



**SFUND INTERNATIONAL HOLDINGS LIMITED**

**廣州基金國際控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1367)**

# 2020 Interim Report



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

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

### Independent Non-Executive Directors

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

## AUDIT COMMITTEE

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

## REMUNERATION COMMITTEE

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

## NOMINATION COMMITTEE

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

## CORPORATE GOVERNANCE COMMITTEE

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

## COMPANY SECRETARY

Mr. Hon Ming Sang

## AUTHORISED REPRESENTATIVES

Mr. Lam Kwan Sing  
Mr. Hon Ming Sang

## REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

## CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited  
Suites 3301-4  
33/F., Two Chinachem Exchange Square  
338 King's Road  
North Point  
Hong Kong

# Corporate Information

## **PRINCIPAL BANKERS**

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

## **AUDITOR**

ZHONGHUI ANDA CPA LIMITED  
Unit 701, 7/F., Citicorp Centre,  
18 Whitfield Road,  
Causeway Bay, Hong Kong

## **WEBSITE**

[www.1367.com.hk](http://www.1367.com.hk)

## **STOCK CODE**

1367

# Management Discussion and Analysis

## **BUSINESS REVIEW**

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

### **Apparel Supply Chain Management Services Business**

The Group provides apparel supply chain management services for woven wear (such as shirts, pants, jeans and jackets) and accessories. This includes sourcing of raw materials and third-party manufacturers, sample creation, product design and development, production management, merchandising, quality control, logistics management and social compliance monitoring services. The Group acts as a one-stop solution provider to its customers to meet their needs along the apparel supply chain. Revenue is derived primarily from the sale of apparel products it procures for its customers.

Sales in 2020 to the USA customers declined because of the epidemic of the coronavirus (“COVID-19”). For the six months ended 30 June 2020, the Group’s revenue from apparel supply chain management services business were HK\$4,382,000, representing a decrease of approximately 38.40% when compared to the corresponding period last year of HK\$7,114,000. The segment loss from the respective segment were HK\$8,721,000 as compared to segment loss of HK\$16,800,000 for the corresponding period last year.

Due to less competitiveness than the other service providers, the Group lost significant customers in the past years and thereby recorded substantial decrease in revenue from this segment. In addition, the US-China trade war since 2018 also weakened the competitiveness of the Group.

As a result of the intensive competition among the industry, the US-China trade war, the outbreak of COVID-19 worldwide and an overall weak consumer spending sentiment, the management of the Group expects the financial performance of this segment would remain stagnant for a protracted period.

### **Financial Services Business**

For the six months ended 30 June 2020, the Group carried out financial services business through its subsidiaries including Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “SFO”) in Hong Kong (China) as well as equity interests investment management, investment consultancy services, investment management services, entrusted management of equity interests investment fund and corporate management consultancy services in the People’s Republic of China (the “PRC”).

For the six months ended 30 June 2020, the revenue and operating loss generated in this segment were HK\$268,000 (2019: HK\$641,000) and HK\$5,994,000 (2019: HK\$34,230,000), respectively.

The decrease in loss of this segment were due to absence of HK\$28 million impairment of accounts receivable and goodwill for the six months ended 30 June 2020.

# Management Discussion and Analysis

## Money Lending Business

The Group engaged in the money lending business through Capital Strategic Partners Limited (“Capital Strategic”), an indirect wholly-owned subsidiary of the Company, which holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) to carry out money lending business in Hong Kong (China). During the six months ended 30 June 2020, the interest income and operating profit generated in this segment were HK\$4,633,000 (2019: HK\$9,054,000) and HK\$2,421,000 (2019: HK\$6,725,000), respectively.

As at 30 June 2020, there were two transactions of loan advanced to customers. The loan were still outstanding as at 30 June 2020 with an aggregate outstanding loan principal of HK\$64,500,000.

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

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

On 26 July 2019, Capital Strategic and Yuan Heng entered into the second supplemental agreement (the “2nd Supplemental Agreement”) with retrospective effect from 25 July 2019 pursuant to which Capital Strategic had agreed to extend the maturity date of the remaining HK\$75,000,000 of the Original Facility to 25 January 2020 (or any other date as may be agreed by Capital Strategic and Yuan Heng in writing). The loan continues to be secured by the share charge and the floating charge. The loan balance of Yuan Heng as at 30 June 2020 is HK\$24,500,000.

Subsequent to the end of the reporting period, Yuan Heng had further repaid HK\$15,000,000 of the Original Facility to Capital Strategic. The remaining outstanding loan balance was HK\$9,500,000 and was extended to 31 October 2020.

# Management Discussion and Analysis

Further details of the transaction is also set out in the Company's announcements dated 24 November 2017, 25 January 2018, 25 January 2019 and 26 July 2019 and circular dated 22 December 2017, respectively.

On 14 February 2018, Capital Strategic entered into another loan agreement with China-HK Holdings Investment Limited ("China-HK"), a company incorporated in Hong Kong (China) with limited liability, pursuant to which Capital Strategic had agreed to provide a loan facility to the China-HK in the principal amount of HK\$40,000,000 for a term of 6 months from the dates of the relevant drawdown, which could be further extended upon the request of China-HK and subject to agreement of Capital Strategic in writing. The loan is secured by the charge over the entire issued share capital of China-HK and 2 wholly-owned subsidiaries of China-HK. On 14 August 2018, Capital Strategic and China-HK entered into a supplemental loan agreement to extend the repayment date to 14 February 2019. Further details of the transaction is set out in the Company's announcements dated 14 February 2018 and 14 August 2018. The loan is still outstanding as at 30 June 2020.

According to the court orders of the 湖南省長沙市中級人民法院 (Changsha Intermediate People's Court of Hunan Province\*) dated 12 August 2020, the Company successfully frozen the asset held by the 長三角徐州石油科技有限公司 (Changsanjiao Xuzhou Petroleum Technology Company Limited\*), being a wholly-owned subsidiary of China-HK, and 鹽城賽孚石油化工有限公司 (Yancheng Saifu Petroleum & Chemical Company Limited\*), being a wholly-owned subsidiary of Changsanjiao Xuzhou Petroleum Technology Company Limited, for three years.

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

## Securities Investment

During the six months ended 30 June 2020, the Group carried out the Group's investment business in securities investment.

During the six months ended 30 June 2020, the revenue arising from this segment was negative revenue of HK\$7,000 (2019: negative revenue of HK\$470,000). Revenue was attributable to the net realised loss on listed securities investment of HK\$7,000 (2019: nil). No unrealised loss on listed securities investment was noted during the six months ended 30 June 2020 (2019: net unrealised loss of HK\$470,000).

The overall performance of the securities investment business recorded a loss of HK\$9,000 for the six months ended 30 June 2020 (2019: loss of HK\$470,000), which was primarily attributable to the realized loss on securities investment stated above. As at 30 June 2020, the market value of the Group's listed securities portfolio was HK\$2,000 (31 December 2019: HK\$1,091,000).

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

# Management Discussion and Analysis

## FINANCIAL REVIEW

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

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

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

### Revenue

#### *Revenue by Business Segments*

Ratio analysis by business segments for the Group's revenue for the six months ended 30 June 2020 is as follows:

- Apparel supply chain management services business: HK\$4,382,000, 47.3% of revenue (2019: HK\$7,114,000, 43.5%)
- Financial services business: HK\$268,000, 2.9% of revenue (2019: HK\$641,000, 3.9%)
- Money lending business: HK\$4,633,000, 49.9% of revenue (2019: HK\$9,054,000, 55.4%)
- Securities investment: negative revenue of HK\$7,000, -0.1% of revenue (2019: negative revenue of HK\$470,000, -2.8%)

#### *Revenue by Geographical Segments*

Ratio analysis by geographical segments for the Group's revenue for the six months ended 30 June 2020 is as follows:

- USA: nil, 0% of revenue (2019: HK\$5,600,000, 34.3%)
- Mainland China: HK\$774,000, 8.3% of revenue (2019: HK\$735,000, 4.5%)
- Hong Kong (China): HK\$7,281,000, 78.5% of revenue (2019: HK\$8,586,000, 52.5%)
- Other countries: HK\$1,221,000, 13.2% of revenue (2019: HK\$1,418,000, 8.7%)



# Management Discussion and Analysis

The Group's revenue for the six months ended 30 June 2020 was HK\$9,276,000, being a decrease of HK\$7,063,000 when compared to the corresponding period last year of HK\$16,339,000. The decrease was mainly due to the net effect of (i) a decrease in revenue derived from apparel supply chain management services business of HK\$4,382,000 (2019: HK\$7,114,000) due to the significant decrease in the Group's sales in the USA because of the outbreak of COVID-19; (ii) a decrease in revenue derived from financial services business of HK\$268,000 (2019: HK\$641,000), which were mainly derived from the Group's fund management services and other consultancy services in Mainland China and Hong Kong (China); (iii) a decrease in interest income from loans advanced to independent third parties of HK\$4,633,000 (2019: HK\$9,054,000); and (iv) realised loss on an investment in listed equity investment at fair value through profit or loss of HK\$7,000 (2019: unrealised loss of HK\$470,000 and realised loss: nil), which was arising from the Group's business segment on securities investment.

## Cost of Sales and Services Rendered

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

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

## Gross Profit

The Group's gross profit for the six months ended 30 June 2020 was HK\$6,184,000, representing a decrease of approximately 40.1% from HK\$10,326,000 in the corresponding period last year. The decrease in gross profit was because there were decrease in sales and gross profit for its apparel supply chain management services business and decrease in loan interest income.

## Other Income and Gains

Other income and gains for the six months ended 30 June 2020 was HK\$1,092,000, representing an increase of approximately 44.3% from the corresponding period last year of HK\$757,000. The increase was mainly due to the increase in government subsidies.

## Selling Expenses

Selling expenses primarily consist of (i) sample cost; (ii) promotion expenses; (iii) staff cost; and (iv) other selling expenses. Selling expenses for the six months ended 30 June 2020 was HK\$760,000, representing a decreased of approximately 53.2% from the corresponding period last year of HK\$1,625,000. The decrease was mainly due to the decrease in promotion expenses.

# Management Discussion and Analysis

## Administrative Expenses

Administrative expenses mainly represented employee benefit expenses for the Group's management, finance and administrative personnel, rental expenses for the Group's office premises and travelling expenses. Administrative expenses for the six months ended 30 June 2020 was HK\$32,554,000, representing a decrease of approximately 25.9% from the corresponding period last year of HK\$43,953,000. The decrease were mainly due to the decrease in salaries, professional fee, office expenses and consultancy fees for enhancement of IT system for apparel supply chain management services business.

## Other Expenses, Net

Other expenses, net mainly represented the loss on disposal of associate of 湖南匯垠天星股權投資私募基金管理有限公司(Hunan Huiyin Tianxing Private Equity Investment Fund Management Co., Ltd.\*). Other expenses, net for the six months ended 30 June 2020 was HK\$587,000, representing a decrease of approximately 98.0% from HK\$29,508,000 in the corresponding period last year. The significant decrease was mainly due to decrease in provision for impairment of fund management fees receivable of HK\$19,726,000 and impairment of goodwill of HK\$8,436,000.

## Finance Costs

Finance costs increased by approximately 23.5% from HK\$9,225,000 to HK\$11,393,000. The increase was mainly due to increase in interest expenses for other borrowings.

## Loss for the Period

The net loss attributed to the owners of the Company for the six months ended 30 June 2020 amounted to HK\$36,458,000 (2019: HK\$61,461,000), resulted in a basic loss per share for the six months ended 30 June 2020 of HK7.60 cents (2019: HK12.80 cents), representing a decrease in loss attributed to the shareholders of the Company (the "Shareholders") by 40.7%. The decrease in loss was resulted from the effects of (i) decrease in administrative expenses due to cost control; and (ii) decrease in other expenses, mainly due to decrease in provision for impairment of fund management fees receivable and impairment of goodwill (as stated above).

## PROSPECTS

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

## Apparel Supply Chain Management Services Business

The management of the Group expects the business environment for the apparel supply chain management services business in 2020 not favorable. As goods sold to our new customers are mostly sold to department and specialty stores in the USA, the increasing coronavirus infection in the US is expected to hit their business as people will avoid going out for shopping. Recent stock market volatility will also have negative wealth effect that deter consumer spending on apparels.

# Management Discussion and Analysis

Due to less competitiveness than the other service providers, the Group lost significant customers in the past years and thereby recorded substantial decrease in revenue from this segment. In addition, the US-China trade war since 2018 also weakened the competitiveness of the Group.

As a result of the intensive competition among the industry, the US-China trade war, the outbreak of COVID-19 worldwide and an overall weak consumer spending sentiment, the management of the Group expects the financial performance of this segment would remain stagnant for a protracted period.

## Money Lending Businesses

The management expects that the money lending business segment will become one of the Group's stable income sources. The management will go on paying close attention to the development of this business segment and promptly react to the demand in the market. It is expected that the Group will not expand its loan portfolio unless the Group managed to raise abundant funds through fund raising exercises.

## Financial Services Businesses

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

On 31 January 2020, the Group has entered into an agreement to acquire 30% equity interest in 廣俊粵港澳產業投資基金管理(廣州)有限公司 (Guangjun Guangdong-Hong Kong-Macao Industrial Investment Fund Management (Guangzhou) Company Limited\*) (the "GJ Fund Management Company") at a consideration of approximately HK\$3.4 million. GJ Fund Management Company will establish a private equity fund for investing in an education project in Nansha district, Guangzhou Province, the PRC. The Group is optimistic about the prospect of GJ Fund Management Company and believe such acquisition would strengthen the Group's network in the PRC fund industry, which is in line with the expansion plan of the Group.

On 8 June 2020, 湖南匯垠天星股權投資私募基金管理有限公司 (Hunan Huiyin Tianxing Private Equity Investment Fund Management Co., Ltd\*) ("Hunan Huiyin Tianxing"), a 51%-owned subsidiary of the Company, and 廣州匯垠天粵股權投資基金管理有限公司 (Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd\*) ("Guangzhou Huiyin Tianyue"), a parent company of SFund International Investment Fund Management Limited (the substantial shareholder of the Company), entered into a letter of intent (the "Letter of Intent") to establish a fund of funds (the "FoF"). Further details of the transaction is set out in the Company's announcements dated 8 June 2020.

On 19 June 2020, Hunan Huiyin Tianxing and 中國旅遊產業基金管理有限公司 (China Tourism Industry Fund Management Co., Ltd\*) ("China Tourism Industry FM"), an independent third party to the Company, entered into a long-term business cooperation framework agreement (the "Framework Agreement") to establish an investment fund (the "Fund"). Further details of the transaction is set out in the Company's announcements dated 19 June 2020.

# Management Discussion and Analysis

The Group will continue to expand its financial services segment by applying for the necessary licenses for, or acquiring licensed corporation to conduct regulated activities, or acquiring interest in, or setting up funds to invest in, companies or projects which have good potentials and prospect.

As at the date of this report, the Company has been considering potential targets with an aim to maintaining a sufficient level of business operations and assets of the Group. The management expects that the contribution from financial services business segment will increase significantly in the near future.

## **Securities Investment**

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

## **CAPITAL STRUCTURE**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, including bonds, other borrowings, and equity attributable to owners of the Company, comprising issued capital and reserves. The management of the Group reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares or bond. The Group's overall strategy remains unchanged throughout the period.

On 17 January 2020, the Company, as the borrower, entered into a loan agreement (the "Loan Agreement") with the lender, a business company incorporated under the laws of the British Virgin Islands (the "Lender") and a third party independent of the Company and its connected person. Pursuant to and subject to the satisfaction of the conditions precedent set out in the Loan Agreement, the Lender agreed to provide a loan in the principal amount of HK\$75,000,000 (the "Loan") for a term of one year from the date of the Loan but can be extended to two years subject to the consent of the Lender (at its absolute discretion) upon the request of the Company at the interest rate of 8.5% per annum which will be paid quarterly. The Loan was used for the Company's loan repayment.

Pursuant to a subscription agreement entered into between the Company as the issuer and GF Investments (Hong Kong) Company Limited as the subscriber (the "GF Investments") in relation to the issuance of notes (the "Notes") in the aggregate principal amount of up to HK\$230,000,000 due on January 2020. After the end of the reporting period, the Company settled all the remaining bond principal and interest.

As at 30 June 2020, the other borrowings were HK\$134,986,000 (31 December 2019: HK\$32,460,000) and bond payables were HK\$92,063,000 (31 December 2019: HK\$219,229,000). As at 30 June 2020, all borrowings are carried at fixed interest rates ranging from 5% to 8.5% per annum and repayable in 2020 to 2025. As at 31 December 2019, all borrowings are carried at fixed interest rates ranging from 5% to 8% per annum and repayable from 2020 to 2024.

# Management Discussion and Analysis

## LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2020, cash and cash equivalents amounted to HK\$14,909,000, which decreased by approximately 35.5% as compared to HK\$23,104,000 as at 31 December 2019.

As at 30 June 2020, the Group's total borrowings amounted to HK\$227,049,000 (31 December 2019: HK\$251,689,000), mainly consist of other borrowings amounting to HK\$134,986,000 (31 December 2019: HK\$32,460,000) and bond payables amounting to HK\$92,063,000 (31 December 2019: HK\$219,229,000). The other borrowings of the Group as at 30 June 2020 and 31 December 2019 were incurred for operation and business purpose.

The current ratio of the Group as at 30 June 2020 was 0.5 (31 December 2019: 0.6). The gearing ratio is calculated based on the total liabilities divided by the total assets. The gearing ratio of the Group as at 30 June 2020 was approximately 214.6% (31 December 2019: approximately 158.8%).

As at 30 June 2020, the Group had net current liabilities of HK\$149,639,000 (31 December 2019: HK\$124,423,000) and net liabilities of HK\$159,606,000 (31 December 2019: HK\$120,364,000). The net current liabilities and the net liabilities position were attributable to material loss for the period as a result of the poor performance of the Group's businesses and the outstanding bond payables balance of HK\$92,063,000 (31 December 2019: HK\$219,229,000) and other borrowings of HK\$114,586,000 (31 December 2019: HK\$24,060,000) due within twelve months from the end of the reporting period. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

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

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

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

# Management Discussion and Analysis

## **DISCLAIMER OF CONCLUSION**

As disclosed in the Independent Review Report, the auditors of the Company, ZHONGHUI ANDA CPA Limited (the “Auditors”) issued a disclaimer of conclusion (the “Disclaimer of Conclusion”) on the interim financial statements of the Group for the six months ended 30 June 2020. Set out below is the paragraph headed “Basis for Disclaimer of Conclusion” as disclosed in the Independent Review Report:–

“As discussed in note 2 to the interim financial statements concerning the adoption of the going concern basis on which the interim financial statements have been prepared, the Group incurred loss attributable to owners of the Company of HK\$36,458,000 and HK\$61,461,000 respectively for two consecutive period of six months ended 30 June 2020 and 2019, and the Group had net current liabilities of HK\$149,639,000 and net liabilities of HK\$159,606,000 as at 30 June 2020. These conditions indicate the existence of a material uncertainty that casts a significant doubt on the Group’s ability to continue as a going concern. The directors of the Company are undertaking certain measures to improve the Group’s liquidity and financial position which are set out in note 2 to the interim financial statements. The interim financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to uncertainties, including (i) the ultimate success of the formulation of the fund raising exercises conducted by the Group, and (ii) the final outcome of the Group in obtaining the continuous financial support from a shareholder. We were unable to obtain sufficient appropriate evidence as to the likelihood, or otherwise, of these measures being successful. As a result of these multiple uncertainties, the potential interaction of these uncertainties, and, the possible cumulative effects thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate and the related disclosures are sufficient.

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

## **THE MANAGEMENT’S POSITION, VIEW AND ASSESSMENT ON THE DISCLAIMER OF CONCLUSION**

During the course of review of the condensed consolidated financial statement of the Company for the six months ended 30 June 2020, the Auditors had raised concern on the Group’s ability to operate as a going concern. In order to address this concern, the Company has, among other things, taken the following steps:–

- (i) The Group has been urging its customers of the money lending segment to settle all overdue loans. In July 2020, the Company received HK\$15 million from a customer and has applied such proceeds to settle part of the bond payables. It is expected that the Company will received HK\$9.5 million from a customer on or before 31 October 2020. The Company intends to apply such proceeds as working capital of the Group.
- (ii) The Company has received a letter of intent from Kapok Spirit Investment Limited (“Kapok Spirit”), an entity indirectly wholly owned by SFund International Investment Fund Management Limited (“SFund International”) which is the substantial shareholder of the Company, to extend the maturity date of the outstanding bond payable of HK\$80 million.
- (iii) A shareholder of the Company is intended to provide continuous financial support to the Group to meet its liabilities and obligations as and when they fall due.

# Management Discussion and Analysis

Based on the above, and in preparing the condensed consolidated interim financial statements, the Directors have reviewed the Group's financial and liquidity position, and planned to raise funds by issuing of securities in future. As such, the Board considered the Group will have sufficient liquidity to finance its operations for the next twelve months and therefore is of the view that the Group would be able to continue as a going concern.

Despite the effort by the Company to address the concern, the Auditors issued the Disclaimer of Conclusion as they cast doubt on the certainty of the continued financial support from the shareholder. The management of the Company (the "Management") has considered the Auditors' rationale and understood their consideration in arriving their opinion.

In order to address the Disclaimer of Conclusion, the Company will continue to take the following steps to improve the Group's working capital and cash flow position and mitigate its liquidity pressure:–

## **(i) Possible settlement of bond payables and shareholder's loans by way of capitalisation**

As at 30 June 2020, the bond payables amounted to HK\$92 million which shall be due within twelve months from 30 June 2020, of which (i) HK\$80 million was held by Kapok Spirit, and (ii) HK\$12 million was held by another bond holder (the "Bond Holder").

Subsequent to the end of the reporting period, the Group has repaid HK\$12 million to the Bond Holders as mentioned above.

As regards the bonds held by Kapok Spirit, the Company intends to negotiate with Kapok Spirit and SFund International to capitalise the principal amount of the outstanding bonds and the outstanding shareholder's loans (the "Possible Capitalisation"). It is expected that the Company would be able to improve the financial position and reduce the finance costs if the Possible Capitalisation is materialised.

## **(ii) Possible issue of new securities**

The Company also intends to raise funds by issuing new securities. As at the date of this report, the Group has not yet entered into any understanding, arrangement or agreement about the aforesaid plan. Subject to the approval from the Stock Exchange and market conditions, it is expected that the Group will conduct such fundraising activity at the end of 2020. The Company intends to use such proceeds for the potential acquisition, expansion of the Group's business and/or as working capital of the Group.

## **(iii) Financial support**

As mentioned above, a shareholder intends to provide continuous financial support to the Group to meet its liabilities and obligations as and when they fall due.

# Management Discussion and Analysis

## **(iv) Income-generating and cost-saving measures**

In order to improve financial performance and operating efficiency, the Group has, among others, been implemented a number of income-generating and cost-saving measures:-

### **(a) Expansion on financial services business**

湖南匯垠天星股權投資私募基金管理有限公司(Hunan Huiyin Tianxing Private Equity Investment Fund Management Co., Ltd\*) which is a subsidiary of the Company and holds Private Equity Fund Management License in the PRC, is planning to be a general partner to manage the fund.

On 8 June 2020, 湖南匯垠天星股權投資私募基金管理有限公司 (Hunan Huiyin Tianxing Private Equity Investment Fund Management Co., Ltd\*) (“Hunan Huiyin Tianxing”), a 51%-owned subsidiary of the Company, and 廣州匯垠天粵股權投資基金管理有限公司 (Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd\*) (“Guangzhou Huiyin Tianyue”), a parent company of SFund International Investment Fund Management Limited (the substantial shareholder of the Company), entered into a letter of intent (the “Letter of Intent”) to establish a fund of funds (the “FoF”). Further details of the transaction is set out in the Company’s announcements dated 8 June 2020.

On 19 June 2020, Hunan Huiyin Tianxing and 中國旅遊產業基金管理有限公司 (China Tourism Industry Fund Management Co., Ltd\*) (“China Tourism Industry FM”), an independent third party to the Company, entered into a long-term business cooperation framework agreement (the “Framework Agreement”) to establish an investment fund (the “Fund”). Further details of the transaction is set out in the Company’s announcements dated 19 June 2020.

In order to expand the fund management business, the Company is planning to set up other new funds. The Company is also contemplating to set up a fixed income business to further expand its financial business. The proposals are under discussion, and the Company is discussing with its parent company to execute these plans. The Directors are optimistic about the implementation of these proposals and it is expected that the Group’s revenue from financial services will be increased in the forthcoming years.



# Management Discussion and Analysis

## **(b) Cost-saving/reduction**

The Company plans to dispose certain subsidiaries with minimal or nil revenue in past years to save staff costs. It is expected that the Group would be able to reduce certain administrative expenses in the current financial year.

The shareholders have provided its continuous support to the Company, including the support on the aforementioned measures taken and to be taken by the Company, and are willing to further provide more support to the Company and protect the interests of minority shareholders of the Company. In light of the above, the Board is confident that the Disclaimer of Conclusion would be removed for the financial year ending 31 December 2020.

## **AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF CONCLUSION**

The members of the audit committee of the Company (the "Audit Committee") had critically reviewed the Disclaimer of Conclusion, the Management's position concerning the Disclaimer of Conclusion and measures taken by the Company for addressing the Disclaimer of Conclusion. The Audit Committee agreed with the Management's position based on the reasons above and due to the historical track record of continuous financial support from the shareholders. Moreover, the Audit Committee requested the Management to take all necessary actions to address the effect on the Disclaimer of Conclusion that no such Disclaimer of Conclusion to be made in the forthcoming audited financial statements. The Audit Committee had also discussed with the Auditors regarding the financial position of the Group, measures taken and to be taken by the Company, and considered the Auditors' rationale and understood their consideration in arriving their opinion.

## **TREASURY POLICIES**

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

## **FOREIGN EXCHANGE EXPOSURE**

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

## **CAPITAL EXPENDITURES**

During the period, the Group's capital expenditures consisted of additions to property, plant and equipment amounting to HK\$19,000 (six months ended 30 June 2019: HK\$257,000).

# Management Discussion and Analysis

## **CAPITAL COMMITMENT**

As at 30 June 2020, the Group did not have any capital commitment. As at 31 December 2019, the Group had a capital commitment of HK\$4,385,000 in relation to the further capital contribution to 湖南國開鐵路建設私募基金管理有限公司 (Hunan Guokai Railway Development Private Equity Fund Management Company Limited\*).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2020, the Group had a total of 163 (2019: 184) employees, including the Directors. Total staff costs (including Directors' remuneration) was approximately HK\$21,846,000 for the period, as compared to approximately HK\$25,650,000 for the corresponding period last year.

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

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

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

## **FUTURE PLANS FOR MATERIAL INVESTMENTS**

The Group did not have any plans for material investments during the period.

## **SIGNIFICANT INVESTMENT**

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

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

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

## **RISK MANAGEMENT**

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

# Management Discussion and Analysis

## **Interest Rate Risk**

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

## **Foreign Currency Risk**

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

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

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

## **Credit Risk**

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

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

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

## **Liquidity Risk**

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

# Management Discussion and Analysis

## **Equity Price Risk**

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

## **CONTINGENT LIABILITIES**

The Group did not have material contingent liabilities as at 30 June 2020.

## **CHARGE ON THE GROUP'S ASSETS**

No charges on the Group's assets was noted as at 30 June 2020.

## **DIVIDEND**

The Board does not recommend the distribution of any dividends for the six months ended 30 June 2020 (2019: nil).

## **FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

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

# Management Discussion and Analysis

## **PROVISION OF FINANCIAL ASSISTANCE AND ADVANCE TO AN ENTITY**

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

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

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

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

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

During the period, Yuan Heng had further repaid HK\$50,500,000 of the Original Facility to Capital Strategic. The loan balance of Yuan Heng as at 30 June 2020 is HK\$24,500,000.

Subsequent to the end of the reporting period, Yuan Heng had further repaid HK\$15,000,000 of the Original Facility to Capital Strategic. The remaining outstanding loan balance was HK\$9,500,000 and was extended to 31 October 2020.

Details of the MT Loan are also set out in the announcements of the Company dated 24 November 2017, 25 January 2018, 25 January 2019 and 26 July 2019 and circular dated 22 December 2017, respectively. The MT Loan was completed on 25 January 2018 and the MT loan is still outstanding as at 30 June 2020.

# Management Discussion and Analysis

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

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

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

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

The provision of the CH Loan under the CH Loan Agreement is a financial assistance provided by the Company within the meaning of the Listing Rules and the CH Loan constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Details of the CH Loan are set out in the announcement of the Company dated 14 February 2018 and 14 August 2018. The CH Loan is still outstanding as at 30 June 2020.

According to the court orders of the 湖南省長沙市中級人民法院 (Changsha Intermediate People’s Court of Hunan Province\*) dated 12 August 2020, the Company successfully frozen the asset held by the長三角徐州石油科技有限公司 (Changsanjiao Xuzhou Petroleum Technology Company Limited\*), being a wholly-owned subsidiary of China-HK, and 鹽城賽孚石油化工有限公司 (Yancheng Saifu Petroleum & Chemical Company Limited\*), being a wholly-owned subsidiary of Changsanjiao Xuzhou Petroleum Technology Company Limited, for three years.

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

# Management Discussion and Analysis

## **SUBSEQUENT EVENTS**

On 22 July 2020, Capital Strategic and Yuan Heng entered into the 3rd Supplemental Agreement which Capital Strategic had agreed to extend the maturity date of the remaining HK\$9,500,000 of the MT Loan to 31 October 2020.

Subsequent to the end of the reporting period, the Group has settled all the outstanding loan principal and interest of GF Investments (Hong Kong) Company Limited.

After the outbreak of a respiratory illness caused by the COVID –19 coronavirus in early 2020 which was later characterised as a pandemic (the “Pandemic”), a series of precautionary and control measures have been and continued to be implemented across the country. The Group will pay close attention to the development of the Pandemic and evaluate its impact on the financial position and operating results of the Group in 2020. Pending development of such subsequent non-adjusting event, the Group’s financial results may be affected, the extent to which could not be estimated as at the date of this report.

Except as disclosed elsewhere in this report, there is no material subsequent event undertaken by the Group after 30 June 2020.

# Other Information

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

As at 30 June 2020, none of the Directors or Chief Executive of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required, to be recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

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

## **SHARE OPTION SCHEME**

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

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

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



# Other Information

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

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

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

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

As at 30 June 2020, no share options were granted, cancelled, lapsed or forfeited under the Share Option Scheme and there were no outstanding share options under the Share Option Scheme as at 30 June 2020.

## **EQUITY-LINKED AGREEMENTS**

For the period, save for the Share Option Scheme previously mentioned, the Company has not entered into any equity-linked agreements, and there did not subsist any equity-linked agreement entered into by the Company as at 30 June 2020.

## **DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS**

Save as disclosed under the section headed "Related Party Transactions/Exempted Continuing Connected Transactions" on page 25 to 27 of this report, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the period.

# Other Information

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

<b>Name of the Director</b>	<b>Position(s) within the Company</b>	<b>Position(s) in other companies which may compete with the Group</b>
Mr. Li Qing	Executive Director and Chairman of the Board	SFund International Investment Fund Management Limited – director, redesignated from chairman to general manager on 24 February 2020
Mr. Liu Zhijun	Executive Director	廣州產業投資基金管理有限公司 (Guangzhou Industrial Investment Fund Management Co., Ltd*) – director and general manager 廣州科技金融創新投資控股有限公司 (Guangzhou Technology Financial Innovation Investment Holding Ltd.*) – chairman
Ms. Yi Sha	Executive Director	廣州產業投資基金管理有限公司 (Guangzhou Industrial Investment Fund Management Co., Ltd*) – financial controller SFund International Investment Fund Management Limited – director (resigned on 20 February 2020)
Ms. Wang Mengsu	Executive Director	SFund International Investment Fund Management Limited – assistant general manager and investment director

## RELATED PARTY TRANSACTIONS/EXEMPTED CONTINUING CONNECTED TRANSACTIONS

Details of the related party transactions of the Group are set out in note 16, 17 and 19 to the condensed consolidated financial statements which constituted exempted continuing connected transactions under Chapter 14A of the Listing Rules.

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

# Other Information

## **1. Loan Agreement with Mr. Lai Leong**

During the period, the Group entered into the loan agreements in totals amount of HK\$13,600,000 (the "Loans") with Mr. Lai Leong, who is deemed to be interested in 36.93% shareholding of the Company as at 30 June 2020, pursuant to which Mr. Lai Leong had agreed to provide the Loans to the Group at interest rate of 8% per annum with a term of 6 months. Mr. Lai Leong through his wholly-owned company, Plus Value International Limited, holds 177,300,000 Shares, representing 36.93% of the issued share capital of the Company and thus Mr. Lai Leong and Plus Value International Limited are the controlling Shareholders as at 30 June 2020. For the six months ended 30 June 2020, the interest expense to Mr. Lai Leong was HK\$364,000.

## **2. Bond Subscription Agreement with Kapok Spirit Investment Limited**

On 27 October 2017, the Company, as the issuer, entered into the Subscription Agreement A with Kapok Spirit Investment Limited, a company indirectly wholly-owned by Guangzhou Industrial Investment Fund Management Co., Ltd., a substantial Shareholder, as the subscriber, in relation to the subscription of the Bonds. The issue of Bonds constituted an exempt connected transaction of the Company under Rule 14A.90 of the Listing Rules. Pursuant to and subject to the satisfaction (or waiver) of the conditions precedent set out in the Subscription Agreement A, the Company agreed to issue, and the subscriber agreed to subscribe, for the Bonds in the principal amount of up to HK\$80,000,000 with a coupon rate of 8% per annum payable quarterly in arrears for a term of 23 months from the date of issue of the Bonds. The maturity date of the Bonds will be intended to extend upon maturity. Kapok Spirit Investment Limited is an associate of Guangzhou Industrial Investment Fund Management Co., Ltd. Ms. Wang Mengsu, the Executive Director of the Company, is the director of Kapok Spirit Investment Limited. Under the Listing Rules, she is therefore a connected person of the Company as defined under the Listing Rules. For the six months ended 30 June 2020, the interest expense in relation to the Bonds was HK\$3,372,000.

## **3. Loan Agreement with SFund International Investment Fund Management Limited**

During the period, the Company entered into the loan agreements with SFund International Investment Fund Management Limited, a substantial Shareholder of the Company, pursuant to which SFund International Investment Fund Management Limited had agreed to provide the loan to the Company amounting to HK\$20,400,000, at interest rate of 8% per annum with a term of 5 years. SFund International Investment Fund Management Limited holds 139,200,000 shares, representing 29% of the issued share capital of the Company. For the six months ended 30 June 2020, the interest expenses in relation to the SFund International Investment Fund Management Limited was HK\$511,000.

# Other Information

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

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

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

As at 30 June 2020, so far as is known to the Directors or Chief Executive of the Company, the following persons (other than Directors or Chief Executive of the Company), who had interests or short positions in the shares and the underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO were as follows.

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

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

Note:

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

# Other Information

Save as disclosed above, as at 30 June 2020, no person, other than the Directors and Chief Executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in shares and Underlying Shares and Debentures of the Company" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

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

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as its own code of conduct for securities transactions (the "Required Standard of Dealings"). The Company has confirmed, having made specific enquiry of the directors, all the directors have complied with the Required Standard of Dealings throughout the six months ended 30 June 2020.

## **CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company is committed to achieving high standards of corporate governance to safeguard the interests of its shareholders and to enhance corporate value. The Company's corporate governance practices are based on the principles and code provision as set out in the Code on Corporate Governance Practices ("CG Code") in Appendix 14 of the Listing Rules.

Throughout the reporting period, the Company has complied with the CG Code.

# Other Information

## CHANGE OF DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Company's directors subsequent to the date of the Annual Report 2019 are set out below:

1. Mr. Hon Ming Sang – Appointed as an independent non-executive director, chairman of each of audit committee, remuneration committee and nomination committee of Finsoft Financial Investment Holdings Limited (a company listed on the GEM of the Stock Exchange, stock code: 8018) on 24 June 2020.
2. Mr. Fok Ho Yin, Thomas – Resigned as an independent non-executive director, chairman of each of audit committee and remuneration committee and member of nomination committee of China Smarter Energy Group Holdings Limited (a company listed on the Main Board of the Stock Exchange, stock code: 1004) on 10 June 2020.
3. Mr. Lam Ho Pong – Resigned as an executive director of Finsoft Financial Investment Holdings Limited (a company listed on the GEM of the Stock Exchange, stock code: 8018) on 31 July 2020.

## AUDIT COMMITTEE

The Board established the Audit Committee with written terms of reference on 20 June 2014 and amended on 30 December 2015 and 16 April 2019 respectively. The terms of reference of the Audit Committee are available at the Company's website and on the website of the Stock Exchange. The Audit Committee currently comprises the three independent non-executive Directors, namely Mr. Fok Ho Yin, Thomas, Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong. The chairman of the Audit Committee is Mr. Fok Ho Yin, Thomas.

The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed the auditing, internal control and financial reporting matters including the review of the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2020 with the Company's external auditor, ZHONGHUI ANDA CPA Limited.

## REMUNERATION COMMITTEE

The Board established the Remuneration Committee with written terms of reference on 20 June 2014 and amended on 16 April 2019. The terms of reference of the Remuneration Committee are available at the Company's website and on the website of the Stock Exchange.

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

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

# Other Information

## **NOMINATION COMMITTEE**

The Board established the Nomination Committee with written terms of reference on 20 June 2014 and amended on 16 April 2019. The terms of reference of the Nomination Committee are available at the Company's website and on the website of the Stock Exchange.

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

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

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: Nil). No dividend was paid during the period under review.

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

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

## **BOARD OF DIRECTORS**

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

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

Hong Kong (China), 28 August 2020

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

# Independent Review Report



## **TO THE BOARD OF DIRECTORS OF SFUND INTERNATIONAL HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

### **INTRODUCTION**

We were engaged to review the interim financial information set out on pages 33 to 56 which comprises the condensed consolidated statement of financial position of the SFund International Holdings Limited (the “Company”) and its subsidiaries (the “Group”) 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-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### **SCOPE OF REVIEW**

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



# Independent Review Report

## **BASIS FOR DISCLAIMER OF CONCLUSION**

As discussed in note 2 to the interim financial statements concerning the adoption of the going concern basis on which the interim financial statements have been prepared, the Group incurred loss attributable to owners of the Company of HK\$36,458,000 and HK\$61,461,000 respectively for two consecutive period of six months ended 30 June 2020 and 2019, and the Group had net current liabilities of HK\$149,639,000 and net liabilities of HK\$159,606,000 as at 30 June 2020. These conditions indicate the existence of a material uncertainty that casts a significant doubt on the Group's ability to continue as a going concern. The directors of the Company are undertaking certain measures to improve the Group's liquidity and financial position which are set out in note 2 to the interim financial statements. The interim financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to uncertainties, including (i) the ultimate success of the formulation of the fund raising exercises conducted by the Group, and (ii) the final outcome of the Group in obtaining the continuous financial support from a shareholder. We were unable to obtain sufficient appropriate evidence as to the likelihood, or otherwise, of these measures being successful. As a result of these multiple uncertainties, the potential interaction of these uncertainties, and, the possible cumulative effects thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate and the related disclosures are sufficient.

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

## **DISCLAIMER OF CONCLUSION**

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

### **ZHONGHUI ANDA CPA Limited**

*Certified Public Accountants*

#### **Sze Lin Tang**

*Audit Engagement Director*

Hong Kong (China)

28 August 2020

# 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 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>REVENUE</b>	4, 5	<b>9,276</b>	16,339
Cost of sales and services rendered		<b>(3,092)</b>	(6,013)
<b>Gross profit</b>		<b>6,184</b>	10,326
Other income and gains	5	<b>1,092</b>	757
Selling expenses		<b>(760)</b>	(1,625)
Administrative expenses		<b>(32,554)</b>	(43,953)
Other expenses, net		<b>(587)</b>	(29,508)
Finance costs	6	<b>(11,393)</b>	(9,225)
Share of (loss)/profit of an associate		<b>(580)</b>	263
<b>LOSS BEFORE TAX</b>	7	<b>(38,598)</b>	(72,965)
Income tax expense	8	<b>(135)</b>	(21)
<b>LOSS FOR THE PERIOD</b>		<b>(38,733)</b>	(72,986)
Other comprehensive (loss)/income, net of tax: <i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<b>(509)</b>	275
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(39,242)</b>	(72,711)
<b>LOSS THE PERIOD ATTRIBUTABLE TO:</b>			
Owners of the Company		<b>(36,458)</b>	(61,461)
Non-controlling interests		<b>(2,275)</b>	(11,525)
		<b>(38,733)</b>	(72,986)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO</b>			
Owners of the Company		<b>(37,004)</b>	(61,351)
Non-controlling interests		<b>(2,238)</b>	(11,360)
		<b>(39,242)</b>	(72,711)
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Basic and diluted (HK cents)	9	<b>(7.60)</b>	(12.80)

# Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	<b>As at 30 June 2020 HK\$'000 (unaudited)</b>	As at 31 December 2019 HK\$'000 (audited)
<b>Non-Current Assets</b>			
Property, plant and equipment	11	<b>1,623</b>	2,244
Right-of-use assets		<b>5,038</b>	6,432
Intangible assets		<b>4,000</b>	4,000
Investment in an associate		<b>2,815</b>	2,219
Financial assets at fair value through profit or loss		<b>13</b>	1,102
Deposits and other receivables	14	<b>205</b>	205
<b>Total non-current assets</b>		<b>13,694</b>	16,202
<b>Current assets</b>			
Accounts receivable	12	<b>110</b>	4,229
Loans receivable	13	<b>63,272</b>	113,772
Prepayments, deposits and other receivables	14	<b>47,241</b>	47,551
Cash and cash equivalents		<b>14,909</b>	23,104
<b>Total current assets</b>		<b>125,532</b>	188,656
<b>Current liabilities</b>			
Trade payables	15	<b>86</b>	4,596
Other payables and accruals		<b>60,281</b>	56,707
Other borrowings	16	<b>114,586</b>	24,060
Bond payables	17	<b>92,063</b>	219,229
Tax payables		<b>8,155</b>	8,487
<b>Total current liabilities</b>		<b>275,171</b>	313,079
<b>Net current liabilities</b>		<b>(149,639)</b>	(124,423)
<b>Total assets less current liabilities</b>		<b>(135,945)</b>	(108,221)

# Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	<b>As at 30 June 2020 HK\$'000 (unaudited)</b>	As at 31 December 2019 HK\$'000 (audited)
<b>Non-Current Liabilities</b>			
Other payables and accruals		<b>2,580</b>	3,062
Other borrowings	16	<b>20,400</b>	8,400
Deferred tax liabilities		<b>681</b>	681
<b>Total non-current liabilities</b>		<b>23,661</b>	12,143
<b>Net liabilities</b>		<b>(159,606)</b>	(120,364)
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Issued capital		<b>4,800</b>	4,800
Reserves		<b>(169,860)</b>	(132,856)
		<b>(165,060)</b>	(128,056)
Non-controlling interests		<b>5,454</b>	7,692
<b>Total equity</b>		<b>(159,606)</b>	(120,364)

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the Company							Total HK\$'000	Non- controlling interest HK\$'000	Total equity HK\$'000
	Issued capital HK\$'000	Share premium* HK\$'000	Capital reserve* HK\$'000	Exchange fluctuation reserve* HK\$'000	Legal reserve* HK\$'000	Merger reserve* HK\$'000	Retained profits/ (accumulated losses)* HK\$'000			
As 1 January 2019 (audited)	4,800	48,873	10,071	(1,594)	49	8,417	(87,014)	(16,398)	21,896	5,498
Loss for the period (unaudited)	-	-	-	-	-	-	(61,461)	(61,461)	(11,525)	(72,986)
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations (unaudited)	-	-	-	110	-	-	-	110	165	275
Total comprehensive income/loss for the period (unaudited)	-	-	-	110	-	-	(61,461)	(61,351)	(11,360)	(72,711)
As 30 June 2019 (unaudited)	4,800	48,873	10,071	(1,484)	49	8,417	(148,475)	(77,749)	10,536	(67,213)
As 1 January 2020 (audited)	4,800	48,873	10,071	(1,862)	49	8,417	(198,404)	(128,056)	7,692	(120,364)
Loss for the period (unaudited)	-	-	-	-	-	-	(36,458)	(36,458)	(2,275)	(38,733)
Other comprehensive income/loss for the period:										
Exchange differences on translation of foreign operations (unaudited)	-	-	-	(546)	-	-	-	(546)	37	(509)
Total comprehensive loss for the period (unaudited)	-	-	-	(546)	-	-	(36,458)	(37,004)	(2,238)	(39,242)
As 30 June 2020 (unaudited)	4,800	48,873	10,071	(2,408)	49	8,417	(234,862)	(165,060)	5,454	(159,606)

\* These reserve accounts comprise in the condensed consolidated statement of financial position as at 30 June 2020.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2019 HK\$'000 (Unaudited)
<b>Net cash used in operating activities</b>	<b>23,930</b>	(9,564)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceed from disposal of investment in an associate	<b>1,593</b>	–
Investment in an associate	<b>(3,472)</b>	–
Redemption of unlisted investment	–	2,311
Purchase of wealth management products launched by banks	–	(3,467)
Other investing cash flows	<b>(17)</b>	(82)
<b>Net cash used in investing activities</b>	<b>(1,896)</b>	(1,238)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from other borrowings	<b>103,706</b>	20,302
Repayment of other borrowings	<b>(1,163)</b>	(9,023)
Repayment of bond payables	<b>(128,000)</b>	–
Lease payments	<b>(2,669)</b>	(3,577)
Interest paid	<b>(1,520)</b>	(8,239)
Other financing cash flows	–	(42)
<b>Net cash used in financing activities</b>	<b>(29,646)</b>	(579)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(7,612)</b>	(11,381)
Cash and cash equivalents at beginning of period	<b>23,104</b>	40,159
Effect of foreign exchange rate changes, net	<b>(583)</b>	401
<b>Cash and cash equivalents at end of period</b>	<b>14,909</b>	29,179
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents	<b>14,909</b>	29,179
Cash and cash equivalents as stated in the consolidated statement of cash flows	<b>14,909</b>	29,179

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 1. CORPORATE INFORMATION

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

During the six months ended 30 June 2020, the Group was principally engaged in (i) the trading of apparel products and provision of apparel supply chain management services; (ii) the provision of financial services; (iii) the money lending business; and (iv) securities investment.

## 2. PRESENTATION AND BASIS OF PREPARATION

The condensed consolidation interim financial statements ("Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard 34 ("Interim Financial Reporting") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Interim Financial Statements do not include all the information and disclosures required in a full set of financial statements, and should be read in conjunction with the Group's 2019 annual consolidated financial statements for the year ended 31 December 2019 ("2019 Annual Report"). The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in 2019 Annual Report.

As at 30 June 2020, the Group incurred loss attributable to owners of the Company of HK\$36,458,000 and HK\$61,461,000 respectively for two consecutive periods of six months ended 30 June 2020 and 2019, and as at 30 June 2020 the Group had net current liabilities of HK\$149,639,000 (as at 31 December 2019: HK\$124,423,000) and net liabilities of HK\$159,606,000 (as at 31 December 2019: HK\$120,364,000). The net current liabilities and the net liabilities position were attributable to material loss for the period as a result of the poor performance of the Group's businesses and the outstanding bond payables balance of HK\$92,063,000 (31 December 2019: HK\$219,229,000) and other borrowings of HK\$114,586,000 (31 December 2019: HK\$24,060,000) due within twelve months from the end of the reporting period. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

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

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## **3. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS**

In the current period, the Group has adopted all the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2020. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current and prior period.

## **4. OPERATING SEGMENT INFORMATION**

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

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

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

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

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



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 4. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2020 (Unaudited)

	Apparel trading and related services HK\$'000	Financial services HK\$'000	Money lending HK\$'000	Securities investment HK\$'000	Total HK\$'000
Revenue from contracts with customers:					
Recognised at a point in time	4,382	-	-	-	4,382
Recognised over time	-	268	-	-	268
	4,382	268	-	-	4,650
Revenue from other sources	-	-	4,633	(7)	4,626
<b>Segment revenue</b>	<b>4,382</b>	<b>268</b>	<b>4,633</b>	<b>(7)</b>	<b>9,276</b>
<b>Segment results</b>	<b>(8,721)</b>	<b>(5,994)</b>	<b>2,421</b>	<b>(9)</b>	<b>(12,303)</b>
<i>Reconciliation:</i>					
Bank interest income					6
Corporate and other unallocated expenses					(14,908)
Finance costs					(11,393)
Loss before tax					(38,598)
<b>As at 30 June 2020 (Unaudited)</b>					
<b>Segment assets</b>	<b>13,725</b>	<b>49,524</b>	<b>70,545</b>	<b>1,215</b>	<b>135,009</b>
<i>Reconciliation:</i>					
Corporate and other unallocated assets					4,217
Total assets					139,226
<b>Segment liabilities</b>	<b>32,659</b>	<b>98,469</b>	<b>71,769</b>	<b>7,054</b>	<b>209,951</b>
<i>Reconciliation:</i>					
Elimination of intersegment payables					(206,113)
Corporate and other unallocated liabilities					294,994
Total liabilities					298,832

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 4. OPERATING SEGMENT INFORMATION *(Continued)*

### For the six months ended 30 June 2019 (Unaudited)

	Apparel trading and related services HK\$'000	Financial services HK\$'000	Money lending HK\$'000	Securities investment HK\$'000	Total HK\$'000
Revenue from contracts with customers:					
Recognised at a point in time	5,696	–	–	–	5,696
Recognised over time	1,418	641	–	–	2,059
	7,114	641	–	–	7,755
Revenue from other sources	–	–	9,054	(470)	8,584
<b>Segment revenue</b>	<b>7,114</b>	<b>641</b>	<b>9,054</b>	<b>(470)</b>	<b>16,339</b>
<b>Segment results</b>	<b>(16,800)</b>	<b>(34,230)</b>	<b>6,725</b>	<b>(470)</b>	<b>(44,775)</b>
<i>Reconciliation:</i>					
Bank interest income					28
Corporate and other unallocated expenses					(18,993)
Finance costs					(9,225)
Loss before tax					(72,965)
<b>As at 31 December 2019 (Audited)</b>					
<b>Segment assets</b>	<b>21,026</b>	<b>59,569</b>	<b>116,218</b>	<b>2,334</b>	<b>199,147</b>
<i>Reconciliation:</i>					
Corporate and other unallocated assets					5,711
Total assets					204,858
<b>Segment liabilities</b>	<b>41,882</b>	<b>138,886</b>	<b>117,348</b>	<b>8,142</b>	<b>306,258</b>
<i>Reconciliation:</i>					
Elimination of intersegment payables					(225,941)
Corporate and other unallocated liabilities					244,905
Total liabilities					325,222

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 4. OPERATING SEGMENT INFORMATION *(Continued)*

### Geographical information

During the period, none (six months ended 30 June 2019: approximately 33.3%) of the Group's total revenue from external customers, based on the locations of the products shipped to/locations of customers, were attributed to the United States of America ("USA"). For the purpose of identifying the total revenue from external customers, revenue derived from the fair value change on financial assets at fair value through profit of loss is excluded.

An analysis of disaggregation of revenue from the sales of goods and provision of services based on the locations of the products shipped to is as follows:

	For the six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
USA	–	5,600
Mainland China	506	96
Hong Kong (China)	2,655	–
Others	1,221	1,418
	<b>4,382</b>	7,114

Revenue from the financial services segment amounting to HK\$268,000 (six months ended 30 June 2019: HK\$639,000) and HK\$nil (six months ended 30 June 2019: HK\$2,000), based on the locations of customers, was derived in Mainland China and Hong Kong (China), respectively. Revenue from the money lending segment, based on the location of the customers, was derived in Hong Kong (China).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 4. OPERATING SEGMENT INFORMATION *(Continued)*

### Information about major customers

Revenue from external customers each contributing 10% or more of the Group's total revenue for the period are set out below:

		For the six months ended 30 June	
Segment		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Customer A	Money lending	4,020	5,967
Customer B	Apparel trading and related services	2,421	–
Customer C	Apparel trading and related services	1,221	–
Customer D	Money lending	N/A *	2,400
Customer E	Apparel trading and related services	–	5,527

\* Less than 10% of revenue

## 5. REVENUE, OTHER INCOME AND GAINS

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

	For the six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
<b>Revenue from contracts with customers</b>		
Sales of goods	3,161	5,623
Service fee income	1,221	1,491
Advisory service income	–	2
Fund management fee income	268	639
<b>Revenue from other sources</b>		
Interest income from the money lending business	4,633	9,054
Fair value loss on financial assets at fair value through profit or loss	(7)	(470)
	<b>9,276</b>	<b>16,339</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

### Revenue from contracts with customers

#### *Disaggregated revenue information*

#### For the six months ended 30 June 2020

Segments	Apparel trading and related services HK\$'000 (unaudited)	Financial services HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
<b>Type of goods or services</b>			
Sales of goods	3,161	–	3,161
Service fee income	1,221	–	1,221
Fund management fee income	–	268	268
	4,382	268	4,650
<b>Geographical markets</b>			
Mainland China	506	268	774
Hong Kong (China)	2,655	–	2,655
Others	1,221	–	1,221
	4,382	268	4,650
<b>Timing of revenue recognition</b>			
Goods or services transferred at a point in time	4,382	–	4,382
Services transferred over time	–	268	268
	4,382	268	4,650

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

### Revenue from contracts with customers *(Continued)*

#### Disaggregated revenue information *(Continued)*

#### For the six months ended 30 June 2019

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

**Revenue from contracts with customers** *(Continued)*

*Disaggregated revenue information (Continued)*

	<b>For the six months ended 30 June</b>	
	<b>2020 HK\$'000 (unaudited)</b>	2019 HK\$'000 (unaudited)
<b>Other income</b>		
Bank interest income	6	28
Distribution income	2	175
Government subsidies	586	–
Gain on foreign exchange, net	169	136
Rental income	–	126
Sundry income	329	292
	<b>1,092</b>	757

## 6. FINANCE COSTS

	<b>For the six months ended 30 June</b>	
	<b>2020 HK\$'000 (unaudited)</b>	2019 HK\$'000 (unaudited)
Interest on bond payables	7,518	8,761
Interest on other borrowings	3,760	318
Unwinding of finance costs on lease liability	115	146
	<b>11,393</b>	9,225

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 7. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Cost of inventories sold	2,832	4,488
Depreciation of property, plant and equipment	622	889
Depreciation of right-of-use assets	2,496	3,179
Impairment of accounts receivable	–	19,726
Impairment of loans receivable	–	1,050
Impairment of goodwill	–	8,436
Loss on disposal of investment in an associate	587	–
Foreign exchange differences, net	(169)	(136)
Minimum lease payments under operating leases	484	935

## 8. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Current – Elsewhere		
Charge for the period	135	21
	135	21



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

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

### Basic and diluted loss per share

The calculation of the basic loss per share amount is based on the loss for the period attributable to ordinary equity holders of the Company of HK\$36,458,000 (six months ended 30 June 2019: HK\$61,461,000), and the weighted average number of ordinary shares of 480,000,000 (six months ended 30 June 2019: 480,000,000) in issue during the period.

Diluted loss per share equals to basic loss per share as the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2020 and 2019.

## 10. DIVIDEND

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

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group purchased items of property, plant and equipment at costs of HK\$19,000 (six months ended 30 June 2019: HK\$257,000).

## 12. ACCOUNTS RECEIVABLE

	<b>30 June 2020 HK\$'000 (unaudited)</b>	31 December 2019 HK\$'000 (audited)
Trade receivables	<b>288</b>	4,407
Fund management fee receivables	<b>20,191</b>	20,191
	<b>20,479</b>	24,598
Less: Impairment loss	<b>(20,369)</b>	(20,369)
Carrying amount	<b>110</b>	4,229

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 12. ACCOUNTS RECEIVABLE *(Continued)*

### Trade receivables

Trade receivables relate to the Group's apparel trading and related services business. The Group's trading terms with its customers in the apparel trading and related services business are mainly on credit. The credit periods generally range from 30 to 90 days (31 December 2019: 30 to 90 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	<b>30 June 2020 HK\$'000 (unaudited)</b>	31 December 2019 HK\$'000 (audited)
Within 1 month	–	4,229
1 to 2 months	<b>110</b>	–
	<b>110</b>	4,229

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

	<b>30 June 2020 HK\$'000 (unaudited)</b>	31 December 2019 HK\$'000 (audited)
At beginning of period/year	<b>178</b>	718
Impairment loss reversed	–	(540)
Balance at the end of the period/year	<b>178</b>	178

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 12. ACCOUNTS RECEIVABLE *(Continued)*

### Fund management fees receivables

Fund management fees receivables relate to the Group's fund management business and are due from investment funds in which the Group acts as the fund manager. Pursuant to the respective fund management agreements, the fund management fee shall be paid in advance at the beginning of each year. As at 30 June 2020, the fund management fee receivables net of impairment provision was HK\$nil (31 December 2019: HK\$nil).

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

	<b>30 June 2020 HK\$'000 (unaudited)</b>	31 December 2019 HK\$'000 (audited)
At beginning of period/year	<b>20,191</b>	129
Impairment loss recognised	–	20,062
Balance at the end of the period/year	<b>20,191</b>	20,191

## 13. LOANS RECEIVABLE

	<b>30 June 2020 HK\$'000 (unaudited)</b>	31 December 2019 HK\$'000 (audited)
Loans receivable	<b>64,500</b>	115,000
Impairment	<b>(1,228)</b>	(1,228)
	<b>63,272</b>	113,772

Loans receivable arising from the money lending business of the Group bear interest at a rate of 10% to 12% (31 December 2019: 10% to 12%) per annum. As at 30 June 2020, certain loans receivable with an aggregate carrying amount of HK\$63,272,000 (31 December 2019: HK\$113,772,000) were secured by the pledge of collaterals.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	<b>30 June 2020 HK\$'000 (unaudited)</b>	31 December 2019 HK\$'000 (audited)
Prepayments	<b>1,007</b>	1,707
Deposits	<b>2,323</b>	2,346
Loan to a third-party manufacturer	<b>6,200</b>	6,181
Other assets	<b>205</b>	205
Other receivables	<b>37,898</b>	37,504
	<b>47,633</b>	47,943
Less: Impairment recognised on other receivables	<b>(187)</b>	(187)
	<b>47,446</b>	47,756
Analysed into:		
Non-current portion	<b>205</b>	205
Current portion	<b>47,241</b>	47,551
	<b>47,446</b>	47,756

During the year ended 31 December 2018, a substantial shareholder of the Company ("Substantial Shareholder"), through a 51% owned subsidiary of the Group, advanced an amount of HK\$32,366,000 ("Advance") to an independent third party (the "Borrower") for the purpose of capital contribution to two investment funds managed by the Group (the "Pass-through Arrangement"). The Advance is unsecured, bears interest at 1.5% per month with maturity on 21 August 2018. Under this Pass-through Arrangement, the Group should bear no responsibilities as to the repayment of the Advance by the Borrower and other liabilities as well as the interest associated with the Advance. As at 30 June 2020, the amount of proceeds received from the Substantial Shareholder and the Advance to the Borrower amounting to HK\$31,253,000 (31 December 2019: HK\$31,814,000) were presented on a gross basis and included in "other payables and accruals" and "prepayments, deposits and other receivables", respectively, on the consolidated statement of financial position as the associated document/agreement in connection with the Pass-through Arrangement did not establish the Group's right of off-set.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 15. TRADE PAYABLES

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

	<b>30 June 2020 HK\$'000 (unaudited)</b>	31 December 2019 HK\$'000 (audited)
Within 1 month	<b>86</b>	4,596

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

## 16. OTHER BORROWINGS

	<b>30 June 2020 (unaudited)</b>			31 December 2019 (audited)		
	<b>Effective interest rate (%)</b>	<b>Maturity</b>	<b>HK\$'000</b>	Effective interest rate (%)	Maturity	HK\$'000
Other loan –unsecured	<b>6.00</b>	<b>2021</b>	<b>25,986</b>	6.00	2020	18,560
Other loan –unsecured	<b>8.50</b>	<b>2021</b>	<b>75,000</b>	–	–	–
Loan from a substantial shareholder –unsecured	<b>8.00</b>	<b>2025</b>	<b>20,400</b>	8.00	2024	8,400
Loan from a substantial shareholder –unsecured	<b>5.00</b>	<b>2020</b>	<b>13,600</b>	5.00	2020	5,500
			<b>134,986</b>			32,460
Repayable:						
Within one year or on demand			<b>114,586</b>			24,060
In the third to fifth years, inclusive			<b>20,400</b>			8,400
			<b>134,986</b>			32,460

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 16. OTHER BORROWINGS *(Continued)*

Notes:

- (a) As at 30 June 2020, other loans of HK\$16,275,000 were denominated in United States dollars ("US\$").
- (b) As at 31 December 2019, other loans of HK\$8,912,500 were denominated in United States dollars ("US\$").

## 17. BOND PAYABLES

	<b>30 June 2020 HK\$'000 (unaudited)</b>	31 December 2019 HK\$'000 (audited)
Unlisted bonds repayable within five years	<b>92,063</b>	219,229

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

Issue date	Maturity from issue date	Coupon rate	Effective Interest rate	Principal outstanding	
				<b>30 June 2020 HK\$'000 (unaudited)</b>	31 December 2019 HK\$'000 (audited)
30 October 2017	23 months	8%	7.93%	<b>80,000*</b>	80,000*
24 January 2018	720 Days	7.5%	8.21%	-	95,000
14 February 2018	700 Days	7.5%	7.92%	<b>7,000</b>	40,000

- \* The straight bond was issued by the Company to Kapok Spirit Investment Limited ("Kapok Spirit"), an entity indirectly wholly owned by a substantial shareholder of the Company. Kapok Spirit issued a letter of intent to extend the bond maturity date.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 18. COMMITMENTS

### Capital commitments

The Group had the following capital commitments in relation to capital injection of an associate at the end of the reporting period:

	<b>30 June 2020 HK\$'000 (unaudited)</b>	31 December 2019 HK\$'000 (audited)
Contracted but not provided for	–	4,385

## 19. RELATED PARTY TRANSACTIONS

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

	<b>For the six months ended 30 June</b>	
	<b>2020 HK\$'000 (unaudited)</b>	2019 HK\$'000 (unaudited)
Interest expense payable to Kapok Spirit	<b>3,372</b>	3,193
Interest expense payable to Mr. Lai Leong	<b>364</b>	69
Interest expense payable to SFund International Investment Fund Management Limited (“SFund Investment Fund”)	<b>511</b>	97
Employee benefit expenses to Mr. Lai Leong	<b>690</b>	690
Referral fee to SFund Investment Fund	–	2,955

Notes:

- (i) The interest expense on the bond payable was paid to Kapok Spirit, a company indirectly wholly owned by a substantial shareholder of the Company. Details of which are included in note 17 to the consolidated financial statements.
- (ii) The interest expense on a shareholder’s loan was paid to Mr. Lai Leong and SFund Investment Fund. Details of the shareholder’s loan are included in note 16 to the consolidated financial statements.
- (iii) The referral fee was paid to SFund Investment Fund, a substantial shareholder of the Company, for referral services rendered during the year. The referral fee was charged based on mutually agreed terms.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 19. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management personnel of the Group:

	<b>Six months ended 30 June</b>	
	<b>2020</b> <b>HK\$'000</b> <b>(unaudited)</b>	2019 HK\$'000 (audited)
Short-term employee benefits	<b>2,280</b>	2,841
Post-employment benefits	<b>10</b>	27
<b>Total compensation paid to key management personnel</b>	<b>2,290</b>	2,868

## 20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	<b>Carrying amount</b>		<b>Fair value</b>	
	<b>30 June</b> <b>2020</b> <b>HK\$'000</b> <b>(unaudited)</b>	31 December 2019 HK\$'000 (audited)	<b>30 June</b> <b>2020</b> <b>HK\$'000</b> <b>(unaudited)</b>	31 December 2019 HK\$'000 (audited)
Financial assets at fair value through profit or loss	<b>13</b>	1,102	<b>13</b>	1,102

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following disclosures of fair value measurements use a fair value hierarchy that categories into three levels the inputs to valuation techniques used to measure fair value:

Level 1 inputs: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 inputs: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs: unobservable inputs for the asset or liability.

The Group's policy is to recognise transfers into and transfers out of any of the three levels as of the date of the event or change in circumstances that caused the transfer.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

## 20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Disclosures of level in fair value hierarchy at 30 June 2020 and 31 December 2019:

### At 30 June 2020

Description	Fair value measurement using:			Total HK\$'000 (unaudited)
	Level 1 HK\$'000 (unaudited)	Level 2 HK\$'000 (unaudited)	Level 3 HK\$'000 (unaudited)	
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
– Listed equity investment	2	–	–	2

### At 31 December 2019

Description	Fair value measurement using:			Total HK\$'000 (audited)
	Level 1 HK\$'000 (audited)	Level 2 HK\$'000 (audited)	Level 3 HK\$'000 (audited)	
Recurring fair value measurements:				
Financial assets at fair value through profit or loss				
– Listed equity investment	1,091	–	–	1,091

During the six months ended 30 June 2020 and the year ended 31 December 2019, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

## 21. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

These consolidated financial statements were approved and authorised for issue by the board of directors on 28 August 2020.