



Interim Report 2020

HJ Capital (International) Holdings Company Limited
Stock Code: 982



Contents

2	Corporate Information
3	Interim Condensed Consolidated Statement of Comprehensive Income
5	Interim Condensed Consolidated Statement of Financial Position
6	Interim Condensed Consolidated Statement of Changes in Equity
7	Interim Condensed Consolidated Statement of Cash Flows
9	Notes to the Interim Condensed Consolidated Financial Information
33	Management Discussion and Analysis
40	Other Information

Corporate Information

Board of Directors

Executive directors

Mr. Li Guangning (*Chairman*)
Mr. Xie Wei (*Chief Executive Officer*)
Ms. Guo Jin
Mr. Tze Kan Fat

Non-executive directors

Ms. Zhang Kuihong
Mr. Shong Hugo

Independent non-executive directors

Dr. Chen Jieping
Dr. Sun Mingchun
(*resigned with effect from 1 June 2020*)
Mr. Pu Yonghao
(*appointed with effect from 1 June 2020*)
Mr. Tse Yung Hoi
(*retired on 21 July 2020*)
Mr. Guo Shihai
(*appointed with effect from 21 July 2020*)

Audit Committee

Dr. Chen Jieping (*Chairman*)
Mr. Pu Yonghao
Mr. Guo Shihai

Remuneration Committee

Mr. Pu Yonghao (*Chairman*)
Dr. Chen Jieping
Mr. Guo Shihai
Mr. Xie Wei
Ms. Guo Jin

Nomination Committee

Mr. Guo Shihai (*Chairman*)
Dr. Chen Jieping
Mr. Pu Yonghao

Legal Adviser

Bird & Bird

Auditor

PricewaterhouseCoopers
*Certified Public Accountants and
Registered Public Interest Entity Auditor*

Company Secretary

Ms. Chan Sau Ling

Head Office and Principal Place of Business in Hong Kong

Room 3605, 36/F
Cheung Kong Center
2 Queen's Road Central
Central, Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Bermuda Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited

Principal Bankers

Hang Seng Bank Limited
Dah Sing Bank Limited

Bermuda Resident Representative

Conyers Corporate Services (Bermuda) Limited

Authorised Representatives

Mr. Xie Wei
Ms. Chan Sau Ling

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

982

Website Address

www.huajinci.com



Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020 (unaudited)

	Note	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited and restated)
Continuing operations			
Revenue	4	556,811	573,829
Cost of sales	6	(373,190)	(369,536)
Gross profit		183,621	204,293
Other income and other gains, net	5	4,218	4,319
Selling and distribution expenses	6	(2,949)	(6,079)
Administrative expenses	6	(102,287)	(103,881)
Operating profit		82,603	98,652
Finance expenses, net	7	(16,952)	(6,429)
Share of results of associates		573	(416)
Profit before income tax		66,224	91,807
Income tax expense	8	(30,192)	(24,356)
Profit for the period from continuing operations		36,032	67,451
Discontinued operation			
Loss for the period from discontinued operation	9	(33,120)	(4,187)
Profit for the period		2,912	63,264
Profit/(loss) attributable to:			
Owners of the Company		15,641	62,634
Non-controlling interests		(12,729)	630
		2,912	63,264
Profit/(loss) for the period attributable to owners of the Company arising from:			
Continuing operations		36,032	63,951
Discontinued operation		(20,391)	(1,317)
		15,641	62,634

	Note	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited and restated)
Earnings per share for profit attributable to owners of the Company (HK cents)			
Basic and diluted	10	0.155	0.623
Basic and diluted earnings/(loss) per share attributable to owners of the Company arising from (HK cents):			
Continuing operations	10	0.358	0.636
Discontinued operation	10	(0.203)	(0.013)
		0.155	0.623
Profit for the period		2,912	63,264
Other comprehensive loss for the period, net of tax			
Item that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations		(7,671)	(1,528)
Total comprehensive (loss)/income for the period		(4,759)	61,736
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		7,970	61,106
Non-controlling interests		(12,729)	630
		(4,759)	61,736
Total comprehensive income/(loss) for the period attributable to owners of the Company arising from:			
Continuing operations		28,361	62,423
Discontinued operation		(20,391)	(1,317)
		7,970	61,106



Interim Condensed Consolidated Statement of Financial Position

At 30 June 2020

	Note	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Restated)
Non-current assets			
Property, plant and equipment	12	22,761	30,019
Right-of-use assets		32,259	76,599
Intangible assets	13	13,492	13,649
Deferred tax assets		18,496	17,521
Interests in associates		39,895	39,322
Interest in a joint venture		335	335
Financial asset at fair value through profit or loss	14	6,525	8,213
Other receivables, deposits and prepayments		7,320	12,920
		<u>141,083</u>	<u>198,578</u>
Current assets			
Inventories		1,570	1,263
Contract assets		–	4,801
Trade receivables and margin loans receivable	15	275,614	267,025
Other receivables, deposits and prepayments		70,037	73,037
Client trust bank balances		56,218	27,677
Restricted bank balances		33	1,652
Cash and cash equivalents		756,274	600,112
		<u>1,159,746</u>	<u>975,567</u>
Total assets		<u>1,300,829</u>	<u>1,174,145</u>
(Deficit)/Equity			
Share capital		2,515	2,515
(Deficit)/reserves		(417,097)	402,959
Total (deficit)/equity attributable to owners of the Company		<u>(414,582)</u>	<u>405,474</u>
Non-controlling interests		(49)	12,680
Total (deficit)/equity		<u>(414,631)</u>	<u>418,154</u>
Non-current liabilities			
Lease liabilities		1,398	29,738
Deferred tax liabilities		44	52
		<u>1,442</u>	<u>29,790</u>
Current liabilities			
Trade payables	16	176,162	173,852
Contract liabilities		44,160	71,316
Other payables and accruals		259,561	282,994
Bank borrowings	17	604,500	150,000
Amount due to a related party	18	592,260	–
Lease liabilities		14,283	29,324
Income tax payable		23,092	18,715
		<u>1,714,018</u>	<u>726,201</u>
Total liabilities		<u>1,715,460</u>	<u>755,991</u>
Total equity and liabilities		<u>1,300,829</u>	<u>1,174,145</u>

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Capital and reserves attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Special reserve HK\$'000	Statutory reserve HK\$'000	Other reserve HK\$'000	Merger reserve HK\$'000	Exchange reserve HK\$'000	Retained earnings HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 31 December 2019 (Audited)	2,515	169,105	4,451	-	(534)	-	(1,008)	6,848	181,377	12,680	194,057
Business combination under common control (Note 2)	-	-	-	25,186	-	62,288	(2,396)	139,019	224,097	-	224,097
At 1 January 2020 (Restated)	2,515	169,105	4,451	25,186	(534)	62,288	(3,404)	145,867	405,474	12,680	418,154
Acquisition of subsidiaries through business combination under common control (Note 1)	-	-	-	-	-	(828,026)	-	-	(828,026)	-	(828,026)
Comprehensive income/(loss)											
Profit/(loss) for the period	-	-	-	-	-	-	-	15,641	15,641	(12,729)	2,912
Other comprehensive loss											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(7,671)	-	(7,671)	-	(7,671)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(7,671)	15,641	7,970	(12,729)	(4,759)
At 30 June 2020 (Unaudited)	2,515	169,105	4,451	25,186	(534)	(765,738)	(11,075)	161,508	(414,582)	(49)	(414,631)
At 1 January 2019 (Audited)	2,515	169,105	4,451	-	(534)	-	(283)	102,612	277,866	34,951	312,817
Business combination under common control (Note 2)	-	-	-	15,343	-	7,109	7	136,717	159,176	-	159,176
As at 1 January 2019 (Restated)	2,515	169,105	4,451	15,343	(534)	7,109	(276)	239,329	437,042	34,951	471,993
Capital contribution from previous shareholders of subsidiaries acquired through business combination under common control	-	-	-	-	-	55,179	-	-	55,179	-	55,179
Dividend to previous shareholders of subsidiaries acquired through business combination under common control	-	-	-	-	-	-	-	(78,610)	(78,610)	-	(78,610)
Comprehensive income											
Profit for the period	-	-	-	-	-	-	-	62,634	62,634	630	63,264
Other comprehensive loss											
Exchange differences on translation of foreign operations	-	-	-	-	-	-	(1,528)	-	(1,528)	-	(1,528)
Total comprehensive income/(loss) for the period	-	-	-	-	-	-	(1,528)	62,634	61,106	630	61,736
At 30 June 2019 (Unaudited)	2,515	169,105	4,451	15,343	(534)	62,288	(1,804)	223,353	474,717	35,581	510,298



Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Note	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited and restated)
Cash flows from operating activities			
Cash generated from continuing operations		12,209	66,165
Income tax paid		(25,445)	(59,104)
		<hr/>	<hr/>
Net cash (used in)/generated from operating activities from continuing operations		(13,236)	7,061
		<hr/>	<hr/>
Net cash generated from/(used in) operating activities from discontinued operation		2,505	(14,145)
		<hr/>	<hr/>
		(10,731)	(7,084)
		<hr/>	<hr/>
Cash flows from investing activities			
– Interest received		1,976	1,335
– Purchase of property, plant and equipment		(2,722)	(3,432)
– Acquisition of subsidiary		(248,408)	–
– Disposal of subsidiaries	9	(5,049)	–
– Purchase of intangible assets		–	(237)
– Proceeds from disposal of property, plant and equipment		–	1,150
– Receipts of cash advances from related parties		–	707
– Cash advances to related parties		–	(95)
		<hr/>	<hr/>
Net cash used in investing activities from continuing operations		(254,203)	(572)
		<hr/>	<hr/>
Net cash used in investing activities from discontinued operation		(250)	(1,847)
		<hr/>	<hr/>
		(254,453)	(2,419)
		<hr/>	<hr/>

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited and restated)
Cash flows from financing activities		
– Capital contribution from the owner	–	52,021
– Interest paid	(6,800)	(1,324)
– Proceeds from borrowings	454,500	25,500
– Repayment of borrowings	–	(5,000)
– Decrease in restricted bank balances	1,619	15,000
– Cash advance from related parties	–	13,092
– Repayments of cash advances from related parties	–	(43,168)
– Dividends paid to previous shareholder	–	(78,610)
– Principal and interest element of lease payment	(7,357)	(18,323)
– Proceeds from reorganization	–	4,061
	<u>441,962</u>	<u>(36,751)</u>
Net cash generated from/(used in) financing activities from continuing operations		
	<u>441,962</u>	<u>(36,751)</u>
Net cash used in financing activities from discontinued operation		
	(7,097)	(1,278)
	<u>434,865</u>	<u>(38,029)</u>
Net increase/(decrease) in cash and cash equivalents	169,681	(47,532)
Cash and cash equivalents at beginning of the period	600,112	518,863
Effect of foreign exchange rate changes, net	(13,519)	(86)
	<u>756,274</u>	<u>471,245</u>
Cash and cash equivalents at end of the period		
	<u>756,274</u>	<u>471,245</u>



Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2020

1. General information of the Group

HJ Capital (International) Holdings Company Limited (the “Company”) is an investment holding company and its subsidiaries (together, the “Group”) are principally engaged in (i) the provision of property management services in Mainland China, (ii) hotel operation, hotel management, hotel advisory and exhibition services in Mainland China, (iii) financial services in Hong Kong, and (iv) financial printing services in Hong Kong.

The Company has its listing on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The financial position and performance of the Group was particularly affected by the following event and transaction during the period.

On 17 January 2020, the Group completed the acquisition (“Acquisition”) of the entire equity interest in Concord Bright Holdings Limited (“Concord Bright”), an investment holding company holding various subsidiaries (“Property Management Companies”) from Hong Kong Huafa Investment Holdings Limited (“Huafa HK”), an indirect controlling shareholder of the Company at a consideration of RMB733,780,000 (equivalent to approximately HK\$828,026,000). Property Management Companies are principally engaged in the provision of the property management services and related value-added services, including household assistance service and other services in Mainland China.

On 22 June 2020, the Group completed the disposal of the entire interest in Miracle View Group Ltd (“Miracle View”) at a total consideration of HK\$12,000,000. Miracle View is an investing holding company and through its operating subsidiaries, Rising Win Limited and its subsidiaries, is principally engaged in the provision of financial printing services in Hong Kong. Rising Win Limited is a direct 60% owned subsidiary of Miracle View (Note 9).

This interim condensed consolidated financial information is presented in Hong Kong dollars (“HK\$”) unless otherwise stated.

This interim condensed consolidated financial information is unaudited and has been reviewed by the audit committee of the Company (the “Audit Committee”). This interim condensed consolidated financial information was approved for issue by the board (the “Board”) of directors (the “Directors”) of the Company on 26 August 2020.



2. Basis of preparation

This interim condensed consolidated financial information for the six months ended 30 June 2020 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting". The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

As mentioned in Note 1, on 22 June 2020, the Group completed the disposal of the entire interest in Miracle View which represents the whole segment of financial printing services and related investments holding and one of the operating segments of the Group. For the presentation of the condensed consolidated financial information, this disposal group was regarded as discontinued operation and certain comparative figures have been restated.

In addition, following the transfer of hotel operation business of Sheraton Zhuhai Hotel and Huafa Place ("Two Hotels Operations") to the Group (the "Transaction") on 1 September 2019 and the acquisition of Property Management Companies on 17 January 2020, since each of the Company, Two Hotels Operations and Property Management Companies were controlled by Zhuhai Huafa Group Company Limited ("Zhuhai Huafa"), a controlling shareholder of the Company, before and after the Acquisition and the Transaction, the Acquisition and the Transaction are regarded as "Common Control Combination". Accordingly, the Group has applied merger accounting to account for the Acquisition in respect of Property Management Companies and Transaction in respect of Two Hotels Operations in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" ("AG5") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The condensed consolidated financial information have been prepared in accordance with AG5 as if the Acquisition and the Transaction had been completed at the beginning of the earliest period presented or combining entities first came under the control of the controlling party.

Accordingly, the acquired Property Management Companies and Two Hotels Operations were included in the condensed consolidated financial information from the beginning of the earliest period presented as if the Property Management Companies and Two Hotels Operations had always been part of the Group. As a result, the Group has restated certain 2019 comparative amounts of the condensed consolidated financial information by including the operating results of Property Management Companies and Two Hotels Operations, as if the Acquisition and the Transaction had been completed on the earliest date of periods being presented, i.e. 1 January 2019. The condensed consolidated statement of financial position of the Group as at 31 December 2019 was restated to include the assets and liabilities of the Property Management Companies only as previously reported consolidated statement of financial position had included Two Hotels Operations.

As at 30 June 2020, the Group's liabilities exceeded its assets by HK\$414,631,000 and its current liabilities exceeded its current assets by HK\$554,272,000. At the same date, the Group's cash and cash equivalents amounted to HK\$756,274,000 while the Group's amount due to a related party, bank borrowings and lease liabilities classified under current liabilities amounted to HK\$1,211,043,000. Notwithstanding the Group's net current liabilities and net liabilities as at 30 June 2020, the Directors of the Company have reviewed the Group's cash flows projections, which cover a period of twelve months from 30 June 2020. The Directors are of the opinion that, taking into account the anticipated cash flows generated from the Group's operations and the continued availability of the Group's banking facilities, the Group will have sufficient working capital to fulfill its financial obligations as and when they fall due in the coming twelve months from 30 June 2020. Accordingly, these condensed consolidated interim financial statements have been prepared on a going concern basis.



2. Basis of preparation *(continued)*

The following is a reconciliation of the effect arising from the common control combination on the condensed consolidated statement of financial position and condensed consolidated statement of comprehensive income in connection with the Acquisition and the Transaction.

	As at 31 December 2019		
	The Group	Property Management Companies	The Group
	HK\$'000	HK\$'000	HK\$'000
	(As previously reported)		(Restated)
Financial position			
Non-current assets	136,424	62,154	198,578
Current assets	502,964	472,603	975,567
Total assets	639,388	534,757	1,174,145
Non-current liabilities	29,556	234	29,790
Current liabilities	415,775	310,426	726,201
Total liabilities	445,331	310,660	755,991
Total equity	194,057	224,097	418,154

2. Basis of preparation (continued)

	For the six months ended 30 June 2019			
	The Group HK\$'000 (Unaudited)	Two Hotels Operations HK\$'000	Property Management Companies HK\$'000	The Group HK\$'000 (Unaudited and restated)
Results of operations				
Continuing operations				
Revenue	48,145	123,071	402,613	573,829
Operating profit	2,943	29,733	65,976	98,652
Profit/(loss) for the period from continuing operations	(597)	18,053	49,995	67,451
Discontinued operation				
Revenue	68,346	–	–	68,346
Operating loss	(4,124)	–	–	(4,124)
Loss for the period from discontinued operation	(4,187)	–	–	(4,187)
Profit/(loss) for the period	<u>(4,784)</u>	<u>18,053</u>	<u>49,995</u>	<u>63,264</u>
Profit/(loss) attributable to:				
Owners of the Company	(1,914)	14,553	49,995	62,634
Non-controlling interests	(2,870)	3,500	–	630
	<u>(4,784)</u>	<u>18,053</u>	<u>49,995</u>	<u>63,264</u>
Profit/(loss) attributable to owners of the Company arising from:				
Continuing operations	(597)	14,553	49,995	63,951
Discontinued operation	(1,317)	–	–	(1,317)
	<u>(1,914)</u>	<u>14,553</u>	<u>49,995</u>	<u>62,634</u>
Basic and diluted earnings/(loss) per share arising from (HK cents):				
Continuing operations	(0.006)	0.145	0.497	0.636
Discontinued operation	(0.013)	–	–	(0.013)
	<u>(0.019)</u>	<u>0.145</u>	<u>0.497</u>	<u>0.623</u>



3. Accounting policies

(a) *New standards, amendments to standards and interpretation adopted by the Group*

The accounting policies applied to this condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2019, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings, the revenue recognition for property management services and value-added services and the adoption of new standards, amendments to standards and interpretation as set out below.

Revenue from property management services and value-added services

Revenue from providing services is recognised in the accounting period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the Group's performance when the Group performs.

For property management services, the Group bills a fixed amount for services provided on a monthly basis and recognise as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group acts as principal, the Group entitles to revenue at the value of property management services fee received or receivable. For property management service income from properties managed under commission basis, where the Group acts as an agent of the property owner, the Group entitles revenue at a pre-determined percentage or amount of the property management fee received or receivable by the properties.

For value-added services, revenue is recognised when the related community value-added services are rendered. Payment of the transaction is due immediately when the community value-added services are rendered to the customer.

The following new standards, amendments to standards and interpretation are mandatory for the first time for the financial year beginning 1 January 2020 and currently relevant to the Group:

- Conceptual Framework for Financial Reporting 2018, "Revised Conceptual Framework for Financial Reporting"
- Amendments to HKFRS 3, "Definition of a Business"
- Amendments to HKAS 1 and HKAS 8, "Definition of Material"
- Amendments to HKAS 39, HKFRS 7 and HKFRS 9, "Interest Rate Benchmark Reform"
- Amendments to HKFRS 16, "COVID-19-related Rent Concessions"

There are no other new standards, amendments to standards and interpretations that are effective for the first time for this interim period that could be expected to have a material impact on the Group.

3. Accounting policies *(continued)*

(a) *New standards, amendments to standards and interpretation adopted by the Group (continued)*

The following new standards, amendments to standards and interpretation have been issued but are not effective for the financial year beginning 1 January 2020 and have not been early adopted by the Group:

Amendments to HKAS 16, "Property, Plant and Equipment: Proceeds Before Intended Use"	1 January 2022
Amendments to HKAS 37, "Onerous Contract – Cost of Fulfilling a Contract"	1 January 2022
Amendments to HKFRS 3, "Reference to the Conceptual Framework"	1 January 2022
Annual Improvement to HKFRS Standards 2018 – 2020	1 January 2022
Amendments to HKAS 1, "Presentation of Financial Statements," on Classification of Liability	1 January 2023
HKFRS 17, "Insurance Contracts"	1 January 2023
Amendments to HKFRS 10 and HKAS 28, "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

4. Revenue and segment information

The chief operating decision-maker has been identified as the executive directors of the Company (the "Executive Directors"). The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group's operating businesses are structured and managed separately according to the nature of operations. Each of the Group's reportable segments represents a strategic business unit that is subject to risks and returns that are different from other reportable operating segments.

The Group is principally engaged in the following:

- Property management – provision of property management services and related value-added services, including municipal supporting services and other services;
- Hotel operation, hotel management, hotel advisory and exhibition services – provision of hotel operation services, hotel management services, hotel advisory services and exhibition planning and organisation services; and



4. Revenue and segment information (continued)

- Financial services – securities underwriting, securities and future brokerage, asset management and consultancy and advisory services.

The Executive Directors consider all assets and revenue relating to the operations are primarily located in Mainland China and Hong Kong.

Segment assets mainly exclude interests in associates, interest in a joint venture, restricted bank balances, deferred tax assets and other assets that are managed on a central basis.

Segment liabilities mainly exclude income tax payable, deferred tax liabilities, bank borrowings, amount due to a related party and other liabilities that are managed on a central basis.

During the six months ended 30 June 2020, revenues of approximately HK\$189,389,000 (six months ended 30 June 2019 restated: HK\$182,986,000) were derived from Zhuhai Huafa and its subsidiaries.

The Executive Directors assess the performance of the operating segments based on their underlying profits, which is measured by profit before income tax, excluding income and expenses that are managed on a central basis.

	Financial services		Hotel operation, hotel management, hotel advisory and exhibition services		Property management		Total	
	30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited and restated)	30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited and restated)	30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited and restated)
Revenue from external customers	34,948	36,396	50,669	134,820	471,194	402,613	556,811	573,829
Segment results	(7,165)	2,817	(8,713)	27,831	112,844	65,975	96,966	96,623
Unallocated income							1,976	1,461
Unallocated expenses							(33,291)	(5,861)
Share of results of associates							573	(416)
Income tax expense							(30,192)	(24,356)
Profit for the period from continuing operations							36,032	67,451

4. Revenue and segment information (continued)

	Financial services		Hotel operation, hotel management, hotel advisory and exhibition services		Property management		Total	
	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Unaudited and restated)	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Restated)
	Segment assets	166,254	128,882	50,197	63,318	267,717	187,011	484,168
Unallocated assets							816,661	638,850
Total assets							1,300,829	1,018,061
Segment liabilities	120,890	80,820	72,696	87,788	299,678	301,622	493,264	470,230
Unallocated liabilities							1,222,196	172,709
Total liabilities							1,715,460	642,939

	Financial services		Hotel operation, hotel management, hotel advisory and exhibition services		Property management		Total	
	30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited and restated)	30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited and restated)	30 June 2020 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited and restated)
	Other segment information:							
Additions to non-current assets	17	529	242	1,154	2,463	1,749	2,722	3,432
Depreciation of property, plant and equipment (Note 6)	(492)	(468)	(40)	(214)	(3,503)	(4,150)	(4,035)	(4,832)
Depreciation of right-of-use assets (Note 6)	(6,543)	(6,543)	-	(7,101)	(1,326)	(1,516)	(7,869)	(15,160)
Amortisation of intangible assets (Note 6)	-	-	-	(10)	(115)	(29)	(115)	(39)
Fair value (losses)/gains on financial asset at fair value through profit or loss (Note 5)	(1,688)	684	-	-	-	-	(1,688)	684
(Loss allowance)/reversal of loss allowance for trade receivables and margin loans receivable (Note 6)	300	-	19	35	(4,652)	(4,209)	(4,333)	(4,174)



4. Revenue and segment information *(continued)*

The Group's revenue by geographical location is determined by the location of services rendered and the geographical location of non-current assets is determined by where the assets are located and are detailed below:

	Revenue from external customers recognised over-time		Non-current assets (Note)	
	Six months ended 30 June		As at	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited and restated)	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Restated)
Hong Kong	34,948	36,396	22,809	87,677
Mainland China	521,863	537,433	53,023	45,510
	<u>556,811</u>	<u>573,829</u>	<u>75,832</u>	<u>133,187</u>

Note: Non-current assets exclude interests in associates, interest in a joint venture, financial asset at fair value through profit or loss and deferred tax assets.

5. Other income and other gains, net

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited and restated)
Recharge of administrative expenses to a related party <i>(Note 18(b))</i>	2,150	2,125
Fair value (losses)/gains on financial asset at fair value through profit or loss <i>(Note 14)</i>	(1,688)	684
Net foreign exchange (losses)/gain	(238)	130
Government grants	2,021	1,280
Others	1,973	100
Other income and other gains, net	<u>4,218</u>	<u>4,319</u>

6. Expenses by nature

Expenses including cost of sales, selling and distribution expenses and administrative expenses are analysed as follows:

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited and restated)
Employee benefit expenses (including directors' emoluments)	327,449	323,866
Depreciation of property, plant and equipment	4,035	4,832
Depreciation of right-of-use assets	7,869	15,160
Legal and professional fees	8,378	6,374
Expenses related to short-term and low value lease payments	8,662	4,190
Loss allowance for trade receivables and margin loans receivable	4,333	4,174
Greening and cleaning expenses	42,789	33,145
Telecommunication expenses	1,996	2,150
Royalty and incentive fee	510	4,259
Amortisation of intangible assets	115	39
Utilities	16,706	18,269
Maintenance costs	11,019	7,381
Building management fee	2,975	5,308
Others	41,590	50,349
	<u>478,426</u>	<u>479,496</u>
Total cost of sales, selling and distribution expenses and administrative expenses		

7. Finance expenses, net

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited and restated)
Interest expense:		
– Amount due to a related party (Note 18(b))	(11,696)	–
– Bank borrowings	(6,800)	(1,324)
– Interest on lease liabilities	(432)	(6,440)
	<u>(18,928)</u>	<u>(7,764)</u>
Interest income:		
– Bank deposits	1,369	821
– Interest income from a subsidiary under Zhuhai Huafa (Note 18(b))	607	514
	<u>1,976</u>	<u>1,335</u>
Finance expenses, net	<u>(16,952)</u>	<u>(6,429)</u>



8. Income tax expense

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit during the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

PRC corporate income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the period ended 30 June 2020 and 2019 based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the Group entities located in the PRC is 25% or 15%.

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited and restated)
Current income tax	(31,468)	(25,288)
Deferred income tax	1,276	932
	<u>(30,192)</u>	<u>(24,356)</u>

9. Discontinued operation

On 18 June 2020, the Company entered into an agreement with an independent third party to sell its entire equity interest in its wholly-owned subsidiary, Miracle View at a total consideration of HK\$12,000,000. Miracle View is an investment holding company and through its operating subsidiaries, Rising Win Limited and its subsidiaries, is principally engaged in the provision of financial printing services in Hong Kong. Rising Win Limited is a direct 60% owned subsidiary of Miracle View. Upon the completion of the disposal on 22 June 2020, the Group recorded a gain of approximately HK\$2,190,000.

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Loss after tax from discontinued operation (Note (a))	(35,310)	(4,187)
Gain on disposal (Note (b))	2,190	-
Net loss from discontinued operation	<u>(33,120)</u>	<u>(4,187)</u>
Loss from discontinued operation attributable to:		
Owners of the Company	(20,391)	(1,317)
Non-controlling interests	<u>(12,729)</u>	<u>(2,870)</u>
	<u>(33,120)</u>	<u>(4,187)</u>



9. Discontinued operation (continued)

Note:

(a) Analysis of the results of the discontinued operation are presented below:

	From 1 January 2020 to 22 June 2020 HK\$'000 (Unaudited)	Six months ended 30 June 2019 HK\$'000 (Unaudited)
Revenue	60,823	68,346
Cost of sales	(59,709)	(48,756)
Gross profit	1,114	19,590
Other income and other gains, net	236	274
Selling and distribution expenses	(7,213)	(6,059)
Administrative expenses	(28,738)	(17,929)
Operating loss	(34,601)	(4,124)
Finance expenses, net	(711)	(89)
Loss before income tax	(35,312)	(4,213)
Income tax credit	2	26
Loss for the period	(35,310)	(4,187)

(b) Analysis of gain on disposal is as follows:

	HK\$'000 (Unaudited)
Cash consideration received	12,000
Carrying amount of net assets sold	(8,920)
Non-controlling interests	-
Transaction cost	(890)
Gain on disposal	2,190



9. Discontinued operation *(continued)*

(c) Analysis of net cash outflows arising from the disposal:

	<i>HK\$'000</i> <i>(Unaudited)</i>
Consideration received	12,000
Cash and cash equivalents disposed of	<u>(17,049)</u>
Net cash outflows on disposal of subsidiaries	<u>(5,049)</u>

(d) Analysis of cash inflows/(outflows) are detailed as follows:

	From 1 January 2020 to 22 June 2020 <i>HK\$'000</i> <i>(Unaudited)</i>	Six months ended 30 June 2019 <i>HK\$'000</i> <i>(Unaudited)</i>
Net operating cash inflows/(outflows)	2,505	(14,145)
Net investing cash outflows	(250)	(1,847)
Net financing cash outflows	<u>(7,097)</u>	<u>(1,278)</u>
Net total cash outflows	<u>(4,842)</u>	<u>(17,270)</u>

The condensed consolidated statement of comprehensive income and consolidated statement of cash flows distinguish the discontinued operation from continuing operations. Comparative figures have been restated.

10. Earnings per share

The calculation of basic earnings per share is based on the profit for the period arising from continuing operations and loss for the period arising from discontinued operation attributable to owners of the Company of approximately HK\$36,032,000 and HK\$20,391,000 respectively (30 June 2019 restated: profit of approximately HK\$63,951,000 and loss of HK\$1,317,000 respectively) and the weighted average number of ordinary shares in issue during the period of 10,060,920,000 (30 June 2019: 10,060,920,000).

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited and restated)
Earnings		
Profit attributable to owners of the Company arising from continuing operations	36,032	63,951
Loss attributable to owners of the Company arising from discontinued operation	(20,391)	(1,317)
Total	15,641	62,634
Shares		
Weighted average number of ordinary shares in issue	10,060,920,000	10,060,920,000
	Six months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited and restated)
Basic and diluted earnings/(loss) per share for profit attributable to owners of the Company (HK cents)		
From continuing operations	0.358	0.636
From discontinued operation	(0.203)	(0.013)
	0.155	0.623

Diluted earnings/(loss) per share equals to basic earnings/(loss) per share as there are no potential dilutive ordinary shares outstanding for the six months ended 30 June 2020 and 2019, respectively.

11. Dividend

The Directors did not propose the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

12. Property, plant and equipment

During the six months ended 30 June 2020, the Group acquired property, plant and equipment with a cost of HK\$2,981,000 (six months ended 30 June 2019 restated: HK\$5,300,000). No disposal of property, plant and equipment for the six months ended 30 June 2020 (six months ended 30 June 2019 restated: HK\$1,156,000).



13. Intangible assets

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Restated)
Goodwill	10,628	10,628
Trading rights	1,000	1,000
Computer software	1,864	2,021
	<u>13,492</u>	<u>13,649</u>

The recoverable amount of a CGU is determined based on a value-in-use calculation. The calculation uses pre-tax cash flow projection based on five-year financial budget approved by management using the estimated growth rate of 5% (2019: 5%). Cash flows beyond the five-year period are extrapolated assuming a terminal growth rate of 3% (2019: 3%) and no material change in the existing scope of business, business environment and market conditions. The discount rate applied to the cash flow projections is 15% (2019: 15%) and management believes it reflects specific risks relating to the segment. Management believes that any reasonably possible change in any of the key assumptions would not result in an impairment provision of goodwill.

14. Financial asset at fair value through profit or loss

Movement in the financial asset at fair value through profit or loss is as follows:

	Six months ended 30 June 2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
As at 1 January	8,213	14,064
Changes in fair value (charged)/credited to profit or loss (Note 5)	<u>(1,688)</u>	<u>684</u>
At 30 June	<u>6,525</u>	<u>14,748</u>

Notes:

- (a) The balance represented fair value of the Group's 2.25% equity interest in Hong Kong Johnson Holdings Co., Ltd ("Hong Kong Johnson") and was denominated in HK\$.
- (b) Valuation of financial asset at fair value through profit or loss

Hong Kong Johnson is listed on Hong Kong Main Board of the Stock Exchange (01955.HK). The fair value of financial asset at fair value through profit or loss traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for the listed equity instrument held by the Group is the current bid price.



15. Trade receivables and margin loans receivable

For margin loans receivable, no ageing is disclosed as, in the opinion of the Directors, an ageing analysis is not meaningful in view of the nature of the business of securities margin financing. The ageing analysis of trade receivables based on invoice date at the end of reporting period is as follows:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Restated)
Up to 90 days	153,309	170,438
91–180 days	51,266	33,879
Over 181 days	104,674	101,784
Gross trade receivables	309,249	306,101
Less: Loss allowance	(37,598)	(44,860)
Trade receivables, net	271,651	261,241
Margin loans receivable	3,963	5,784
Trade receivables and margin loans receivable, net	275,614	267,025

Trade receivables are on general credit terms of 30 to 90 days.

16. Trade payables

The average credit period from the Group's trade creditors is of 30 to 60 days. The ageing analysis of trade payables based on invoice date at the end of reporting period is as follows:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Restated)
Up to 90 days	115,837	144,130
91–180 days	24,832	15,360
Over 181 days	35,493	14,362
	176,162	173,852



17. Bank borrowings

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Bank loans – secured (<i>Note (a)</i>)	288,500	150,000
Bank loans – unsecured	316,000	–
	<u>604,500</u>	<u>150,000</u>

At 30 June 2020 and 31 December 2019, the Group's bank borrowings were repayable as follows:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within one year	<u>604,500</u>	<u>150,000</u>

Note:

- (a) As at 30 June 2020 and 31 December 2019, the bank borrowings were secured by cross corporate guarantee executed by the Company and its subsidiary, Huajin Financial (International) Holdings Limited ("Huajin Financial").
- (b) Bank borrowings bear effective interest rate from 3.40% to 5.51% per annum (31 December 2019: 4.20% to 4.90% per annum).
- (c) The carrying amounts of the Group's bank borrowings were denominated in HK\$ and the fair value of bank borrowings approximates their carrying amounts.



18. Related party transactions

The following is a summary of significant related party transactions which, in the opinion of the Directors are entered into in the ordinary course of business between the Company and its related parties in addition to the related party information shown elsewhere in these financial statements.

(a) Rendering of services

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited and restated)
Consultancy and financial advisory services income received from Zhuhai Huafa and its subsidiaries		
– 2020 Consultancy income I (Note i)	13,900	–
– 2020 Financial advisory income I	1,000	–
– Other Financial advisory income	2,627	–
– 2019 Consultancy income I	–	2,500
– 2019 Consultancy income II	–	9,594
– 2019 Consultancy income III	–	11,330
– 2019 Consultancy income IV	–	1,200
– 2019 Consultancy income V	–	1,000
– 2019 Financial advisory income	–	500
	<u>17,527</u>	<u>26,124</u>
Underwriting commission income received from Huafa HK	–	1,778
Printing and translation services income received from Zhuhai Huafa's subsidiaries	–	132



18. Related party transactions (continued)

(a) Rendering of services (continued)

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited and restated)
Hotel operation, hotel management, hotel advisory and exhibition services income received from Zhuhai Huafa and its subsidiaries		
– 2020 Event planning income I (Note ii)	7,385	–
– 2020 Event planning income II (Note iii)	3,120	–
– 2020 Market research services income (Note iv)	1,019	–
– 2020 Hotel operation income (Note v)	5,274	5,454
– 2018 Hotel management income	–	1,460
– 2019 Corporate video production income	–	7,089
– 2019 Exhibition advisory income	–	2,181
	16,798	16,184
Property management services income received from Zhuhai Huafa and its subsidiaries		
– 2020 Property management services income (Note vi)	154,072	137,951
– 2020 Rental income	992	817
	155,064	138,768

(b) Other related party transactions

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited and restated)
Interest income received from a subsidiary under Zhuhai Huafa	607	514
Recharge of administrative expenses to Huafa HK	2,150	2,125
Recharge of administrative expenses from Huafa HK	1,883	1,873
Interest expense accrued to Huafa HK (Note vii)	11,696	–
Rental expenses paid to a subsidiary under Zhuhai Huafa	4,375	10,422
Purchase of goods and services from subsidiaries under Zhuhai Huafa	1,024	608

18. Related party transactions *(continued)**(c) Balances with related parties*

In addition to those disclosed elsewhere, particulars of the balances with related parties are as follows:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Restated)
Amount due to a related party <i>(Note vii)</i> – Huafa HK	<u>592,260</u>	<u>–</u>
Balances included in cash and cash equivalents – Zhuhai Huafa's subsidiary <i>(Note viii)</i>	<u>149,492</u>	<u>152,407</u>
Balances included in other receivables, deposits and prepayments – Zhuhai Huafa's subsidiaries	<u>57,999</u>	<u>25,495</u>
Balances included in trade receivables – Zhuhai Huafa's subsidiaries	<u>77,707</u>	<u>55,345</u>
Balances included in trade payables – Zhuhai Huafa's subsidiaries	<u>(26,561)</u>	<u>(24,494)</u>
Balances included in other payables and accruals – Zhuhai Huafa's subsidiaries	<u>(46,550)</u>	<u>(25,176)</u>
Balances included in contract liabilities – Zhuhai Huafa's subsidiaries	<u>(1,787)</u>	<u>(1,042)</u>



18. Related party transactions *(continued)*

(d) Compensation of key management personnel

The remuneration of the Directors and other members of key management during the period are as follows:

	Six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Short-term benefits	19,648	15,007

The remuneration of the Directors and key management is determined having regard to the performance of individuals and market trends.

Notes:

- (i) In June 2020, Huajin Financial entered into various consultancy agreements (collectively, "2020 Consultancy Agreements I") with Zhuhai Huafa and its fifteen subsidiaries respectively. Pursuant to the 2020 Consultancy Agreements I, Huajin Financial would provide consultancy services ("2020 Consultancy Services I") in relation to various researches on different industries and cities in Mainland China and/or other specific matters.

According to the 2020 Consultancy Agreements I, aggregate fees for the 2020 Consultancy Services I amounted to HK\$13,900,000, which was agreed by the parties.

The service fees of HK\$13,900,000 were settled in June and July 2020.

- (ii) In June 2020, Zhuhai Hengqin New Area Huajin International Convention Services Company Limited ("Huajin Convention") entered into an event planning agreement ("2020 Event Planning Agreement I") with five subsidiaries of Zhuhai Huafa.

Pursuant to the 2020 Event Planning Agreement I, Huajin Convention would provide advertising and promotional services in relation to brand promotion through planning and coordination, brand promotion, on-site advertisement and media and brand demonstration ("2020 Event Planning Services I").

According to the 2020 Event Planning Agreement I, the fees for 2020 Event Planning Services I amounted to RMB6,698,000 (equivalent to approximately HK\$7,385,000), which were mutually agreed by contracted parties.

The total service fees of HK\$7,385,000 were settled in June 2020.



18. Related party transactions *(continued)*

Notes: *(continued)*

- (iii) In June 2020, Huajin Convention entered into an event planning agreement ("2020 Event Planning Agreement II") with three subsidiaries of Zhuhai Huafa.

Pursuant to the 2020 Event Planning Agreement II, Huajin Convention would provide services in a seminar held in Zhuhai in 2020. The services included but not limited to guest invitation and accommodation, on-site execution, venue set up and decoration, advertising and promotional activities and other miscellaneous office services ("2020 Event Planning Services II").

According to the 2020 Event Planning Agreement II, the fees for 2020 Event Planning Services II amounted to RMB2,830,000 (equivalent to approximately HK\$3,120,000), which were mutually agreed by contracted parties.

The total service fees of HK\$3,120,000 were settled in June 2020.

- (iv) In May 2020, Huajin Convention entered into a market research service agreement ("2020 Market Research Agreement") with a subsidiary of Zhuhai Huafa.

Pursuant to the 2020 Market Research Agreement, Huajin Convention would provide preliminary development advice including market research, positioning, development strategy and operation strategy, and would provide a research report ("2020 Market Research Services").

According to the 2020 Market Research Agreement, the fees for 2020 Market Research Services amounted to RMB925,000 (equivalent to approximately HK\$1,019,000), which were mutually agreed by contracted parties.

The total service fees of HK\$1,019,000 were settled in June 2020.

- (v) The amounts represented the hotel operating income generated from accommodation and food and beverage services rendered to Zhuhai Huafa and its subsidiaries. The services are rendered at prices and terms mutually agreed by both parties.

- (vi) The amounts represented property management services rendered to Zhuhai Huafa and its subsidiaries. The services are rendered at prices and terms that are mutually agreed. Property management services including but not limited to security, cleaning, greening and gardening, repair and maintenance services as well as other value added services to the properties developed by Zhuhai Huafa and/or its associates from the commencement of construction up to the delivery of the properties; and unsold properties, investment properties, car parks and other related areas held by Zhuhai Huafa and/or its associates.



18. Related party transactions *(continued)*

Notes: *(continued)*

- (vii) Amount due to a related party refers to consideration payable to Huafa HK in the amount of HK\$579,618,000 and accrued interest in the amount of HK\$11,696,000. The consideration payable is with interest bearing at the rate of 4.35% per annum. The consideration and accrued interest were repayable in January 2021 and denominated in RMB. The remaining balance was unsecured, interest-free, repayable on demand and denominated in HK\$. The carrying amount of amount due to a related party approximated its fair value.
- (viii) Transactions and balances with other state-owned enterprises in the PRC

In accordance with HKAS 24 "Related Party Disclosures", other state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government ("state-owned enterprises") are regarded as related parties of the Group. The Group's PRC entities operate in an economic environment predominated by state-owned enterprises. During the six months ended 30 June 2020 and 30 June 2019, the Property Management Companies had transactions with state-owned enterprises including, but not limited to, providing property management services and value added services. For the purpose of related party transactions disclosure, the Property Management Companies had in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. However, many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatization programs. Nevertheless, the directors of the Group consider that transactions with other state-owned enterprises are activities in the ordinary course of the business, and that the dealings of the Property Management Companies have not been significantly or unduly affected by the fact that the Property Management Companies and other state-owned enterprises are ultimately controlled or owned by the PRC Government. The Property Management Companies had also established pricing policies for products and services, and such pricing policies do not depend on whether or not the customers are state-owned enterprises. Having due regard to the substance of the relationships, the directors of the Group are of the opinion that none of these transactions are material related party transactions that require separate disclosure except for the transactions with state-owned financial institutions as disclosed below.

- (a) Balances with a state-owned financial institution

As at 30 June 2020 and 31 December 2019, part of the Property Management Companies' and Two Hotels Operations' bank balances were deposited in a state-owned financial institution. The directors are of opinion that such transactions were conducted in the ordinary course of business and in accordance with normal commercial terms.



19. Events occurring after the date of statement of financial position

The COVID-19 epidemic's impact

The outbreak of COVID-19 epidemic has been expanded globally and the prevention and control measures to combat the disease have been continued to be implemented by different countries. As a result of COVID-19 epidemic, there was a slowdown in capital and initial public offering activities and significant decline in the number of tourists travelling to/within Mainland China which had resulted in an adverse impact on the financial services segment and the Two Hotels Operations of the Group.

The Group will remain attentive to the performance of the financial services segment with a comprehensive review on its business, and consider various possible solutions to ensure its alignment with the interest of the shareholders of the Company. Meanwhile, considering the negative impact of the COVID-19 epidemic on tourism and the economy, after negotiation with Zhuhai SZM CBD Construction Holding Co. Ltd. ("Zhuhai SZM"), the Group decided not to renew the property lease framework agreement dated 19 March 2019 (the "Property Lease Framework Agreement") in relation to the lease of Sheraton Zhuhai Hotel and Huafa Place after the expiration of the first year of the leasing term on 1 September 2020.

The Directors will continue to closely monitor the development of the COVID-19 epidemic and assess its impact on the financial position, and operational results of the Group. At present, the Group does not foresee any material change in its exposures to credit risk and liquidity risk. The Group has remained to be financial stable as at 30 June 2020 as the Group has experienced no material collectability problem.



Management Discussion and Analysis

Business Review

Facing the complicated global business environment and rigorous competition in the market, the Group's overall revenue decreased by approximately 3% to HK\$556,811,000 for the six months ended 30 June 2020 from HK\$573,829,000 (restated) of the corresponding period in 2019.

To bolster its performance, the Group, an active pursuer of new development opportunities at all times, started expanding its operations to the provision of property management services and related value-added services in China during 2020. In January 2020, the Group completed its acquisition of all the issued ordinary shares of Concord Bright, whose core assets comprise the equity interests in Zhuhai Huafa Property Management Services Co., Ltd.* (珠海華發物業管理服務有限公司) ("Huafa Property") and its subsidiaries. Huafa Property has generated stable growth on its property management services, while its overall strength is ranked 26th among the Top 100 Property Companies in the PRC in 2020 (2019: ranked 28th), according to the report published by China Index Academy.

As at 30 June 2020, Huafa Property managed a portfolio of properties covering 20 cities (the corresponding period in 2019: 16 cities) across the PRC with a total contracted GFA of approximately 26.7 million sq.m. (the corresponding period in 2019: 21.4 million sq.m.). As at 30 June 2020, Huafa Property provided property management services and value-added services to 153 properties (the corresponding period in 2019: 133 properties) with an aggregate revenue-bearing GFA of approximately 14.1 million sq.m. (the corresponding period in 2019: 12.7 million sq.m.). By developing property management services and related value-added services, the Group aimed to further enhance its strategic position as a high-end service platform, ensure sustainable development, and comprehensively improve the Group's overall operations performance in the future.

Considering the impact under COVID-19 epidemic and severe market competition, on 22 June 2020, the Group completed the disposal of the financial printing services segment by disposing the entire interest in Miracle View at a total consideration of HK\$12,000,000. Miracle View is an investing holding company and through its operating subsidiaries, Rising Win Limited and its subsidiaries, is principally engaged in the provision of financial printing services in Hong Kong. Rising Win Limited is a direct 60% owned subsidiary of Miracle View.

In addition, the Group has gradually commenced relevant operations of hotel management, convention and exhibition and event planning in Mainland China through its wholly-owned subsidiaries, Zhuhai Hengqin New Area Huajin International Hotel Management Company Limited* (珠海市橫琴新區華金國際酒店管理有限公司) and Zhuhai Hengqin New Area Huajin International Convention Services Company Limited* (珠海市橫琴新區華金國際會展服務有限公司). Going forward, property management services, hotel advisory services as well as exhibition services are going to construct the Group's "One Core Two Wings" strategy, in order to put the synergy into full play and realising stable growth in core businesses.

* For identification purpose only

Management Discussion and Analysis *(continued)*

Business Review *(continued)*

Since the Group obtained Type 9 (asset management) license from the Securities and Futures Commission in January 2019, the Group has been carrying out regulated activities through its wholly-owned subsidiaries, Huajin Financial (International) Holdings Limited, WAG Worldsec Corporate Finance Limited and Huajin International Investment Management Limited, including Type 1 (dealing in securities), Type 2 (dealing in future contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), and also holds a Money Lender's license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

As at the date of this report, the Group is principally engaged in (i) the provision of property management services in the Mainland China; revenue contributed by property management's operation to the Group amounted to approximately HK\$471,194,000 for the six months ended 30 June 2020 (six months ended 30 June 2019 restated: approximately HK\$402,613,000) and profit for the period amounted to approximately HK\$84,919,000 (six months ended 30 June 2019 restated: approximately HK\$49,995,000); (ii)(a) hotel operation and hotel management services in the Mainland China; (ii)(b) hotel advisory services in the Mainland China; and (ii)(c) exhibition services in the Mainland China; revenue contributed by hotel operation, hotel management, hotel advisory and exhibition services operations to the Group amounted to approximately HK\$50,669,000 for the six months ended 30 June 2020 (six months ended 30 June 2019 restated: approximately HK\$134,820,000); and (iii) the provision of financial advisory services, securities underwriting and consultancy, securities and futures brokerage, equity research business, asset management and money lending business in Hong Kong; revenue contributed by financial services' operations to the Group amounted to approximately HK\$34,948,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: approximately HK\$36,396,000). During the reporting period, the Group was also engaged in the provision of the financial printing services in Hong Kong before its operations discontinued in late June 2020, and the revenue contributed by such operation to the Group from 1 January 2020 to 22 June 2020 amounted to approximately HK\$60,823,000 (six months ended 30 June 2019: approximately HK\$68,346,000) to the Group.

Financial Review

For the six months ended 30 June 2020, the Group recorded a revenue from continuing operations of approximately HK\$556,811,000 (six months ended 30 June 2019 restated: approximately HK\$573,829,000), representing a decrease of approximately 3% as compared with the corresponding period in 2019. The Group's profit before income tax from continuing operations amounted to approximately HK\$66,224,000 (six months ended 30 June 2019 restated: approximately HK\$91,807,000).



Management Discussion and Analysis *(continued)*

Financial Review *(continued)*

For the six months ended 30 June 2020, profit for the period attributable to owners of the Company was approximately HK\$15,641,000 (six months ended 30 June 2019 restated: approximately HK\$62,634,000). Basic and diluted earnings per share was approximately HK0.155 cent (six months ended 30 June 2019 restated: HK0.623 cent).

The decrease in total comprehensive income for the period attributable to owners of the Company was mainly due to impact from COVID-19 epidemic, causing substantial increase in loss from discontinued operation and decrease in revenue from hotel operation services.

Liquidity and Financial Resources

As at 30 June 2020, the Group's cash and cash equivalents amounted to approximately HK\$756,274,000 (31 December 2019 restated: approximately HK\$600,112,000) with HK\$604,500,000 borrowings from banks (31 December 2019: HK\$150,000,000) and approximately HK\$592,260,000 amount due to a related party (31 December 2019: Nil). The Group had total current assets of approximately HK\$1,159,746,000 (31 December 2019 restated: approximately HK\$975,567,000) and total current liabilities of approximately HK\$1,714,018,000 (31 December 2019 restated: approximately HK\$726,201,000). The Group's current ratio, being total current assets over total current liabilities, was 0.7 (31 December 2019 restated: 1.3).

Total deficit of the Group as at 30 June 2020 amounted to approximately HK\$414,631,000 (31 December 2019 restated: Total equity of approximately HK\$418,154,000). The Group's gearing ratio, being total liabilities over total assets, was approximately 132% (31 December 2019 restated: 64%).

Pledge of Assets

As at 30 June 2020, the Group had no pledge of assets.

Capital Structure

Save as disclosed, the Group's capital structure remained unchanged during the six months ended 30 June 2020.

Contingent Liabilities

As at 30 June 2020, the Group did not have any material contingent liabilities.



Management Discussion and Analysis *(continued)*

Business Plan

Property Management Services

After the completion of acquisition of Concord Bright in January 2020, the Group has commenced the provision of property management services and related value-added services in the PRC (the “Property Management Business”). With the continuous ramp-up of urbanization, growing urban population and expanding real estate market in the Mainland China, as well as the stable ties between the Group’s property management business with its controlling shareholder, Zhuhai Huafa, a leading property developer in Zhuhai with footprint all over the PRC, the Property Management Business is expected to bring favourable conditions to the Group for the development of the Chinese property management industry which will broaden the Group’s revenue streams and generate continuous growth in terms of profit and cashflow.

As regards the types of services, to further elevate its service quality and consolidate its leading industry reputation, the Group will cater to the increasingly stringent service requirements of clients with even better value-added services such as municipal management and maintenance services, community trading services and household living services, while developing smart property communities via technological means and increasing the types of its value-added services in property management to pursue more diversified profit streams.

In terms of business expansion, leveraging on the stable customer base and lower sensitivity to macro-economy with the background of state-owned enterprise of Zhuhai Huafa, while the Group will maintain the robust development in property management services business, it will also enhance its cooperation with independent third party property developers in order to expand the market share and business scale of the Group’s core businesses and related businesses when suitable opportunities arise.



Management Discussion and Analysis *(continued)*

Business Plan *(continued)*

Exhibition Services

The Group has provided consultancy services in relation to convention, exhibition, conference and event planning and organization since 2019, as well as convention-related businesses including venue set up, advertising and promotional activities, business promotion and integration of cooperation resources, planning and implementation of supporting services. Going forward, we will explore business development opportunities in our exhibition services on an on going basis, undertake global and national large-scale convention projects, putting the synergy between exhibition services and property management services into full play at the same time. The exhibition services will become an integral part of the Group's "One Core Two Wings" strategy.

Hotel Advisory Services

Equipped with a team of experienced professionals with comprehensive expertise, the Group provides, including but not limited to, featured hotel advisory and consultancy services including (i) market and financial feasibility studies; (ii) hotel brand introduction and negotiation; (iii) design management and cost management consultancy; (iv) staff professional skills training; and (v) hotel operation commencement preparation management and consulting. Meanwhile, the Group will also strive to expand its current principal advisory services from consultancy for property developers and hotel consultancy and advisory to other aspects.

Hotel Operations and Hotel Management Services

To fit the Group's "One Core Two Wings" strategy, the Group has strived to enhance the competitiveness of its core businesses, while transform its hotel related operations and services into an asset-light model. Hence, after negotiation with Zhuhai SZM, the Company decided not to renew the Property Lease Framework Agreement after expiration of the first year of the leasing term on 1 September 2020. Instead, the Group decided to further deploy its resources from underperforming business to the Group's robust and profitable property management business.

Financial Services

In light of the weakened economic activities affected by various unfavourable factors such as the COVID-19 epidemic, the Group will adopt a prudent approach in our provision of financial services for small to medium enterprises in Hong Kong and the PRC. Due to stiff market competition, the Group will remain attentive to the performance of the financial services segment with a comprehensive review on its business, and consider various possible solutions to ensure its alignment with the interest of the shareholders of the Company.

Management Discussion and Analysis *(continued)*

Employees

As at 30 June 2020, the Group had a total of 7,137 employees (31 December 2019 restated: approximately 6,899). The staff costs of the Group for the six months ended 30 June 2020 were approximately HK\$327,449,000 (six months ended 30 June 2019 restated: approximately HK\$323,866,000), which comprised salaries, commissions, bonuses, other allowances and contributions to the retirement benefit scheme. The Group operates a defined contribution scheme under the Mandatory Provident Fund Schemes Ordinance and provides medical insurance to all employees. In general, the Group structured its employee remuneration packages with reference to general market practice, employees' duties and responsibilities and the Group's financial performance. The Group provides training courses and training programmes to equip staff with the necessary skills, techniques and knowledge in order to enhance their productivity and administrative efficiency.

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (2019: Nil).

Interest Rate Risk

As at 30 June 2020, the Group's interest-bearing financial assets primarily comprised of bank deposits and margin loans receivable, and the Group's interest-bearing financial liabilities primarily comprised of amount due to a related party and bank borrowings. As there was no significant financial risk of a change in interest rates, the Group had no interest rate hedging policy.

Foreign Exchange Risk

The Group conducted its business transactions principally in HK\$ and Renminbi ("RMB"). As at 30 June 2020, most of the Group's bank deposits and cash balances were mainly denominated in HK\$, United States Dollars ("USD") and RMB. The HK\$ is pegged to the USD, and this made the Group's foreign exchange risk exposure minimal. As such, the Group did not utilise any foreign exchange derivatives for hedging purposes as at 30 June 2020. Foreign currency exposure did not pose a significant risk for the Group, but we will remain vigilant and closely monitor our exposure to movements in relevant currencies.



Management Discussion and Analysis *(continued)*

Credit Risk

The Group's credit risks mainly arise from bank balances, deposits, client trust bank balances, margin loans receivable, trade and other receivables and contract assets. The Group strives to manage the risk exposure of trade receivables, contract assets and margin loans receivable by closely monitoring the payment records of its customers and requesting customers deposits wherever necessary. The credit risk on the bank deposits is limited because of their high credit rating.

Price Risk

The Group's financial asset at fair value through profit or loss is exposed to price risk. The management of the Company (the "Management") will closely monitor this risk by performing on-going evaluations of its asset value and market conditions.

Liquidity Risk

The Group's financial services are required to meet various statutory liquidity requirements as prescribed by the relevant regulatory authorities. The Group has put in place monitoring system to ensure that it maintains adequate liquid capital to comply with the relevant Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong).

Operation Risk

The financial services of the Group operate in a highly regulated sector. The risk of non-compliance with regulatory requirements could lead to the loss of operating licenses. The Group has actively implemented policies and procedures to ensure compliance with the relevant laws and regulations. To the best of the Management's knowledge, the Group has complied with the relevant regulations for the financial services in Hong Kong and the Management did not identify any material non-compliance or breach of the relevant rules and regulations.

Significant Acquisitions and Disposals of Investments

Save as disclosed in note 1 to the Interim Condensed Consolidated Financial Information, the Group did not acquire or dispose of any significant investments during the six months ended 30 June 2020.

Other Information

Share Option Scheme

There is no share option scheme during the six months ended 30 June 2020 and up to the date of this report.

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of its listed securities during the six months ended 30 June 2020.

Audit Committee

The Group has established the Audit Committee consisting of three independent non-executive Directors, namely Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai. Dr. Chen Jieping is the chairman of the Audit Committee. The primary duty of the Audit Committee is to review and monitor the financial reporting process and effectiveness of the internal control and risk management systems of the Group. The Audit Committee has reviewed the Group's unaudited interim results and interim report for the six months ended 30 June 2020.

Directors' and Chief Executive's Interests and Short Positions in Shares

As at 30 June 2020, none of the Directors or the chief executive of the Company or their close associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have been taken under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").



Other Information *(continued)*

Interest of Substantial Shareholders

As far as was known to the Directors, as at 30 June 2020, the interests or short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Long position in ordinary shares of HK\$0.00025 each of the Company

Name of Substantial Shareholders	Capacity/Nature of interest	Number of shares held	Approximate percentage of interested shares to the issued share capital of the Company (%)
Zhuhai Huafa <i>(Note 1)</i>	Interest in controlled corporations	3,710,750,000	36.88
Ho Chi Sing <i>(Note 2)</i>	Interest in controlled corporations	860,920,000	8.56
IDG Light Solutions Limited <i>(Note 2)</i>	Beneficial owner	860,920,000	8.56

Notes:

- Zhuhai Huafa holds 100% of the issued share capital of Huafa HK, which in turn holds 100% of the issued share capital of Huajin Investment Company Limited ("Huajin"). Since Huajin holds 3,710,750,000 shares of the Company, Zhuhai Huafa is deemed to be interested in 3,710,750,000 shares of the Company by virtue of its shareholding in Huajin.
- Mr. Ho Chi Sing directly holds 100% of the issued share capital of IDG Light Solutions Limited (incorporated in the British Virgin Islands), which holds 860,920,000 shares of the Company.

Therefore, Mr. Ho Chi Sing is deemed to be interested in a total of 860,920,000 shares of the Company by virtue of his shareholding in IDG Light Solutions Limited.

Save as disclosed above, as at 30 June 2020, no person had any interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or otherwise notified to the Company and the Stock Exchange.

Other Information *(continued)*

Outlook

It is expected that the global financial markets remain volatile under the impact of COVID-19 epidemic for the rest of 2020. While facing with a complicated business environment, looking ahead, the Group is still cautiously optimistic about its business prospects.

In addition to further enhance the development of its value-added services through expanding municipal management and maintenance projects, the Group also strives to strengthen the development of property management services segment, especially for non-residential properties, such as office buildings, industrial parks, commercial centres, government and other public facilities, by expanding its property management services to independent third-party property developers, and getting prepared for mergers and acquisitions to expand the market share and business scale within the property management business or related businesses.

By seizing the “Technology+” strategic plan as an opportunity to accelerate its information-based development, the Group will further bolster service quality and operational efficiency, and work to develop Huafa Property into a community life operator and integrated facility service provider based in the Guangdong-Hong Kong-Macau Greater Bay Area and equipped with a global vision, persistent quality innovation, pursuit of knowledge-based management and practice of social responsibility.

The Group also strives to strengthen the development of the hotel advisory and exhibition services segment and seeks for potential market-oriented business opportunities for a wider range of this segment. To secure its sustainable development with efforts to improve the overall operational performance of the Group in the future and to enhance shareholders’ value, the Group targets to further focus on its core business while enhancing the Group’s “One Core Two Wings” Strategy. The Group will closely monitor the performance of the financial services segment with a comprehensive review on its business, and consider various possible solutions to ensure the interest of the shareholders of the Company is better served.

Going forward, the Group will be committed to the optimizing its business structure, focusing its resources on developing core businesses to boost its sustainable market competitiveness, thereby creating greater values for the shareholders.



Other Information *(continued)*

Corporate Governance

During the six months ended 30 June 2020, the Company has, in the opinion of the Directors, complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules on the Stock Exchange.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries, all Directors confirmed that they have complied with the Model Code during the six months ended 30 June 2020.

Environmental, Social And Governance ("ESG") Reporting

To prepare for the ESG report in compliance with the Stock Exchange's requirements, the Company has already engaged an ESG consultant, namely RSM Consulting (Hong Kong) Limited, to assist its preparation which include scope identification, materiality analysis, data collection and report content development.

Change of Director's Information

Mr. Shong Hugo has resigned as a non-executive director of Mei Ah Entertainment Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 391), with effect from 17 June 2020.

Change of Composition of the Board

As disclosed in the Company's announcement dated 29 May 2020, Dr. Sun Mingchun has tendered his resignation as an independent non-executive Director, and ceased to be the chairman of the remuneration committee, a member of each of the audit committee and the nomination committee with effect from 1 June 2020. Mr. Pu Yonghao has been appointed to replace Dr. Sun Mingchun for the aforesaid positions with effect from 1 June 2020.

As disclosed in the Company's announcement dated 17 July 2020, Mr. Tse Yung Hoi has retired as an independent non-executive Director and ceased to be the chairman of the nomination committee and a member of each of the remuneration committee and the audit committee with effect from 21 July 2020. Mr. Guo Shihai has been appointed to replace Mr. Tse Yung Hoi for the aforesaid positions with effect from 21 July 2020.



Other Information *(continued)*

Appreciation

The Company would like to express its sincere gratitude to its clients and shareholders for their continuous and valuable support. The Company would also like to take this opportunity to thank the Board, the Group's management team and staff for their dedication and hard work.

By order of the Board

HJ Capital (International) Holdings Company Limited

Li Guangning

Executive Director and Chairman

Hong Kong, 26 August 2020