee), professional adviser, business consultant or service vendor to the Group or any Invested Entity.

(3) *The total number of securities available for issue under the scheme together with the percentage of the issued shares that it represents as at the date of the report*

- (a) *30% limit*

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the Shares in issue from time to time.

Management Discussions and Analysis

(b) *10% limit*

In addition to the overall 30% limit, and subject to the following paragraph, the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the Shares in issue as at the date of approval of the New Share Option Scheme (excluding any options which have lapsed in accordance with the terms of the New Share Option Scheme or any other share option schemes of the Company) (the “**Scheme Mandate Limit**”).

The Company may, from time to time, refresh the Scheme Mandate Limit by obtaining the approval of the Shareholders at a general meeting. Once refreshed, the total number of securities which may be issued upon exercise of all options to be granted under the New Share Option Scheme and all other share option schemes of the Company under the limit, as refreshed, must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the New Share Option Scheme and/or any other share option schemes, including without limitation any options which are outstanding, cancelled, lapsed or exercised, will not be counted for the purpose of calculating the refreshed Scheme Mandate Limit.

The Company may seek separate approval of the Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit or the refreshed Scheme Mandate Limit provided the Options in excess of such limit are granted only to the Eligible Participants specifically identified before such approval is sought. A circular containing a generic description of the specified Eligible Participants who may be granted such Options, the number and terms of the Options to be granted, the purpose of granting Options to the specified Eligible Participants with an explanation as to how the terms of the Options serve such purpose and other information required under the Listing Rules must be sent to the Shareholders.

Management Discussions and Analysis

(4) *The maximum entitlement of each participant under the scheme*

Unless approved by the Shareholders, the total number of securities issued and to be issued upon exercise of the Options granted to each Eligible Participant (including both exercised and outstanding Options) in any 12-month period must not exceed 1% of the Shares in issue. Where any further grant of Options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Participant (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the relevant class of securities in issue, such further grant must be separately approved by the Shareholders in general meeting with such Eligible Participant and his associates abstaining from voting.

(5) *The period within which the securities must be taken up under an option*

An option shall be exercisable at any time during a period to be notified by the directors of the Company to each grantee, provided that no option shall be exercisable later than ten years after its date of grant. Unless otherwise determined by the directors of the Company at their sole discretion, there is no performance target which must be achieved before an option can be exercised.

(6) *The minimum period, if any, for which an option must be held before it can be exercised*

Unless otherwise determined by the Directors at their sole discretion, there is no requirement of a minimum period for which an Option must be held before such an Option can be exercised under the terms of the New Share Option Scheme.

(7) *The amount, if any, payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid*

HK\$1.00 is payable by each Eligible Participant to the Company on acceptance of an Offer of an Option, which shall be paid within 21 days from the Offer Date.

Management Discussions and Analysis

(8) *The basis of determining the exercise price*

The Subscription Price must be at least the highest of: (a) the closing price of a Share as stated in the daily quotations sheet of the Stock Exchange on the date of grant which must be a Business Day; and (b) the average of the closing prices of the Shares as shown on the daily quotations sheets of the Stock Exchange for the five Business Days immediately preceding the date of grant; and (c) the nominal value of a Share.

(9) *The remaining life of the scheme*

The New Share Option Scheme was adopted on 26 June 2019 and shall continue in force until the tenth anniversary of such date (i.e. 26 June 2029).

(C) Convertible Bonds

Details on the movements of the convertible bonds during the Period and the outstanding convertible bonds as at 30 June 2019 as set out in are set out in Note 15 to the condensed consolidated financial statements.

DIVIDEND

The Directors do not recommend the payment of any interim dividend for the Period.

HUMAN RESOURCES

As at 30 June 2019, the Group has 318 employees in Hong Kong and China. Employees' remuneration, promotion and salary increments are assessed based on both individuals' and the Group's performance, professional and working experiences and by reference to prevailing market practices and standards. Apart from the general remuneration package, the Group may also grant share options and discretionary bonus to the eligible staffs based on their performance and contribution to the Group. The Group regards high-calibre staff as one of the key factors to corporate success.

Management Discussions and Analysis

LITIGATIONS

Save as disclosed below, as at the date of this report, neither the Company nor any other member of the Group was engaged in any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Group:

- (i) In March 2018, the Company issued six writs of summons to the six loan receivables borrowers in the High Court of Hong Kong, pursuant to which the Company claimed against the defendants for, amongst other things, the repayment of the loan receivables in the aggregate principal amount of approximately HK\$24,304,400, together with interest and cost. During the year ended 31 December 2018, the Company successfully recovered a payment of HK\$3,300,000 from one of the loan receivable borrowers. The Company has instructed its legal advisers to continue to pursue after the other borrowers.
- (ii) In March 2018, the Company issued two writs of summons to the two promissory notes borrowers in the High Court of Hong Kong, pursuant to which the Company claimed against the defendants for, amongst other things, the repayment of the promissory note receivables in the aggregate principal amount of HK\$165,617,025, together with interest and cost. The Company has instructed its legal advisers to continue to pursue after these borrowers.
- (iii) In August 2018, the Company issued two writs of summons to the two accounts receivable holders in the High Court of Hong Kong, pursuant to which the Company claimed against the defendants for, amongst other things, the repayment of the outstanding accounts receivables in the aggregate principal amount of HK\$52,471,047, together with interest and cost. The Company has instructed its legal advisers to assess the merits and prospects to pursue after these debtors.

Other Information

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2019, the interests or short positions of the Directors and chief executives and their associates in the shares, underlying shares and debenture of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the “SFO”), or as otherwise notified to the Company and the Stock Exchange of pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), were as follows:

Long positions in shares and underlying shares of the Company and its associated corporations

Name of Director	Capacity in which the shares or underlying shares are held	Long positions in shares and underlying shares	Approximate percentage of total issued shares (Note 3)
Mr. Yu Qigang	Interest of controlled corporations and family interests	1,179,456,676 (Note 1)	80.06%
Mr. Liu Dong	Beneficial owner and interest of controlled corporation	62,865,000 (Note 2)	4.27%

Notes:

1. These 1,179,456,676 shares and underlying shares deemed to be interested by Mr. Yu comprised:
 - (a) 176,470,588 underlying shares attributable to the HK Yinger CB (with principal sum of HK\$120,000,000 carrying conversion right to convert into shares at the conversion price of HK\$0.68 per share) beneficially owned by Fluent Robust Limited (“**Fluent Robust**”), which is a controlled corporation wholly-owned by HK Yinger, which in turn wholly-owned by Mr. Yu;

Other Information

- (b) 246,924,406 shares beneficially owned by Gold Bless, a company whose issued shares were registered, according to the disclosure of interest filings made on behalf of Mr. Yang Wang Jian (“**Mr. Yang**”), an ex-director of Gold Bless and an ex-director of the Company, as to: (a) 65% (the “**Disputed Gold Bless Shareholding**”) in the name of Mr. Yang; (b) 20% in the name of Mr. Yu; and (c) 15% in the name of Winning Top Investments Limited (“**Winning Top**”), a company which is wholly-owned by Mr. Yu; and
- (c) According to the disclosure of interest filings, 756,061,682 shares beneficially owned by Jumbo Faith, a controlled corporation wholly-owned by Ms. Zhou Cuiqiong (“**Ms. Zhou**”). Ms. Zhou and Jumbo Faith’s deemed interests in 756,061,682 shares duplicates with each other. Mr. Yu, as the spouse of Ms. Zhou, is taken to be interested in the 756,061,682 shares held by Ms. Zhou and Jumbo Faith by virtue of Part XV of the SFO.

Gold Bless is deemed to be a controlled corporation of Mr. Yu pursuant to Part XV of the SFO because of the 20% and 15% registered shareholding of Mr. Yu and Winning Top in Gold Bless. In addition, based on the information provided by Mr. Yu, (i) he has an alleged claim over the Disputed Gold Bless Shareholding; (ii) he has commenced legal action in Hong Kong (the “**Gold Bless Litigation**”) against Mr. Yang which may, subject to the outcome of the litigation, affect the ownership of the Disputed Gold Bless Shareholding; (iii) the 246,924,406 Shares held by Gold Bless are maintained with a licensed financial institution; and (iv) pursuant to the order of the High Court of Hong Kong, Mr. Yang cannot deal with the Disputed Gold Bless Shareholding and with the 246,924,406 Shares held by Gold Bless until further order or the conclusion of the Gold Bless Litigation.

The deemed interest of Mr. Yu regarding the 176,470,588 underlying shares attributable to the HK Yinger CB duplicates with those of HK Yinger and Fluent Robust as described in Note 1(a) in the section headed “Substantial Shareholders’ Interests in Shares” below. The deemed interest of Mr. Yu regarding the 246,924,406 shares held by Gold Bless duplicates with those of Gold Bless and Mr. Yang as described in Note 1(b) in the section headed “Substantial Shareholders’ Interests in Shares” below. The deemed interest of Mr. Yu regarding the 756,061,682 shares held by Ms. Zhou and Jumbo Faith duplicates with those of Ms. Zhou and Jumbo Faith as described in Note 1(c) in the section headed “Substantial Shareholders’ Interests in Shares” below.

Other Information

- Mr. Liu Dong (“**Mr. Liu**”) is an executive Director. These 62,865,000 shares deemed to be interested by Mr. Liu comprised (a) 22,865,000 shares held by Mr. Liu personally; and (b) 40,000,000 shares held by Smoothly Good, a controlled corporation wholly-owned by Mr. Liu. Mr. Liu and Smoothly Good’s deemed interests in 40,000,000 shares here duplicates with each other.
- The percentages are calculated based on the total number of 1,473,266,145 issued shares as at 30 June 2019.
- The number of shares illustrated above are after the four-to-one Share Consolidation approved by shareholders at the extraordinary general meeting of the Company held on 1 March 2019 and took effect on 4 March 2019.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS IN SHARES

As at 30 June 2019, the following persons (other than a director or chief executive of the Company) had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in shares and underlying shares of the Company

Name of substantial shareholder	Capacity in which the shares or underlying shares are held	Long positions in shares and underlying shares	Approximate percentage of total issued shares (Note 2)
Ms. Zhou	Interest of controlled corporations and family interests	1,179,456,676 (Note 1)	80.06%
Jumbo Faith	Beneficial owner	756,061,682 (Note 1(c))	51.32%
HK Yinger	Interest of controlled corporation	176,470,588 (Note 1(a))	11.98%
Fluent Robust	Beneficial owner	176,470,588 (Note 1(a))	11.98%

Other Information

Name of substantial shareholder	Capacity in which the shares or underlying shares are held	Long positions in shares and underlying shares	Approximate percentage of total issued shares (Note 2)
Mr. Yang	Interest of controlled corporation	246,924,406 (Note 1(b))	16.76%
Gold Bless	Beneficial owner	246,924,406 (Note 1(b))	16.76%

Notes:

- These 1,179,456,676 shares and underlying shares deemed to be interested by Ms. Zhou comprised:
 - 176,470,588 underlying shares attributable to the HK Yinger CB (with principal sum of HK\$120,000,000 carrying conversion right to convert into shares at the conversion price of HK\$0.68 per share) beneficially owned by Fluent Robust, which is a controlled corporation wholly-owned by HK Yinger, which is in turn wholly-owned by Mr. Yu. Ms. Zhou, as the spouse of Mr. Yu, is taken to be interested in the 176,470,588 shares held by Fluent Robust by virtue of Part XV of the SFO, which duplicates with the deemed interest of Mr. Yu as described in Note 1(a) in the section headed "Directors' Interests in Shares" above;
 - 246,924,406 shares beneficially owned by Gold Bless, a company whose issued shares were registered, according to the disclosure of interest filings made on behalf of Mr. Yang, an ex-director of Gold Bless and an ex-director of the Company, as to: (a) 65% in the name of Mr. Yang; (b) 20% in the name of Mr. Yu; and (c) 15% in the name of Winning Top, a company which is wholly-owned by Mr. Yu. Ms. Zhou, as the spouse of Mr. Yu, is taken to be interested in the 246,924,406 shares held by Mr. Yu by virtue of Part XV of the SFO, which duplicates with those of Mr. Yu as described in Note 1(b) in the section headed "Directors' Interests in Shares" above; and

Other Information

- (c) According to the disclosure of interest filings, 756,061,682 shares beneficially owned by Jumbo Faith, a controlled corporation wholly-owned by Ms. Zhou. Ms. Zhou and Jumbo Faith's deemed interests in 756,061,682 shares duplicated with each other. The deemed interest of Ms. Zhou and Jumbo Faith here duplicates with those of Mr. Yu as described in Note 1(c) in the section headed "Directors' Interests in Shares" above.
2. The percentages are calculated based on the total number of 1,473,266,145 issued shares as at 30 June 2019.
3. The number of shares illustrated above are after the four-to-one Share Consolidation approved by shareholders at the extraordinary general meeting of the Company held on 1 March 2019 and took effect on 4 March 2019.

Save as disclosed above, as at 30 June 2019, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the Period.

CORPORATE GOVERNANCE

The Board believes that good governance is essential to the maintenance of the Group's competitiveness and to its healthy growth. The Company has adopted practices which meet the requirements of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 14 of the Listing Rules on the Stock Exchange.

The Company and the Directors confirm, to the best of their knowledge, that the Company complied with the code provisions set out in the Corporate Governance Code (the "**CG Code**") as stated in Appendix 14 of the Listing Rules during the Period, except the deviation disclosed in the following paragraph:

With respect to Code Provision C.2.5, an issuer should have an internal audit function and issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report. Due to the size and scale of operations, the Group did not have internal audit function during the Period. To facilitate the Group's internal control function, the Company has engaged Crowe (HK) Risk Advisory Limited to carry out internal control review and provide recommendation to the Company.

On 29 August 2019, the Board adopted new internal control policies regarding contract management, financial reporting and the use of the company seal. The Company and its key operating subsidiaries are working with the Company's internal control adviser to walk through the implementation outcome of the new policies. The implementation review is expected to be completed by the end of November 2019. Further announcement(s) will be made on the implementation outcome of these new policies in due course.

Other Information

AUDIT COMMITTEE

As at the date of this announcement, the audit committee comprises three independent non-executive directors, namely Mr. David Tsoi (Chairman), Mr. Wu Hong and Mr. Wang Chunlin. The primary function of the audit committee is to review the financial reporting process, the risk management and internal control systems of the Group, oversee the audit process and make recommendations to the Board regarding the appointment, resignation and removal of auditors and improvement on the financial reporting system, risk management and internal control systems of the Group.

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2019 have been reviewed by the audit committee. The audit committee has reviewed the accounting principles and practices adopted by the Group and discussed the key financial reporting matters with the Company's management and auditors relating to the preparation of the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2019, which are unaudited but certain agreed-upon procedures have been performed by the Company's auditors in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" issued by HKICPA. The findings of these agreed-upon procedures have been taken into consideration by the audit committee in its review of the interim results for the six months ended 30 June 2019, which was approved by the Board on 29 August 2019 prior to its publication.

MODEL CODE ON SECURITIES TRANSACTION BY DIRECTORS

The Company follows the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "**Model Code**") as the code of conduct for Directors in their dealings in the Company's securities. All existing directors have confirmed to the Company that they have complied with the Model Code during the Period.

EVENTS AFTER THE REPORTING PERIOD

As disclosed in the Company's announcement dated 29 August 2019, the Company determined that the Vendor has failed to satisfy the Third PG in its entirety. Accordingly, the entire tranche of the 3rd Ample Reach CB shall be cancelled.