



Amber Hill Financial Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 33

2020

Interim Report

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CORPORATE INFORMATION

Executive Directors

Ng Yu (*Chairman*)
Wei Weicheng
Lin Feng (*Appointed on 10 January 2020*)
Huang Shao Long (*Appointed on 10 January 2020
and re-designated as Non-executive Director
on 19 March 2020*)
Chan Chi Ming (*Appointed on 6 April 2020*)
Zhao Hong Mei

Non-executive Director

Huang Shao Long (*Appointed as Executive Director
on 10 January 2020 and re-designated
on 19 March 2020*)

Independent Non-executive Directors

Anthony Espina
Wang Jun Sheng
Lo Hang Fong (*Appointed on 19 March 2020*)

Executive Committee

Ng Yu (*Chairman*)
Wei Weicheng
Chan Chi Ming (*Appointed on 6 April 2020*)
Zhao Hong Mei

Audit Committee

Anthony Espina (*Chairman*)
Wang Jun Sheng
Huang Shao Long (*Appointed on 19 March 2020*)
Lo Hang Fong (*Appointed on 19 March 2020*)

Remuneration Committee

Wang Jun Sheng (*Chairman*)
Anthony Espina
Ng Yu (*Appointed on 19 March 2020*)

Nomination Committee

Wang Jun Sheng (*Chairman*)
Anthony Espina
Wei Weicheng

Risk Management Committee

Wei Weicheng (*Chairman*)
Anthony Espina
Wang Jun Sheng (*Appointed on 19 March 2020*)

Authorised Representatives

Wei Weicheng
Ng Yu (*as the alternate authorised representative
to Wei Weicheng*)
Tsang King Sun

Company Secretary

Tsang King Sun

Website

www.ahfh.com.hk

Registered Office

94 Solaris Avenue
Camana Bay
PO Box 1348
Grand Cayman KY1-1108
Cayman Islands

Principal Place of Business in Hong Kong

Unit A, 5/F
Chunghing Commercial Building
62–63 Connaught Road Central
Central, Hong Kong

Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company
(Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
Grand Cayman KY1-1110
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

CORPORATE INFORMATION

Principal Bank

Bank of China (Hong Kong)

Auditor

CHENG & CHENG LIMITED

Certified Public Accountants

Level 35, Tower 1, Enterprise Square Five

38 Wang Chiu Road, Kowloon Bay

Kowloon

Hong Kong

Stock Code

0033 (Listed on the Main Board of

The Stock Exchange of Hong Kong Limited)

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

Amber Hill Financial Holdings Limited (the “Company”) was incorporated and domiciled in the Cayman Islands under Companies Law (2004 Revision) of the Cayman Islands as an exempted company with limited liability on 20 March 2007. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). During the six months ended 30 June 2020 (the “Reporting Period”), the Company and its subsidiaries (the “Group”) were principally engaged in trading of party products, securities and commodities brokerage and assets management, advancing business and trading of metals and minerals.

As set out in the announcement of the Company dated 7 July 2020, the credit guarantee and investment business of the Group had ceased due to loss of control and deconsolidation of the relevant operating subsidiaries in the People’s Republic of China (the “PRC”) since 2019 and during the Reporting Period. The security products trading business of the Group had ceased due to the cessation of control over Dewe Kexin (Beijing) Technology Co., Ltd. (“Dewe Kexin”) in early 2020, while provision of security services business will be ceased in the second half of 2020 upon completion of the conditional sale and purchase agreement as set out in the announcement of the Company dated 30 June 2020.

Based on the unaudited interim results for the Reporting Period, the management presented “Financial Review” and “Business Review” as follows:

FINANCIAL REVIEW

The Group recorded revenue of HK\$24.91 million for the Reporting Period (corresponding period in 2019: HK\$74.25 million). A period-over-period decrease of revenue of 66% was mainly due to the cessation of trading of security products in early 2020. The gross profit of the Group was HK\$14.4 million (corresponding period in 2019: HK\$9.6 million), representing a period-over-period increase of 51%. The loss from operations was HK\$3.4 million (corresponding period in 2019: HK\$19.2 million), representing a period-over-period decrease of 83%.

The Group’s net loss attributable to equity shareholders of the Company for the Reporting Period was HK\$37.42 million (corresponding period in 2019: HK\$26.23 million). The Company has put in place cost streamlining measures after the management takeover in December 2019 and the operating costs of the Group decreased to HK\$19.24 million (corresponding period in 2019: HK\$33.56 million) during the Reporting Period. However, the Group’s results was affected by (a) a loss of HK\$15.62 million arising from (i) cessation of control over Dewe Kexin; (ii) expected termination of profit guarantees and cancellation of the corresponding convertible bonds (previously issued by the Company relating to the acquisition of Dewe Kexin and International Security Net Co., Limited (“International Security Net”) by the Group in December 2018); and (iii) expected loss on disposal of International Security Net and other receivables as disclosed in the announcements of the Company dated 30 June 2020; and (b) impairment on certain long outstanding deposit paid and other receivables of HK\$10.35 million.

During the Reporting Period, the loss per share of the Company was HK3.71 cents (corresponding period in 2019: HK2.81 cents (restated as a result of completion of the capital reorganisation of the Company with effect from and as announced on 24 July 2019)).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Trading of Party Products

The Group trades party products including party accessories, decorations, cutlery and disposable tableware. The products are mainly sold to customers in Hong Kong and North America. The ongoing COVID-19 pandemic has impacted the trading business of party products. The revenue generated from this segment decreased to HK\$9.31 million (corresponding period in 2019: HK\$15.8 million) during the Reporting Period.

Securities Brokerage and Assets Management

Prior to the Reporting Period, the Company's licenses necessary for the conduct of the regulated activities under the Securities and Futures Ordinance (Cap. 571 of Hong Kong Laws) (the "SFO") had been suspended due to insufficient liquid capital to meet the minimum statutory requirements. During the Reporting Period, the relevant licenses remained under suspension, but the liquid capital has been restored to a level which satisfies the minimum statutory requirements. The Group has applied to the Securities and Futures Commission for resumption of licenses, and it is expected that barring unforeseen circumstances, the license for asset management will be resumed in the second half of 2020 while the licenses for securities brokerage will be resumed by the first half of 2021.

During the Reporting Period, the Group recorded a revenue of HK\$15.07 million (corresponding period in 2019: HK\$0.35 million). The Group has been reviewing its internal controls to ensure strict compliance with the relevant rules and regulations, building model portfolio for its assets management business, and planning for further strengthening of the liquid capital and developing the electronic trading platform for its securities brokerage business. The Group will continue to work closely with the regulators to resume the assets management and securities brokerage businesses as soon as practicable.

Advancing Business

During the Reporting Period, the Group maintained its conservative approach in view of the uncertain economic conditions. As a result, no new loan was granted and no revenue (corresponding period in 2019: HK\$6.09 million) was recorded from this segment for the Reporting Period. Although the existing loan portfolio was fully impaired in 2019 as the recoverability of the relevant receivables was considered as doubtful, the Group has been actively seeking opportunities to dispose of the impaired loan receivables and/or the pledged assets as distressed assets to distressed asset management companies. The Group will also consider taking any necessary legal actions before any disposal materialises.

Credit Guarantee and Investment Business

Due to the loss of control and failure to obtain any books and records of operating subsidiaries in this segment for audit purpose, the Group deconsolidated such subsidiaries in 2019. The Group will initiate legal actions in the second half of 2020 with an aim to regain control over and obtain the books and records of the deconsolidated subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

Trading of Metals and Minerals

During the Reporting Period, the Group's trading of metals and minerals was suspended after departure of the former management in 2019 and did not generate any revenue (corresponding period in 2019: Nil). The Group has completed the business review and will resume such business in the second half of 2020.

Trading of Security Products and Provision of Security Services

The Group's business of provision of security services recorded minimal revenue (corresponding period in 2019: HK\$2.85 million) during the Reporting Period and was disposed of by the Group pursuant to the conditional sale and purchase agreement dated 30 June 2020. The Group did not record any revenue (corresponding period in 2019: HK\$49.19 million) from trading of security products due to cessation of control over Dewe Kexin, the relevant operating subsidiary, in early 2020. The management considers it to be beneficial to the development of the Group as this would allow it to concentrate its resources for the development of other more profitable business segments.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, (i) net current liabilities were HK\$147.26 million (31 December 2019: HK\$109.70 million); (ii) the Group's current ratio was 0.43 (31 December 2019: 0.44); and (iii) the Group's gearing ratio was 154% (31 December 2019: 107%). The Group's gearing ratio was calculated as net debts divided by total assets. The Group's net debts include convertible bonds, shareholder's loan and other loan less cash and bank balances.

As at 30 June 2020, the Group has loans from a shareholder and an independent third party of HK\$38.50 million and of HK\$13 million respectively, which were unsecured, and bear fixed interest rates of 2.5% and 5% per annum respectively. In addition, the outstanding amount (including both principal and interest thereon) of HK\$111.26 million in total under the convertible bonds was due by the Company to the bondholders as at 30 June 2020. The Company has been negotiating renewed terms with the bondholders. Any substantial modification will be disclosed according to relevant rules and regulations upon signing of any binding agreements with the bondholders. As at the date of this interim report, no agreement has been made in relation thereto yet.

As at 30 June 2020, the Group had cash and bank balances of HK\$19.49 million (31 December 2019: HK\$13.53 million). The cash and bank balances were denominated in HK dollar, Renminbi and US dollar. The Group has no structured investment products and foreign exchange contracts. The Group is not exposed to material fluctuations in exchange rates.

As at 30 June 2020, the Group had net liabilities of approximately HK\$129.57 million (31 December 2019: HK\$110.15 million). Having considered (i) the loans from Mr. Ng Yu (the chairman, executive director and the substantial shareholder of the Company) of HK\$38.5 million which are repayable on demand and interest charged at 2.5% per annum, (ii) net proceeds from placing of new shares of HK\$17.97 million received in April 2020 and HK\$22.96 million received in August 2020, and (iii) the confirmation from Mr. Ng Yu regarding his intention to provide continuing financial support to satisfy the Group's working capital and other financing requirement through continual renewal of borrowings or continual provision of additional financing to the Group, the directors of the Company (the "Directors") consider that the Group is able to meet in full its financial obligations as they fall due in the foreseeable future.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE AND FUND-RAISING ACTIVITIES

Major changes in relation to the capital structure of the Company for the Reporting Period are as follows:

A. Share Capital

As at 30 June 2020, the authorised share capital of the Company was HK\$10,000,000,000 divided into 10,000,000,000,000 shares of HK\$0.001 each, and the issued share capital of the Company was HK\$1,119,261 divided into 1,119,260,640 shares of HK\$0.001 each.

During the Reporting Period, the Company completed placing of new shares under the general mandate granted to the Company's directors by the shareholders at the annual general meeting of the Company held on 18 June 2019. An aggregate of 181,463,440 shares were successfully placed at issue price of HK\$0.1 each to not fewer than six places in accordance with the terms and conditions of the relevant agreement dated 26 February 2020. The placing of the new shares was completed on 20 April 2020.

Details of the use of proceeds of the fund-raising activities during the Reporting Period are as follows:

Date of announcements	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
26 February 2020 and 20 April 2020	Placing of new shares under general mandate	Approximately HK\$17.97 million	Working capital of the Group	The proceeds were fully utilised as intended

Save as disclosed above, the Company had not conducted any fund-raising activity involving issue of its securities in the Reporting Period.

B. Convertible Bonds

Details on the movements of the convertible bonds during the Reporting Period are set out in note 15 to the unaudited interim condensed consolidated financial statements.

MERGERS, ACQUISITIONS AND DISPOSAL

Save as the sale and purchase agreement dated 30 June 2020 entered into by the Group in relation to the disposal by the Group of the entire issued share capital of International Security Net and other receivables, the Group did not have any significant merger, acquisition or disposal during the Reporting Period.

SIGNIFICANT INVESTMENTS

The Group did not have any significant investments during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

CHARGE OF ASSETS

As at 30 June 2020, the Group did not have any charge of assets.

As disclosed in the annual report of the Company for the financial year ended 31 December 2019, Market Speed Limited and Li Yee Man Anly (trading as Ming Fai Marine Service) (the “Plaintiffs”) took out an action in rem under the Admiralty Jurisdiction of the High Court on 3 July 2019 for arrest of a vessel named “亞投金融” (the “Vessel”) held by AIF Happy Services Limited (“AIF”). The Plaintiffs and AIF executed a deed of settlement on 3 June 2020 relating to withdrawal by the Plaintiffs of all claims relating to the Vessel. The Vessel was released, unencumbered, back to AIF’s ownership and possession on 4 June 2020. As at 30 June 2020, the carrying value of the Vessel was HK\$15,525,000 (31 December 2019: HK\$16,875,000).

CONTINGENT LIABILITIES

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

FOREIGN CURRENCY RISK

The Group’s main operations are located in Hong Kong and the PRC. Most of the assets, income, payments and cash balance are denominated in HKD and RMB. The Group did not enter into any forward foreign exchange contracts to manage its foreign currency risk during the Reporting Period as the management considered that the Group’s exposure to exchange rate risk could be managed.

HUMAN RESOURCES

As at 30 June 2020, the Group had 16 employees (31 December 2019: 27 employees). It is the Group’s policy to recruit the right person for each position based on the person’s qualification and experience. The remuneration of each employee is reviewed every year based on the performance of the employee with reference to the prevailing market conditions.

COMMITMENTS

As at 30 June 2020, the Group did not have any material capital commitment.

PROSPECTS

Since January 2020, the new management of the Group has conducted a detailed business review and restructuring of the operations with a view to restoring the businesses back to normal, improving the financial situation, strengthening the internal controls, streamlining the operating costs and efficiency. The Board believes that the businesses and operations of the Group will be back to normal after the legacy problems carried forward from year 2019 have been fixed. Despite the challenges and uncertainties from the US/China trade tension and COVID-19 pandemic, the role of Hong Kong as the international financial centre and gateway to China continues to provide tremendous business opportunities, as evidenced by the resilient of the stock market, recent and upcoming listings of giant companies and no significant outflow of fund in the midst of local and global uncertainties. After the restructuring of the business and operations, the Group will be in the advantageous position to reap the opportunities ahead.

DISCLOSURE OF INTERESTS

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

As at 30 June 2020, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "SFO") as recorded in the register required to be kept by the Company pursuant to 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 Appendix 10 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), were as follows:

Long Position

Name	Capacity	Nature of interest	Number of shares of HK\$0.001 each in the share capital of the Company (the "Shares")	Percentage to the total issued share capital of the Company (note iv)
Ng Yu	Beneficial owner	Personal	612,000	0.05%
		Interest in controlled corporation	265,368,000	23.71%
	(note (i) and (ii))	Unlisted derivatives	100,000,000	8.93%
	Sub-total	365,980,000	32.69%	
Anthony Espina	Beneficial owner	Share option	900,000 (note iii)	0.08%

Notes:

- (i) These shares and unlisted derivatives are held by Neo Tech Inc., of which the entire share capital is wholly and beneficially owned by Mr. Ng Yu. Mr. Ng Yu is therefore deemed to be interested in the above shares and unlisted derivatives held by Neo Tech Inc. for the purpose of Part XV the SFO.
- (ii) The unlisted derivatives referred to the 100,000,000 Shares (conversion shares) issuable to Neo Tech Inc. upon exercise (if exercise) in full of the conversion rights attaching to the outstanding convertible bonds held by Neo Tech Inc., details of which are set out in note 15 of the unaudited interim condensed consolidated financial statements.
- (iii) These represented the interests in underlying shares in respect of share options granted by the Company, details of which are disclosed in section headed "SHARE OPTION SCHEME" below. The 900,000 share options subsequently lapsed on 26 July 2020.
- (iv) The total number of issued share capital of the Company as at 30 June 2020 was 1,119,260,640.

DISCLOSURE OF INTERESTS

Save as disclosed above, as at 30 June 2020, as far as the Directors are aware, none of the Directors had any other interests, long positions or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Based on information available to the Board and to the best knowledge of the Board, as at 30 June 2020, other than the interests of the Directors and Chief Executive Officer as disclosed above, the following persons had interests in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Long Position

Name	Capacity	Nature of interest	Number of shares of HK\$0.001 each in the share capital of the Company (the "Shares")	Percentage to the total issued share capital of the Company (note ii)
Neo Tech Inc. (note i)	Beneficial owner	Corporate	265,368,000	23.71%
		Unlisted derivatives	100,000,000	8.93%
		Sub-total	365,368,000	32.64%

Notes:

- (i) Neo Tech Inc. is a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Ng Yu, the chairman and an executive director of the Company. As at 30 June 2020, Mr. Ng Yu was interested and deemed to be interested in a total of 365,980,000 Shares (representing approximately 32.69% of the total issued share capital of the Company as at 30 June 2020) for the purpose of the SFO, which were held as to 612,000 Shares in his personal name and the 365,368,000 Shares held by Neo Tech Inc. as detailed above.
- (ii) The total number of issued share capital of the Company as at 30 June 2020 was 1,119,260,640.

DISCLOSURE OF INTERESTS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in the above section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and the associated corporations" and the section headed "Share option scheme" below, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 26 June 2017, the shareholders of the Company approved the adoption of a new share option scheme (the "Share Option Scheme") which took effect from 26 June 2017 (the "Commencement Date"). The purpose of the Share Option Scheme is to provide incentives or rewards to participants (the "Participants") of the Share Option Scheme for their contribution to, and continuing efforts to promote the interests of the Group. The Participants (as defined in the Share Option Scheme) include any employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any of its subsidiaries) and any distributor, contractor, business partner, promoter, service provider, customer, supplier, consultant, agent and adviser or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from 26 June 2017. Pursuant to the existing scheme mandate limit in respect of the grant of options to subscribe for ordinary shares (the "Shares") of the Company under the Share Option Scheme which was refreshed and renewed according to the approval granted by the Company's shareholders at the annual general meeting of the Company held on 18 June 2019, the maximum number of the Shares to be allotted and issue pursuant to the grant or exercise of the options under the Share Option Scheme (excluding options previously granted, outstanding, cancelled, lapsed or exercised under the Share Option Scheme) must not exceed 10% of the Shares of the Company in issue as at 18 June 2019. Accordingly, options in respect of a maximum of 93,271,720 Shares (as a result of completion of the capital reorganisation of the Company with effect from and as announced on 24 July 2019) in total may be granted under the existing scheme mandate limit of the Share Option Scheme.

Save as disclosed above, the other principal terms of the Share Option Scheme are as follows:

- (i) The overall maximum number of Shares which may be issued upon the exercise of all outstanding options grants and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the Shares in issue from time to time.
- (ii) The total number of Shares in respect of which options may be granted to each eligible participant in any 12-month period must not exceed 1% of the issued share capital of the Company for the time being.
- (iii) The subscription price shall be a price determined by the Directors, but shall not be less than the highest of (a) the closing price of the Shares as stated in the Stock Exchange's daily quotations on the date of grant, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations for the five business days immediately preceding the date of grant; and (c) the nominal value of the Share.
- (iv) An option may be accepted by an eligible participant for a period of 21 days from the date upon which the offer of the grant of option is made. A non-refundable nominal consideration of HK\$1.00 is payable by the grantee upon acceptance of an option.

DISCLOSURE OF INTERESTS

The total number of Shares available for issue under the Share Option Scheme was 1,900,000 as at 30 June 2020, representing 0.17% of the issued Shares (being 1,119,260,640 Shares) as at 30 June 2020.

Details of the share options granted and summary of movements of the outstanding share options during the Reporting Period under the Share Option Scheme are as follows:

	Date of grant	Exercise price HK\$	Adjusted exercise price HK\$ (vii)	Note	Exercisable period	Number of share options		
						Outstanding as at 1 January 2020	Lapsed	Outstanding as at 30 June 2020
Executive Directors								
Cheung Kwan (Removed on 19 December 2019)	27 July 2017	0.15	1.50	(i)	From 27 July 2017 to 26 July 2020	25,000,000	(25,000,000)	–
Liu Hu (Resigned on 6 November 2019)	29 November 2017	0.15	1.50	(iv)	From 29 November 2017 to 28 November 2020	5,000,000	(5,000,000)	–
Ling Zack Xiange (Resigned on 15 January 2019)	7 September 2018	0.15	1.50	(v)	From 7 September 2018 to 6 September 2021	1,000,000	(1,000,000)	–
Non-executive Director								
Wang Dayong (Resigned on 9 December 2019)	7 September 2018	0.15	1.50	(v)	From 7 September 2018 to 6 September 2021	9,000,000	(9,000,000)	–
Independent Non-executive Director								
Anthony Espina	27 July 2017	0.15	1.50	(ii)	From 27 July 2017 to 26, July 2020	900,000	–	900,000
Employees								
	27 July 2017	0.15	1.50	(ii)	From 27 July 2017 to 26 July 2020	1,400,000	(1,400,000)	–
	29 November 2017	0.15	1.50	(iv)	From 29 November 2017 to 28 November 2020	7,000,000	(6,000,000)	1,000,000
	7 September 2018	0.15	1.50	(v)	From 7 September 2018 to 6 September 2021	14,100,000	(14,100,000)	–
Consultants								
	27 July 2017	0.15	1.50	(ii)	From 27 July 2017 to 26 July 2020	4,000,000	(4,000,000)	–
	27 July 2017	0.15	1.50	(iii)	From 27 July 2017 to 26 July 2020	15,300,000	(15,300,000)	–
Others								
	27 July 2017	0.15	1.50	(ii)	From 27 July 2017 to 26 July 2020	900,000	(900,000)	–
						<u>83,600,000</u>	<u>(81,700,000)</u>	<u>1,900,000</u>

DISCLOSURE OF INTERESTS

Notes:

- (i) Share options were conditionally granted and vested subject to the approval of the shareholders of the Company, and such approval was obtained on 20 March 2018.
- (ii) Share options were vested immediately on the date of the options granted.
- (iii) Each of the one third of the share options will be vested on the date of the options granted, 1 January 2018 and 1 January 2019 respectively. The exercise period is from the effective vested dates to 26 July 2020.
- (iv) 50% of the share options were vested immediately on the date of the options granted and the remaining 50% of the share options will be vested on 29 November 2018. The exercise period is from the effective vested dates to 28 November 2020.
- (v) Each of the one third of the share options will be vested on the date of the options granted, 1 January 2020 and 1 January 2021 respectively. The exercise period is from the effective vested dates to 6 September 2021.
- (vi) As at 30 June 2020, 1,900,000 share options were outstanding and exercisable.
- (vii) Immediately prior to the Capital Reorganisation becoming effective, the exercise price of the outstanding share options was HK\$0.15 per Share. As a result of the Capital Reorganisation effective from 24 July 2019 and pursuant to the terms of the Share Option Scheme, the exercise price of the outstanding share options has been adjusted to HK\$1.50 per share.
- (viii) The share options outstanding as at 30 June 2020 had a weighted average remaining contractual life of 0.25 years.

CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

During the Reporting Period, the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules except the following.

Under A.2.1 of the CG Code, the role of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual and the division of responsibilities between Chairman and Chief Executive Officer should be established and set out in writing. Since 10 January 2011, the Company has not had any Chief Executive Officer. The functions of Chief Executive Officer were performed by the Executive Committee of the Board. The Board considers that this structure will not impair the balance of the power and authority between the Board and the management of the Company, and has been effective in discharging its responsibilities satisfactorily and facilitating the Company's operation and business development. Subsequently, Mr. Chan Chi Ming was appointed as the Chief Executive Officer of the Company on 6 April 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code regarding directors' securities transactions. Having made specific enquiries to all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of the Directors subsequent to 31 December 2019 is set out below:

Appointment

Mr. Ng Yu was appointed as a member of the Remuneration Committee of the Board on 19 March 2020.

Mr. Lin Feng was appointed as an Executive Director on 10 January 2020.

Mr. Huang Shao Long (i) was appointed as an Executive Director on 10 January 2020 and (ii) appointed as a member of the Audit Committee of the Board and redesignated as Non-executive Director on 19 March 2020.

Mr. Chan Chi Ming was appointed as an Executive Director and a member of the Executive Committee of the Board on 6 April 2020.

Mr. Lo Hang Fong was appointed as Independent Non-executive Director and a member of the Audit Committee of the Board on 19 March 2020.

Mr. Wang Jun Sheng was appointed as a member of the Risk Management Committee of the Board on 19 March 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Cessation

Mr. Li Junheng was not re-elected as Executive Director during the extraordinary general meeting of the Company held on 10 January 2020.

Other information

Mr. Anthony Espina was appointed as an independent non-executive director and a member of the Audit Committee of Target Insurance (Holdings) Limited (Stock code: 06161) with effect from 1 May 2020, of which Mr. Ng Yu will become a substantial shareholder upon completion of the acquisition of the shares thereof by a company (which is solely owned by Mr. Ng) pursuant to a conditional sales and purchase agreement dated 13 January 2020 (as supplemented by a supplemental agreement dated 24 July 2020).

AUDIT COMMITTEE

The Audit Committee was established on 30 October 2007. The primary duties of the Audit Committee are to make recommendations on the appointment, re-appointment and removal of external auditor, to review financial statements and make recommendations on the financial reporting, and to review and supervise the financial reporting and internal control procedures of the Group. The Audit Committee shall meet at least four times a year.

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Anthony Espina, Mr. Wang Jun Sheng and Mr. Lo Hang Fong and one Non-executive director Mr. Huang Shao Long. Mr. Anthony Espina is the Chairman of the Audit Committee.

The Audit Committee has, together with the Company's directors, reviewed the interim report, including the unaudited interim condensed consolidated financial statements, accounting principles and practices adopted by the Group for the six months ended 30 June 2020.

On behalf of the Board

Mr. Ng Yu

Chairman and Executive Director

Hong Kong,

31 August 2020

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020	2019
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	4	24,914	74,248
Cost of sales and services		(10,484)	(64,671)
Gross profit		14,430	9,577
Other revenue and other net gain	5	1,456	4,802
Operating expenses		(19,241)	(33,560)
Loss from operations		(3,355)	(19,181)
Finance costs	6(a)	(7,449)	(5,556)
Other non-operating expenses	6(b)	(16,269)	–
Impairment losses	6(c)	(10,350)	(2,955)
Share of profit of an associate		–	1,367
Loss before tax	6	(37,423)	(26,325)
Income tax credit	7	–	291
Loss for the period		(37,423)	(26,034)
Other comprehensive (loss)/income for the period:			
Items may be reclassified to profit or loss:			
Exchange differences on translating financial statements of:			
— subsidiaries		(61)	68
— associate		–	(30)
		(61)	38
Total comprehensive loss for the period		(37,484)	(25,996)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Loss for the period attributable to:			
Equity shareholders of the Company		(37,423)	(26,233)
Non-controlling interests		—	199
		<u>(37,423)</u>	<u>(26,034)</u>
Total comprehensive loss for the period attributable to:			
Equity shareholders of the Company		(37,484)	(26,196)
Non-controlling interests		—	200
		<u>(37,484)</u>	<u>(25,996)</u>
Dividend	8	<u>—</u>	<u>—</u>
Loss per share			(Restated)
— Basic	9	<u>HK3.71 cents</u>	<u>HK2.81 cents</u>
— Diluted	9	<u>HK3.71 cents</u>	<u>HK2.81 cents</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		As at 30 June 2020	As at 31 December 2019
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	<i>10</i>	16,643	17,180
Intangible assets		–	11,188
Deposit paid		400	400
Goodwill		–	489
Contingent consideration receivables		–	34,230
Interest in an associate		586	586
		<u>17,629</u>	<u>64,073</u>
Current assets			
Trading securities		134	114
Trade receivables	<i>11</i>	22,859	18,654
Prepayments, deposits and other receivables		18,464	26,577
Contingent consideration receivables	<i>12</i>	49,693	26,110
Tax recoverable		–	45
Client trust bank balance		1,562	1,924
Cash and cash equivalents		19,491	13,525
		<u>112,203</u>	<u>86,949</u>
Total Assets		<u>129,832</u>	<u>151,022</u>
Capital and reserves			
Share capital	<i>13</i>	1,119	938
Reserves		(130,684)	(111,085)
Equity attributable to shareholders of the Company		(129,565)	(110,147)
Non-controlling interests		(70)	8,829
Total Equity		<u>(129,635)</u>	<u>(101,318)</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 June 2020

		As at 30 June 2020	As at 31 December 2019
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current liabilities			
Convertible bonds	15	–	52,890
Deferred tax liabilities		–	2,797
		–	55,687
Current liabilities			
Trade payables	14	2,907	7,764
Accruals and other payables		28,189	43,304
Lease liabilities		356	5,976
Other loan	22(b) & (c)	69,792	13,000
Shareholder's loan	20(c)	38,500	–
Convertible bonds	15	111,256	108,601
Amount due to a deconsolidated subsidiary		8,467	8,467
Tax payables		–	2,961
Provisions	16	–	6,580
		259,467	196,653
Total Equity and Liabilities		129,832	151,022
Net current liabilities		(147,264)	(109,704)
Total assets less current liabilities		(129,635)	(45,631)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to equity shareholders of the Company										
	Share capital	Share premium	Translation reserve	Share option reserve	Capital reserve	Convertible bonds reserve	Statutory reserves	Accumulated losses	Subtotal	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unaudited											
At 1 January 2020	938	3,995,137	(1,842)	15,570	(15,000)	25,893	-	(4,130,843)	(110,147)	8,829	(101,318)
Share issuance	181	17,784	-	-	-	-	-	-	17,965	-	17,965
Lapse of share options	-	-	-	(15,570)	-	-	-	15,570	-	-	-
Disposal of a subsidiary (note 19)	-	-	101	-	-	-	-	-	101	(8,899)	(8,798)
Release of convertible bond reserve	-	-	-	-	-	(24,400)	-	24,400	-	-	-
Total comprehensive loss for the period	-	-	(61)	-	-	-	-	(37,423)	(37,484)	-	(37,484)
At 30 June 2020	1,119	4,012,921	(1,802)	-	(15,000)	1,493	-	(4,128,296)	(129,565)	(70)	(129,635)
At 1 January 2019	932,717	3,058,278	(67)	14,690	(15,000)	37,063	3,420	(3,765,181)	265,920	26,698	292,618
Convertible bonds restructure (note 15(a))	-	-	-	-	-	(11,170)	-	11,114	(56)	-	(56)
Lapse of share options	-	-	-	(180)	-	-	-	180	-	-	-
Equity settled share-based payment	-	-	-	535	-	-	-	-	535	-	535
Total comprehensive loss for the period	-	-	37	-	-	-	-	(26,233)	(26,196)	200	(25,996)
At 30 June 2019	932,717	3,058,278	(30)	15,045	(15,000)	25,893	3,420	(3,780,120)	240,203	26,898	267,101

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Net cash (outflow)/inflow from operating activities		(34,341)	2,618
Cash flows from investing activities			
Net cash outflow from disposal of a subsidiary	19	(10,740)	–
Acquisition of a subsidiary		(492)	–
Interest received		–	13
Proceeds from disposal of property, plant and equipment	10	3	31
Purchase of property, plant and equipment	10	(981)	(14)
Net cash (outflow)/inflow from investing activities		(12,210)	30
Cash flows from financing activities			
Consideration paid for Convertible Bonds Restructure		–	(499)
Dividend received		–	7
Interest paid		–	(67)
Capital element of lease payments		(3,848)	(4,527)
Interest element of lease payments		(39)	(273)
Proceeds from issuance of shares		17,965	–
Loan from a shareholder		38,500	–
Net cash inflow/(outflow) from financing activities		52,578	(5,359)
Net increase/(decrease) in cash and cash equivalents		6,027	(2,711)
Cash and cash equivalents at beginning of the period		13,525	22,910
Effect of foreign exchange rate changes		(61)	(200)
Cash and cash equivalents at end of the period		19,491	19,999

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Amber Hill Financial Holdings Limited (the “Company”) was incorporated and domiciled in the Cayman Islands under Companies Law (2004 Revision) of the Cayman Islands as an exempted company with limited liability on 20 March 2007. The Company’s shares were listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”) on 19 November 2007.

The Company is an investment holding company. During the Reporting Period, the Company and its subsidiaries (the “Group”) were principally engaged in trading of party products, securities and commodities brokerage and assets management, advancing business and trading of metals and minerals.

As set out in the announcement of the Company dated 7 July 2020, the credit guarantee and investment business of the Group had ceased due to loss of control and deconsolidation of the relevant operating subsidiaries in the People’s Republic of China (the “PRC”) since 2019 and during the Reporting Period. The security products trading business of the Group had ceased due to cessation of control over the relevant operating subsidiary in early 2020, while provision of security services business will be ceased in the second half of 2020 upon completion of the conditional sale and purchase agreement as set out in the announcement of the Company dated 30 June 2020.

The address of its principal place of business of the Company is Unit A, 5/F, Chungking Commercial Building, 62–63 Connaught Road Central, Central, Hong Kong and the Company has been registered as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance since 4 September 2007.

2. BASIS OF PREPARATION

The unaudited interim condensed consolidated financial statements of the Company have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The unaudited interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the consolidated financial statements of the Company for the year ended 31 December 2019, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the year ending 31 December 2020. Details of these changes in accounting policies are set out in note 3.

The preparation of the unaudited interim condensed consolidated financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

The unaudited interim condensed consolidated financial statements contain condensed consolidated statement of financial position as at 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended and selected explanatory notes. The notes include an explanation of events and transactions that are significant to understanding the changes in financial position and performance of the Group since 31 December 2019, being the date to which the consolidated financial statements were made up. The interim condensed consolidated financial statements and notes thereto do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). The interim condensed consolidated financial statements are unaudited, but has been reviewed by the audit committee and the board (the “Board”) of directors (the “Directors”) of the Company.

The financial information relating to the financial year ended 31 December 2019 that is included in the unaudited interim condensed consolidated financial statements as comparative information does not constitute the Company’s statutory financial statements for that financial year but is derived from those financial statements.

Deconsolidation of subsidiaries of the Company

As disclosed in the consolidated financial statements for the year ended 31 December 2019, during the time between 31 December 2019 and the publication of the annual report of the Company for the year ended 31 December 2019 (the “2019 Annual Report”), despite repeated verbal, written request and physical meeting in Beijing, PRC, the Board has been unable to obtain cooperation from legal representative, directors and key management of its subsidiary, Harmonic Strait Credit Guarantee Company Limited (“Harmonic Strait” or the “Deconsolidated Subsidiary”), and subsidiaries of Harmonic Strait namely Shenzhen Hanhong SCM Co., Ltd. and Shenzhen Sunnyway International Trading Company Limited (together with Harmonic Strait, collectively known as the “Deconsolidated Subsidiaries”).

Due to the inability to obtain cooperation from the legal representative, directors and key management of the Deconsolidated Subsidiaries, the Board has been unable to access to the books and records of the Deconsolidated Subsidiaries.

Given these circumstances, the Board has not consolidated the financial statements of the Deconsolidated Subsidiaries in the consolidated financial statements of the Group for the year ended 31 December 2019 and the six months ended 30 June 2020. As such, the results, assets, liabilities and cash flows of the Deconsolidated Subsidiaries were deconsolidated from the consolidated financial statements of the Group since 1 January 2019.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

Deconsolidation of subsidiaries of the Company *(Continued)*

In the opinion of the Board, although apparent evidence and information available to the Board did not substantiate that the Group had lost of control of the Deconsolidated Subsidiaries since 1 January 2019, the consolidated financial statements of the Group for the year ended 31 December 2019 and the six months ended 30 June 2020 were prepared on the basis that the deconsolidation of the Deconsolidated Subsidiaries was deemed to be effective on 1 January 2019 (the “Deconsolidation”), which presented more fairly the results, state of affairs and cashflows of the Group as a whole in light of incomplete books and records of the Deconsolidated Subsidiaries. Had the Deconsolidated Subsidiaries been consolidated up to the date when the control over the Deconsolidated Subsidiaries was lost, many elements in the consolidated financial statements would have been materially affected.

Further details of the Deconsolidated Subsidiaries are set out in Note 18 to this unaudited interim condensed consolidated financial statements.

Going concern basis

The Group recorded a loss attributable to equity shareholders of the Company of approximately HK\$37,423,000 for the six months ended 30 June 2020 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK\$147,264,000 and HK\$129,565,000 respectively. These conditions indicate the existence of a material uncertainty which may cast doubt on the Group’s ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the above conditions, the unaudited interim condensed consolidated financial statements were prepared based on the assumption that the Group can be operated as a going concern after taking into consideration of the following plans and measures:

- the substantial shareholder, Mr. Ng Yu, has confirmed his intention to provide continuing financial support to satisfy the Group’s working capital and other financing requirement through continual renewal of borrowings or continual provision of additional financing to the Group for at least the ensuing twelve month period after 30 June 2020;

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

Going concern basis *(Continued)*

- during the Reporting Period, the Company entered into loan agreements with the substantial shareholder, Mr. Ng Yu in the principal amount of HK\$38,500,000 with interest charged at 2.5% per annum and repayable on demand;
- in February and July 2020, the Company entered into placing agreements and completed the placings for net proceeds of approximately HK\$17,965,000 and HK\$22,960,000 respectively which had been and would be applied as general working capital of the Group; and
- the Group is in the process of soliciting potential new customers and shall continue to apply various measures to tighten its operation expenditures in order to improve its financial performance and cash flows.

Should the Group be unable to continue in business as a going concern, adjustments would have to be made in the unaudited interim condensed consolidated financial statements to write down the values of the assets to their net realisable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effect of these adjustments has not been reflected in this unaudited interim condensed consolidated financial statements.

3. CHANGE IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's unaudited interim condensed consolidated financial statements:

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>

The application of the above new HKFRSs and amendments to HKFRSs in the Reporting Period has had no material impact on the Group's unaudited interim condensed consolidated financial statements for the current and prior Reporting Period.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE

The principal activities of the Group are sales of party products, provision of securities brokerage and assets management service and provision of security services.

Disaggregation of Revenue

Disaggregation by major products or service lines within the scope of HKFRS 15

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Sales of party products	9,311	15,758
Brokerage commission income and assets management income (excluded interest income from cash and margin client and investment income)	–	76
Sales of security products	–	49,193
Provision of security services	529	2,855
	<u>9,840</u>	<u>67,882</u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE (Continued)

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)
Revenue from other sources		
Interest income from cash and margin client earned from brokerage commission income and assets management income	348	278
Investment income under assets management segment	14,726	–
Interest income from advancing business	–	6,088
	<u>15,074</u>	<u>6,366</u>
 Total	 <u><u>24,914</u></u>	 <u><u>74,248</u></u>
 Disaggregation by timing of revenue recognition within the scope of HKFRS 15		
— At a point in time	9,311	65,027
— Over time	529	2,855
	<u>9,840</u>	<u>67,882</u>

5. OTHER REVENUE AND OTHER NET GAIN

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)
Reversal of lease liabilities	1,103	–
Net exchange gain	71	255
Interest income	56	13
Dividend income	–	7
Fair value gain on contingent consideration receivables	–	160
Loss on convertible bonds restructure (note 15(a))	–	(1,693)
Fair value loss on derivative financial assets	–	(43)
Realised loss on disposal of trading securities	–	(498)
Unrealised loss on fair value changes in trading securities	–	(24)
Sundry income	226	6,625
	<u>1,456</u>	<u>4,802</u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. LOSS BEFORE TAX

Loss before tax has been arrived at after charging/(crediting):

	<i>Notes</i>	Six months ended 30 June	
		2020	2019
		<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)
(a) Finance costs			
Interest on convertible bonds		6,558	4,671
Interest on shareholder's loan		321	–
Interest on lease liabilities		13	311
Interest on other borrowings		557	574
		7,449	5,556
Total		7,449	5,556
(b) Other non-operating expenses			
Loss on disposal of a subsidiary	19	4,257	–
Provision for termination of profit guarantees and cancellation of convertible bonds	12	11,367	–
Others		645	–
		16,269	–
Total		16,269	–
(c) Impairment losses/(reversal of impairment loss) on:			
— loan receivables, net		–	2,513
— trade receivables, net		–	(495)
— prepayments, deposits and other receivables, net		10,350	937
		10,350	937
Total		10,350	2,955
(d) Other items			
Amortisation of intangible assets		–	2,700
Depreciation on property, plant and equipment		1,407	2,953
Depreciation on right-of-use assets		–	4,563
		1,407	10,216

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX CREDIT

The amount of taxation charged/(credited) to the condensed consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax — Hong Kong Profits Tax		
Under-provision in prior years	–	10
Current tax — PRC Income Tax		
Charged for the period	–	374
	–	384
Deferred tax credit	–	(675)
Total income tax credit	–	(291)

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits (six months ended 30 June 2019: HK\$Nil).

No PRC Income Tax has been provided for the Group as the Group's subsidiaries in the PRC did not have any assessable profit for the six months ended 30 June 2020. The provision for PRC Income Tax for the six months ended 30 June 2019 was calculated at 25% of the estimated assessable profits for the period.

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the “BVI”), the Group is exempted from income tax in the Cayman Islands and the BVI.

8. DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2020 and 2019.

9. LOSS PER SHARE

The calculation of basic loss per share for the Reporting Period is based on the consolidated loss attributable to equity shareholders of the Company of HK\$37,423,000 (six months ended 30 June 2019: HK\$26,233,000) and the weighted average number of 1,009,585,000 (six months ended 30 June 2019: 932,717,200 (restated as a result of completion of the capital reorganisation of the Company with effect from and as announced on 24 July 2019)) ordinary shares in issue during the Reporting Period.

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options or conversion of outstanding convertible bonds which had anti-dilutive effect and would result in a reduction in loss per share during the six months ended 30 June 2020 and 2019. Therefore, the diluted loss per share is same as basic loss per share during the six months ended 30 June 2020 and 2019.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group has additions to property, plant and equipment of HK\$981,000 (six months ended 30 June 2019: HK\$14,000) and disposed of property, plant and equipment with a total net carrying amount of HK\$6,000 (six months ended 30 June 2019: HK\$31,000), resulting in loss of HK\$3,000 (six months ended 30 June 2019: HK\$Nil).

11. TRADE RECEIVABLES

	At 30 June 2020 <i>HK\$'000</i> (Unaudited)	At 31 December 2019 <i>HK\$'000</i> (Audited)
Trade receivables arising from securities brokerage and assets management:		
— Clients arising from dealing in securities	3,166	2,788
— Investment income	13,430	—
	<u>16,596</u>	<u>2,788</u>
Trade receivables arising from trading of party products	4,724	9,303
Interest receivables arising from advancing business	12,387	12,387
Trade receivables arising from trading of security products	—	5,449
Trade receivables arising from provision of security services	10,340	7,834
	<u>44,047</u>	<u>37,761</u>
<i>Less: Impairment</i>	<u>(21,188)</u>	<u>(19,107)</u>
	<u><u>22,859</u></u>	<u><u>18,654</u></u>

Customers from trading of party products and customers from provision of security services are usually offered a credit period of up to 90 days. Amounts relating to sales to customers from trading of security products are due immediately when goods are delivered. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. TRADE RECEIVABLES *(Continued)*

An ageing analysis of trade receivables based on the date of the invoice and net of provision of impairment loss is as follows:

	At 30 June 2020	At 31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within 30 days	16,277	5,265
31 to 60 days	1,014	5,294
61 to 90 days	1,445	4,056
Over 90 days	4,123	4,039
	22,859	18,654
	22,859	18,654

12. CONTINGENT CONSIDERATION RECEIVABLES

Contingent consideration receivables represent the profit guarantee in respect of Dewe Kexin (Beijing) Technology Co., Ltd. and International Security Net Co., Limited (the “Acquired Group”) for each of the years ended 31 December 2018, 2019 and ending 2020 (the “Relevant Years”) given by the vendors (the “Vendors”) to the Group in relation to the acquisition of the Acquired Group by the Group on 17 December 2018.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. CONTINGENT CONSIDERATION RECEIVABLES (Continued)

Non-fulfillment and termination of profit guarantees

On 30 June 2020, the Vendors and the Company entered into a supplemental deed in relation to the agreement for the acquisition of the Acquired Group by the Group in 2018. Pursuant thereto, it was mutually agreed the following:

- (i) to determine the Profit guarantee of the Acquired Group for the financial year ended 31 December 2019 (the “2019 Profit Guarantee”) based on the audited financial statements of the Acquired Group for the year ended 31 December 2019 with a limitation on the scope of audit opinion expressed by the auditor nominated by the Company and waive any right of claim in relation thereto by the Group (the “Assessment Accounts”);
- (ii) based on the Assessment Accounts, the Acquired Group recorded a net loss for the financial year ended 31 December 2019, representing a complete non-fulfillment of the 2019 Profit Guarantee, and the Vendors irrevocably agreed to pay to the Group compensation for the non-fulfillment by way of surrendering the relevant convertible bonds in the principal amount of HK\$26,250,000 issued by the Company as contingent consideration for the then acquisition of the Acquired Group by the Group in 2018; and
- (iii) the profit guarantee of the Acquired Group for the financial year ending 31 December 2020 (the “2020 Profit Guarantee”) be terminated and the Vendors of the Acquired Group irrevocably agreed to pay to the Group compensation by way of surrendering relevant convertible bonds in the principal amount of HK\$35,000,000 issued by the Company as contingent consideration for the then acquisition of the Acquired Group by the Group in 2018.

The cancellation of convertible bonds has not been completed during the Reporting Period. For details, please refer to note 15(b) and 22(b).

13. SHARE CAPITAL

	<u>Number of shares</u>	<u>Amount</u>
	'000	HK\$'000
Ordinary shares of HK\$0.001 each:		
Authorised:		
At 31 December 2019, 1 January 2020 and 30 June 2020	10,000,000,000	10,000,000
Issued and fully paid:		
At 31 December 2019 and 1 January 2020	937,797	938
Issue of new shares (note)	181,464	181
At 30 June 2020	1,119,261	1,119

Note:

During the Reporting Period, the Company completed placing of new shares under the general mandate granted to the Company’s directors by the shareholders at the annual general meeting of the Company held on 18 June 2019. An aggregate of 181,463,440 shares were successfully placed at issue price of HK\$0.1 each to not fewer than six placees in accordance with the terms and conditions of the relevant placing agreement dated 26 February 2020. The placing of the new shares was completed on 20 April 2020.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. TRADE PAYABLES

	At 30 June 2020	At 31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade payables arising from trading of party products	1,346	2,796
Trade payables arising from dealing in securities:		
— Clients' money	1,561	1,924
Trade payables arising from trading of security products	—	3,044
	2,907	7,764
	2,907	7,764

The ageing analysis of trade payables from trading of security products and trading of party products based on the date of the invoices is as follows:

	At 30 June 2020	At 31 December 2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Within 30 days	307	2,796
31 to 60 days	212	—
61 to 90 days	827	—
Over 90 days	—	3,044
	1,346	5,840
	1,346	5,840

The trade payables arising from trading of security products and trading of party products are non-interest bearing and are normally settled within 90 days. The carrying amounts of the trade payables at the end of the Reporting Period approximated their fair values.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. CONVERTIBLE BONDS

	Note	At 30 June 2020 (Unaudited)			At 31 December 2019 (Audited)		
		Liability	Equity	Total	Liability	Equity	Total
		portion	portion		portion	portion	
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2020 Convertible Bonds	(a)	111,256	1,493	112,749	108,601	1,493	110,094
2021 Convertible Bonds	(b)	—	—	—	52,890	24,400	77,290
Total		111,256	1,493	112,749	161,491	25,893	187,384
Representing:							
Current liabilities		111,256	—	111,256	108,601	—	108,601
Non-current liabilities		—	—	—	52,890	—	52,890
Convertible bonds reserve		—	1,493	1,493	—	25,893	25,893

(a) On 18 February 2019, the Company and Internet Finance Investment Co. Ltd. (the “Original Bondholder”), a company wholly owned by Ms. Cheung Kwan, a former-executive Director and the former-chairlady of the Board, entered into a deed of variation, pursuant to which the parties agreed that, subject to fulfilment of the conditions precedent, the terms of the convertible bonds in the principal amount of HK\$100,000,000 with maturity date on 18 February 2019 (“2019 Convertible Bonds”) would be amended as follows:

- (i) the maturity date to be extended from 18 February 2019 to 18 February 2020;
- (ii) the 2019 Convertible Bonds would bear interest at the rate of 5% per annum commencing from 18 February 2019 (originally zero coupon); and
- (iii) the Company would issue additional convertible bonds in the principal amount of HK\$5,000,000 to the Original Bondholder, the principal amount of 2019 Convertible Bonds would increase from HK\$100,000,000 to HK\$105,000,000.

Save as disclosed above, all the remaining terms and conditions of the 2019 Convertible Bonds remain unchanged. The above amendments (the “Convertible Bonds Restructure”) was approved by the shareholders at the Company’s extraordinary general meeting on 18 June 2019 and completed on 25 June 2019. Details of the Convertible Bonds Restructure are set out in the Company’s circular to shareholders dated 20 May 2019 and announcements dated 18 February 2019, 18 June 2019 and 25 June 2019.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. CONVERTIBLE BONDS *(Continued)*

(a) *(Continued)*

The Convertible Bonds Restructure was considered to be substantial modification of terms and conditions of the 2019 Convertible Bonds. Accordingly, the 2019 Convertible Bonds have been accounted for as extinguishment and the convertible bonds resulting from the Convertible Bonds Restructure (the “2020 Convertible Bonds”) have been recognised upon the completion of the Convertible Bonds Restructure on 25 June 2019.

The Group recognised a loss of the Convertible Bonds Restructure of HK\$1,693,000 and transferred the equity component of the 2019 Convertible Bonds to accumulated losses of HK\$11,114,000 during the year ended 31 December 2019. The Group recognised the transaction costs for the Convertible Bonds Restructure of HK\$499,000 during the year ended 31 December 2019. The Group recognised the liability component and derivatives of the 2020 Convertible Bonds on 25 June 2019 which were determined based on the valuations performed by an independent firm of professional valuers with recognised qualifications and experiences using discounted cash flow model at an equivalent market interest rate for a similar bond without a conversion option and binomial option pricing model, respectively. The effective interest rate of the liability component was 11% per annum. The derivatives of the 2020 Convertible Bonds include early redemption option and mandatory conversion option, both options are interdependent.

The early redemption option and mandatory conversion option represent that the Company shall redeem the outstanding convertible bonds at a value equal to the aggregate principal amount then outstanding on the maturity date. The Company shall be entitled to early redeem any part of the outstanding convertible bonds at any time prior to the maturity date at 103% of the principal amount. The Company shall be entitled to give notice to the bondholders at any time within 5 business days prior to the maturity date to require mandatory conversion of all outstanding convertible bonds.

As announced by the Company on 24 July 2019, the conversion price of 2020 Convertible Bonds was adjusted to HK\$1.0 per share of the Company with effect from 24 July 2019. The maximum number of shares that will be issued by the Company upon conversion of all the outstanding 2020 Convertible Bonds at the adjusted conversion price of HK\$1.00 is 105,000,000 shares. Details of the adjustments of the conversion price of the 2020 Convertible Bonds are set out in the Company’s announcement on 24 July 2019.

On 6 November 2019, the 2020 Convertible Bonds with the principal amount of HK\$100,000,000 was transferred to Neo Tech. Inc. (the “New Bondholder”) of which Mr. Ng Yu, the chairman, executive Director and the substantial shareholder of the Company, is the beneficial owner.

As at 30 June 2020, the 2020 Convertible Bonds with the principal amount of HK\$105,000,000 was overdue. The outstanding interest as at 30 June 2020 amounted to HK\$6,256,000.

Upon maturity of the 2020 Convertible Bonds on 18 February 2020, the Company has been negotiating renewed terms with the bondholders. Any substantial modification will be disclosed and proceeded with according to relevant rules and regulations (including but not limited to the Listing Rules) upon signing of any binding agreements with the bondholders. As at the date of approval of this unaudited interim condensed consolidated financial statements of the Company, no agreement has been made in relation thereto yet.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. CONVERTIBLE BONDS *(Continued)*

- (b) On 17 December 2018, the Company issued convertible bonds in the principal amount of HK\$70,000,000 (the “2021 Convertible Bonds”) as consideration for the acquisition of the Acquired Group. The 2021 Convertible Bonds include three tranches in principal amounts of HK\$8,750,000, HK\$26,250,000 and HK\$35,000,000 respectively which are convertible from the date of settlement of the Compensation (as defined below) for each of the years ended/ending 31 December 2018, 2019 and 2020 (the “Relevant Years”) (details refer to below) until maturity date. The Vendors guaranteed that the combined audited consolidated profit after tax (excluding extraordinary and exceptional items) (the “Guaranteed Profit”) of the Acquired Group under the HKFRSs (the “Net Profit of Each of the Relevant Years”) shall be not less than HK\$10,000,000, HK\$30,000,000 and HK\$40,000,000 for each of the three years ended/ending 31 December 2018, 2019 and 2020 respectively (the “Guaranteed Profit of Each of the Relevant Years”), failing which the Vendors shall pay the compensation (the “Compensation”) to the Group to be calculated as follows:

The consideration x (the Guaranteed Profit of the Each of the Relevant Years – the net profit of each of the Relevant Years)/the total Guaranteed Profit of the Relevant Years

The Vendors and the Group should procure the auditor nominated by the Group to complete the audited financial statements of the Acquired Group for each of the year ended/ending 31 December 2018, 2019 and 2020 within 3 months after the end of the Relevant Years or any other date as agreed between the Vendors and the Group. The Compensation (if any) should be paid by the Vendors to the Group within 7 business days after determination of the net profit of each of the Relevant Years. The Vendors shall be entitled to elect to pay the Compensation in cash or by way of set off against an equivalent principal amount of the convertible bonds. Based on the audited financial statements of the Acquired Group issued on 27 August 2019, the combined audited consolidated profit after tax (excluding extraordinary items and exceptional items) of the Acquired Group under HKFRSs for the year ended 31 December 2018 was approximately HK\$11 million which was not less the Guaranteed Profit for the year ended 31 December 2018 of HK\$10 million. Accordingly, no Compensation was required to be paid by the Vendors to the Group in relation to the Guarantee Profit for the year ended 31 December 2018.

The 2021 Convertible Bonds do not bear interest and will be mature on the third anniversary of the date of issue with conversion price of HK\$0.1 per share. At the date of issue of the 2021 Convertible Bonds, the fair value of the liability component of the 2021 Convertible Bonds were determined based on a valuation performed by an independent valuer using discounted cash flow model at an equivalent market interest rate for a similar bond without a conversion option. The effective interest rate of the liability component is 15.34% per annum.

The conversion price of 2021 Convertible Bonds was adjusted from HK\$0.1 per Share to HK\$1.0 per consolidated share with effect from 24 July 2019. The maximum number of Shares that will be issued upon conversion of all the outstanding 2021 Convertible Bonds at the adjusted conversion price of HK\$1.00 is 70,000,000 Shares. Details of the adjustments of the conversion price of the 2021 Convertible Bonds are set out in the Company’s announcement on 24 July 2019.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. CONVERTIBLE BONDS *(Continued)*

(b) (Continued)

On 30 June 2020, the Vendors entered into the sale and purchase agreement with the Group in relation to the disposal by the Group of the entire issued share capital of International Security Net Co., Limited (“International Security Net”) and an other receivable for a total consideration of HK\$8,750,000 by way of surrendering by the Vendors of the convertible in principal amount of HK\$8,750,000 issued by the Company and arising from the profit guarantee of the Acquired Group for the financial year ended 31 December 2018 (the “2018 Profit Guarantee”). The transaction has not been completed during the Reporting Period.

On 30 June 2020, the Vendors and the Group entered into a supplemental deed (the “Deed”), pursuant to which it was mutually agreed that profit guarantee for the years ended 31 December 2019 and ending 31 December 2020 was unfulfilled and be terminated respectively. The Vendors agreed to surrender the corresponding convertible bonds in the principal amount of HK\$26,250,000 and HK\$35,000,000 respectively to the Company for cancellation. The cancellation has not been completed during the Reporting Period. For details, please refer to note 22(b).

As at 30 June 2020, the above mentioned convertible bonds were classified as other loan as it is no longer convertible pursuant to the supplemental deed and the sale and purchase agreement.

No new shares of the Company were issued upon exercise of the 2019 Convertible Bonds, 2020 Convertible Bonds and 2021 Convertible Bonds during the Reporting Period.

16. PROVISIONS

As described in section “Charge of Assets” under Management Discussion and Analysis, provision was made by the Group for the best estimate of the expected legal claim for the vessel with the carrying amount of HK\$16,875,000 as at 31 December 2019. The amount of provision as at 31 December 2019 takes into account the outstanding fees and expenses claimed by Market Speed Limited and Li Yee Man Anly (trading as Ming Fai Marine Service) which was subsequently settled in May 2020. The vessel was released, unencumbered, back to the Group’s ownership and possession on 4 June 2020.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. SEGMENT REPORTING

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker that are used to make strategic decisions.

The Group has five (2019: six) reportable segments. The segments are managed separately as each business offers different products and services and requires different business strategies. The following summary describes the operations in each of the Group's reportable segments:

- Trading of party products
- Securities brokerage and assets management
- Advancing business
- Trading of security products and provision of security services
- Trading of metals and minerals

During the Reporting Period, the credit guarantee and investment business segment was ceased due to loss of control and deconsolidation of the relevant operating subsidiaries in the PRC (note 2).

(a) Segment Revenues and Results

The accounting policies of the operating segments are the same as the accounting policies of the Group. Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that loss on convertible bonds restructure, interest income, equity-settled share-based payment expenses, finance costs, provision for termination of profit guarantees and cancellation of convertible bonds, loss on disposal of a subsidiary, impairment loss on prepayments, deposits and other receivables, share of profit of an associate and unallocated corporate expenses are excluded from such measurement.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. SEGMENT REPORTING (Continued)

(a) Segment Revenues and Results (Continued)

The following is an analysis of the Group's revenue and results by operation segment:

For the six months ended 30 June 2020

	Trading of party products	Securities brokerage and assets management	Advancing business	Trading of security products and provision of security services	Trading of metals and minerals	Total
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Unaudited						
Revenue						
Segment revenue	9,311	15,074	–	529	–	24,914
Inter-segment revenue	–	–	–	–	–	–
External sales	<u>9,311</u>	<u>15,074</u>	<u>–</u>	<u>529</u>	<u>–</u>	<u>24,914</u>
Results						
Segment results	<u>(4,856)</u>	<u>13,142</u>	<u>(144)</u>	<u>(271)</u>	<u>–</u>	7,871
Reconciliation:						
Unallocated corporate expenses						(12,459)
Unallocated corporate income						588
Finance costs						(7,449)
Provision for termination of profit guarantees and cancellation of convertible bonds						(11,367)
Loss on disposal of a subsidiary						(4,257)
Impairment loss on prepayments, deposits and other receivables						<u>(10,350)</u>
Loss before tax						(37,423)
Income tax credit						–
Loss for the period						<u><u>(37,423)</u></u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. SEGMENT REPORTING (Continued)

(a) Segment Revenues and Results (Continued)

For the six months ended 30 June 2020 (Continued)

	Trading of party products	Securities brokerage and assets management	Advancing business	Trading of security products and provision of security services	Trading of metals and minerals	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unaudited							
Other segment information:							
Capital expenditure of property, plant and equipment	-	-	-	-	-	981	981
Depreciation on property, plant and equipment	9	-	-	-	-	1,397	1,406
Impairment loss on prepayments, deposits and other receivables, net	-	-	-	-	-	10,350	10,350
Loss on disposal of property, plant and equipment	3	-	-	-	-	-	3

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. SEGMENT REPORTING (Continued)

(a) Segment Revenues and Results (Continued)

For the six months ended 30 June 2019

	Trading of party products	Securities brokerage and assets management	Advancing business	Trading of security products and provision of security services	Trading of metals and minerals	Credit guarantee and investment business	Total
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Unaudited							
Revenue							
Segment revenue	15,758	369	6,088	52,048	–	–	74,263
Inter-segment revenue	–	(15)	–	–	–	–	(15)
External sales	<u>15,758</u>	<u>354</u>	<u>6,088</u>	<u>52,048</u>	<u>–</u>	<u>–</u>	<u>74,248</u>
Results							
Segment results	<u>(2,768)</u>	<u>(2,234)</u>	<u>(1,626)</u>	<u>(1,912)</u>	<u>(11)</u>	<u>(871)</u>	(9,422)
Reconciliation:							
Loss on convertible bonds restructure							(1,693)
Bank interest income							13
Unallocated corporate expenses							(10,499)
Equity-settled share-based payment expenses							(535)
Finance costs							(5,556)
Share of profit of an associate							<u>1,367</u>
Loss before tax							(26,325)
Income tax credit							<u>291</u>
Loss for the period							<u>(26,034)</u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. SEGMENT REPORTING (Continued)

(a) Segment Revenues and Results (Continued)

For the six months ended 30 June 2019 (Continued)

	Trading of party products	Securities brokerage and assets management	Advancing business	Trading of security products and provision of security services	Trading of metals and minerals	Credit guarantee and investment business	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unaudited								
Other segment information:								
Capital expenditure of property, plant and equipment	11	3	-	-	-	-	-	14
Amortisation of intangible assets	-	-	-	2,700	-	-	-	2,700
Depreciation on property, plant and equipment	104	145	2,535	160	9	-	-	2,953
Depreciation on right-of-use assets	-	-	-	-	-	-	4,563	4,563
Impairment loss on loan receivables, net	-	-	2,513	-	-	-	-	2,513
Reversal of impairment loss on trade receivable, net	-	-	(495)	-	-	-	-	(495)
(Reversal of impairment loss)/ impairment loss on other receivables, net	-	-	-	(10)	-	534	413	937
Realised loss on disposal of trading securities	-	498	-	-	-	-	-	498
Unrealised loss on fair value changes in trading securities	-	24	-	-	-	-	-	24

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. SEGMENT REPORTING *(Continued)*

(b) Segment Assets and Liabilities

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

- all assets are allocated to operating segments other than certain right-of-use assets, interest in an associate, tax recoverable, certain prepayments, deposits and other receivables and cash and cash equivalents; and
- all liabilities are allocated to operating segments other than certain accruals and other payables, other loan, shareholder's loan, amount due to a deconsolidated subsidiary, certain lease liabilities, convertible bonds.

The following is an analysis of the Group's assets and liabilities by operating segment:

As at 30 June 2020

	Trading of party products	Securities brokerage and assets management	Advancing business	Trading of security products and provision of security services	Trading of metals and minerals	Total
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Unaudited						
ASSETS						
Segment assets	4,979	14,103	24	58,963	–	78,069
Cash and cash equivalents (including restricted cash)						21,053
Interest in an associate						586
Unallocated corporate assets						<u>30,124</u>
Consolidated total assets						<u><u>129,832</u></u>
LIABILITIES						
Segment liabilities	1,600	1,562	165	6,342	–	9,669
Convertible bonds						111,256
Shareholder's loan						38,500
Other loan						69,792
Amount due to a deconsolidated subsidiary						8,467
Unallocated corporate liabilities						<u>21,783</u>
Consolidated total liabilities						<u><u>259,467</u></u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. SEGMENT REPORTING (Continued)

(b) Segment Assets and Liabilities (Continued)

As at 31 December 2019

	Trading of party products	Securities brokerage and assets management	Advancing business	Trading of security products and provision of security services	Trading of metals and minerals	Credit guarantee and investment business	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Audited							
ASSETS							
Segment assets	11,075	19,755	104	87,098	567	–	118,599
Bank balances and cash (including restricted cash)							15,449
Interest in an associate							586
Tax recoverable							45
Unallocated corporate assets							16,343
Consolidated total assets							<u>151,022</u>
LIABILITIES							
Segment liabilities	3,460	11,523	635	13,449	2,118	20	31,205
Convertible bonds							161,491
Tax payables							2,961
Other loan							13,000
Amount due to a deconsolidated subsidiary							8,467
Unallocated corporate liabilities							35,216
Consolidated total liabilities							<u>252,340</u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. SEGMENT REPORTING *(Continued)*

(c) Geographic information

Revenue

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of HKFRS 15		
Hong Kong	9,861	18,689
Mainland China	–	49,193
	9,861	67,882
Revenue from other sources		
Hong Kong	15,053	6,366
Mainland China	–	–
	15,053	6,366
Total	24,914	74,248

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. SEGMENT REPORTING (Continued)

(c) Geographic information (Continued)

Specified non-current assets

The following table sets out information about the geographical location of the Group's property, plant and equipment, intangible assets, goodwill and interest in an associate ("Specified Non-Current Assets"). The geographical location of the Specified Non-Current Assets is based on the physical location of the asset for property, plant and equipment, the location of the operation to which they are allocated for intangible assets and goodwill, and the location of operation for associate.

	At 30 June 2020	At 31 December 2019
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Hong Kong	16,643	16,875
Mainland China	586	12,568
Total	<u>17,229</u>	<u>29,443</u>

(d) Revenues from customers contributing 10% or more of the total revenue of the Group are as follows:

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Unaudited)
Customer A	14,705	—*
Customer B	—#	33,137
Customer C	—#	9,225

* The transaction with this customer from securities brokerage and assets management business did not contribute 10% or more of total revenue of the Group for the six months ended 30 June 2019.

The transactions with these customers from trading of security products business did not contribute 10% or more of total revenue of the Group for the six months ended 30 June 2020.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. DECONSOLIDATION OF SUBSIDIARIES

As described in note 2 to this unaudited interim condensed consolidated financial statements, the Group deconsolidated the Deconsolidated Subsidiaries from its consolidated financial statements for the financial year ended 31 December 2019.

(a) The following is a list of the subsidiaries which have been deconsolidated from 1 January 2019:

Name	Place of establishment/ incorporation and operation	Particulars of issued and paid up capital	Group's effective interest	Principal activities
和協海峽融資擔保有限公司# Harmonic Strait Credit Guarantee Company Limited*	PRC	US\$20,000,000	90%	Provision of credit service, conduct investment business and advancing business
深圳瀚宏供應鏈管理有限公司 Shenzhen Hanhong SCM Co., Ltd.*	PRC	RMB10,000,000	90%	Provision of supply chain management service, operating import and export business and trading of metals
深圳薩尼威國際貿易有限公司 Shenzhen Sunnyway International Trading Company Limited*	PRC	RMB25,000,000	90%	Provision of credit service and conduct investment business

This deconsolidated subsidiary is registered as a sino-foreign joint venture limited liability company incorporated in the PRC.

* The English name is for identification purpose only.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. DECONSOLIDATION OF SUBSIDIARIES *(Continued)*

- (b) The net assets of the Deconsolidated Subsidiaries as of 1 January 2019, which is based on their financial information as of 31 December 2018 were set out below:

	Total
	<i>HK\$ '000</i>
Net assets deconsolidated of:	
Property, plant and equipment	104
Loan receivables	62,929
Trade receivables, prepayments, deposits and other receivables	66,938
Amounts due from the fellow subsidiaries	8,487
Cash and cash equivalent	8,380
Accruals and other payables	(11,492)
Non-controlling interests	(13,170)
	122,176
Loss on deconsolidation of subsidiaries	(120,156)
Translation reserve release upon deconsolidation	(2,020)
	-
Net cash outflow arising on deconsolidation of subsidiaries	
Cash and bank balances disposed of	(8,380)

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. DISPOSAL OF A SUBSIDIARY

Pursuant to a loan agreement entered into between the Company's subsidiary as borrower and an independent third party as lender, a share pledge (the "Share Pledge") over the Group's 51% equity interest in Dewe Kexin created as security for a loan in principal amount of RMB5,000,000 (the "Loan") was registered on 14 January 2020. The Share Pledge was subsequently enforced on 17 February 2020. As a result, Dewe Kexin ceased to be a subsidiary of the Company ("Dewe Deconsolidation").

	<i>HK\$'000</i>
Net assets disposed of:	
Property, plant and equipment	16
Cash and cash equivalents	10,740
Trade receivables	5,449
Prepayments, deposits and other receivables	5,749
Trade payables	(3,044)
Accruals and other payables	(6,179)
Tax payable	(2,961)
	<u>9,770</u>
Loss on disposal of a subsidiary:	
Loan payable pledged by the Company's equity interest in Dewe Kexin	5,595
Less:	
Net assets disposed of	9,770
Goodwill	11,188
Intangible assets	489
Deferred tax liabilities	(2,797)
Non-controlling interest	(8,899)
Translation reserve release upon disposal	101
	<u>(4,257)</u>
Loss in disposal of a subsidiary	<u>(4,257)</u>
Net cash outflow arising on disposal:	
Cash and bank balances disposed of	<u>(10,740)</u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. RELATED PARTY TRANSACTIONS

During the Reporting Period, the Group had the following significant transactions with related parties:

- (a) On 11 April 2020, the Group entered into an agreement (the “Agreement”) with Neo Tech Inc., pursuant to which the Group, by paying a premium amounted to approximately HK\$1,275,000, would be entitled to the profit (the “Relevant Profit”), if any, from the difference between the opening value as at date of the Agreement on 11 April 2020 of the long position of the underlying asset specified in the Agreement and the closing value of such underlying asset as at the date of expiry of the Agreement on 30 June 2020. Neo Tech Inc. and its sole beneficial owner, namely Mr. Ng Yu (who is also the chairman and an executive director of the Company), are the substantial shareholders of the Company. The transaction contemplated under the Agreement (including the payment of the abovementioned premium) was an exempted connected transaction according to Chapter 14A of the Listing Rules. Upon expiry of the Agreement on 30 June 2020, the Relevant Profit in the amount of HK\$14,705,000 was recognised.
- (b) At 30 June 2020, the Company had outstanding unsecured convertible bonds of principal amount of HK\$100,000,000 held by Neo Tech Inc.. The convertible bonds are charged at 5% (2019: 5%) coupon rate, unsecured and overdue on 18 February 2020. The Company is currently negotiating renewed terms with Mr. Ng Yu. Further details of the convertible bonds are set out in note 15(a).
- (c) During the Reporting Period, Mr. Ng Yu provided loans in total amount of HK\$38,500,000 to the Company at interest rate of 2.5%, unsecured and repayable on demand. As at 30 June 2020, principal of HK\$38,500,000 and interest of HK\$321,000 were outstanding.
- (d) Compensation to key management of the Group is as follows:

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Salaries, allowances and other benefits	715	3,298
Contributions to defined contribution retirement plans	14	18
Equity-settled share-based payment	–	214
	729	3,530

21. CAPITAL COMMITMENTS

As at 30 June 2020 and 31 December 2019, the Group did not have capital commitments contracted but not provided for in the consolidated financial statements.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. EVENTS AFTER THE REPORTING PERIOD

(a) Placing of new shares

On 17 July 2020, the Company and a placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, of up to 223,852,128 shares, to not less than six independent third parties at a price of HK\$0.105 per placing share.

The placing was completed on 4 August 2020. The net proceeds of approximately HK\$22,960,000 received will be applied as general working capital of the Group.

(b) Non-fulfillment and termination of profit guarantees

On 30 June 2020, the Vendors of the Acquired Group and the Company entered into a supplemental deed in relation to the agreement for the acquisition of the Acquired Group by the Group in 2018. Pursuant thereto, it was mutually agreed the following:

- (i) to determine the 2019 Profit Guarantee based on the audited financial statements of the Acquired Group for the year ended 31 December 2019 with a limitation on the scope of audit opinion expressed by the Auditor nominated by the Company and waive any right of claim in relation thereto by the Group (the “Assessment Accounts”);
- (ii) based on the Assessment Accounts, the Acquired Group recorded a net loss for the financial year ended 31 December 2019, representing a complete non-fulfillment of the 2019 Profit Guarantee, and the Vendors of the Acquired Group irrevocably agreed to pay to the Group compensation for the non-fulfillment by way of surrendering the relevant convertible bonds in the principal amount of HK\$26,250,000 issued by the Company as contingent consideration for the then acquisition of the Acquired Group by the Group in 2018; and
- (iii) the 2020 Profit Guarantee be terminated and the vendors of the Acquired Group irrevocably agreed to pay to the Group compensation by way of surrendering relevant convertible bonds in the principal amount of HK\$35,000,000 issued by the Company as contingent consideration for the then acquisition of the Acquired Group by the Group in 2018.

The above arrangement has not been completed during the Reporting Period.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. EVENTS AFTER THE REPORTING PERIOD *(Continued)*

(c) Disposal of International Security Net and Other Receivables

On 30 June 2020, the Vendors entered into the sale and purchase agreement with the Group in relation to the disposal by the Group of the entire issued share capital of International Security Net and an other receivable for a total consideration of HK\$8,750,000 by way of surrendering by the Vendors of the relevant convertible bonds in principal amount of HK\$8,750,000 issued by the Company and arising from the 2018 Profit Guarantee. The disposal has not been completed during the Reporting Period.

As at 30 June 2020, the above mentioned convertible bonds were classified as other loan as it is no longer convertible pursuant to the supplemental deed and the sale and purchase agreement.

As at 30 June 2020, the assets held for sale and liabilities held for sale before completion of the transactions amounted to HK\$74,501,000 and HK\$63,134,000 respectively as a result of the supplemental deed and agreement signed as detailed in (b) and (c) above.

23. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved by the Board on 31 August 2020.