



# 2020 INTERIM REPORT



優創金融  
YOUTH CHAMP FINANCIAL

優創金融集團控股有限公司

YOUTH CHAMP FINANCIAL GROUP HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

Stock Code: 1160

# Contents

<b>Corporate Information</b>	2
<b>Unaudited Condensed Interim Financial Statements</b>	4
<b>Condensed Statement of Profit or Loss and Other Comprehensive Income</b>	5
<b>Condensed Statement of Financial Position</b>	6
<b>Condensed Statement of Changes in Equity</b>	7
<b>Condensed Statement of Cash Flows</b>	8
<b>Notes to the Unaudited Condensed Interim Financial Statements</b>	9
<b>Management Discussion and Analysis</b>	19

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Ms. Chan Mei Yan (*appointed on 1 June 2020*)

Mr. Wang Kaizhen (*resigned on 31 July 2020*)

### Non-Executive Director

Mr. He Luling (*Chairman*)

### Independent Non-Executive Directors

Ms. Ma Yin Fan

Ms. Yan Yan

Mr. Xu Yanfa

## COMPANY SECRETARY

Ms. Leung So Sze

## AUDIT COMMITTEE

Ms. Ma Yin Fan

Mr. He Luling

Ms. Yan Yan

Mr. Xu Yanfa

## REMUNERATION COMMITTEE

Ms. Yan Yan

Mr. He Luling

Ms. Ma Yin Fan

Mr. Xu Yanfa

## NOMINATION COMMITTEE

Mr. He Luling

Ms. Ma Yin Fan

Ms. Yan Yan

Mr. Xu Yanfa

## INVESTMENT MANAGER

Avanta Investment Management Limited

(*ceased to provide service from 1 June 2020*)

Unit D, 23/F, United Centre

No. 95 Queensway, Hong Kong

INV Advisory Limited

(*commenced providing service*

*from 1 June 2020*)

Room 1710A, Convention Plaza Office Tower

No. 1 Harbour Road, Wanchai, Hong Kong

## CUSTODIAN

DBS Bank Ltd., Hong Kong Branch

18/F, The Center

99 Queen's Road Central

Hong Kong

## AUDITORS

Crowe (HK) CPA Limited

9/F., Leighton Centre,

77 Leighton Road,

Causeway Bay, Hong Kong

## PRINCIPAL BANKER

OCBC Wing Hang Bank Limited

161 Queen's Road Central

Hong Kong

## REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

# Corporate Information

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 503, 5/F, Greenfield Tower  
Concordia Plaza, 1 Science Museum Road  
Kowloon, Hong Kong

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited  
Room 2103B, 21/F, 148 Electric Road  
North Point, Hong Kong

## LEGAL ADVISERS TO THE COMPANY

### As to Hong Kong law:

Yang Chan & Jamison LLP  
806-807, 8/F, One Pacific Place,  
88 Queensway,  
Hong Kong

### As to Bermuda law:

Conyers Dill & Pearman  
2901, One Exchange Square  
8 Connaught Place,  
Central, Hong Kong

## WEBSITE

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

# Unaudited Condensed Interim Financial Statements

## RESULTS

The board (the “Board”) of directors (the “Directors”) of Youth Champ Financial Group Holdings Limited (the “Company”) is pleased to announce the unaudited condensed interim results of the Company for the six months ended 30 September 2020 (the “Period”) together with the comparative figures for the corresponding period in 2019. These condensed interim financial statements have not been audited, but have been reviewed by the Company’s audit committee (the “Audit Committee”).

On behalf of the Board

**Youth Champ Financial Group Holdings Limited**

**He Luling**

*Chairman*

# Condensed Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2020

		For the six months ended 30 September	
	NOTE	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
NET INVESTMENT LOSS	4	(9)	(11)
OTHER INCOME	5	130	33
GENERAL AND ADMINISTRATIVE EXPENSES		(4,233)	(4,899)
LOSS FROM OPERATIONS		(4,112)	(4,877)
FINANCE COSTS		(14)	(20)
LOSS BEFORE TAXATION	6	(4,126)	(4,897)
INCOME TAX	7	-	-
LOSS FOR THE PERIOD		(4,126)	(4,897)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD		-	-
TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD		(4,126)	(4,897)
LOSS AND TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD ATTRIBUTABLE TO:			
Equity shareholders of the Company		(4,126)	(4,897)
LOSS PER SHARE (HK Cents)			
– Basic	8	(2.39)	(2.83)
– Diluted	8	(2.39)	(2.83)

The notes on pages 9 to 18 form part of these unaudited condensed interim financial statements.

# Condensed Statement of Financial Position

As at 30 September 2020

	NOTE	<b>30 September 2020 HK\$'000 (Unaudited)</b>	31 March 2020 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Plant and equipment		<b>25</b>	37
Right-of-use asset		<b>361</b>	673
<b>TOTAL NON-CURRENT ASSETS</b>		<b>386</b>	710
<b>CURRENT ASSETS</b>			
Financial asset at fair value through profit or loss	10	<b>1,361</b>	1,370
Deposits, prepayments and other receivables	11	<b>323</b>	456
Cash and cash equivalents	12	<b>581</b>	4,105
<b>TOTAL CURRENT ASSETS</b>		<b>2,265</b>	5,931
<b>CURRENT LIABILITIES</b>			
Accruals and other payables		<b>1,263</b>	834
Lease liability		<b>358</b>	599
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,621</b>	1,433
<b>NET CURRENT ASSETS</b>		<b>644</b>	4,498
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>1,030</b>	5,208
<b>NON-CURRENT LIABILITY</b>			
Lease liability		–	52
<b>TOTAL NON-CURRENT LIABILITY</b>		–	52
<b>NET ASSETS</b>		<b>1,030</b>	5,156
<b>CAPITAL AND RESERVES</b>			
Share capital	13	<b>17,280</b>	17,280
Reserves		<b>(16,250)</b>	(12,124)
<b>TOTAL EQUITY</b>		<b>1,030</b>	5,156
<b>NET ASSET VALUE PER SHARE</b>		<b>HK\$0.006</b>	HK\$0.03

The notes on pages 9 to 18 form part of these unaudited condensed interim financial statements.

# Condensed Statement of Changes in Equity

For the six months ended 30 September 2020

	Share capital HK\$'000	Share premium HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Balance at 1 April 2019 (Audited)	17,280	37,786	(39,695)	15,371
Loss and total comprehensive expenses for the period	–	–	(4,897)	(4,897)
Balance at 30 September 2019 (Unaudited)	17,280	37,786	(44,592)	10,474
Balance at 1 April 2020 (Audited)	<b>17,280</b>	<b>37,786</b>	<b>(49,910)</b>	<b>5,156</b>
Loss and total comprehensive expenses for the period	–	–	(4,126)	(4,126)
Balance at 30 September 2020 (Unaudited)	<b>17,280</b>	<b>37,786</b>	<b>(54,036)</b>	<b>1,030</b>

The notes on pages 9 to 18 form part of these unaudited condensed interim financial statements.

# Condensed Statement of Cash Flows

For the six months ended 30 September 2020

	For the six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(3,248)	(4,678)
NET CASH (USED IN)/GENERATED FROM INVESTING ACTIVITIES	(1)	38
NET CASH USED IN FINANCING ACTIVITIES	(275)	(255)
DECREASE IN CASH AND CASH EQUIVALENTS DURING THE PERIOD	(3,524)	(4,895)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	4,105	12,848
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	581	7,953
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	581	7,953

The notes on pages 9 to 18 form part of these unaudited condensed interim financial statements.

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2020

## 1. BASIS OF PREPARATION

These unaudited condensed interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 26 November 2020.

The unaudited condensed interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2019/20 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020/21 annual financial statements. Details of any changes in accounting policies are set out in note 2.

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

These unaudited condensed interim financial statements contain condensed financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the 2019/20 annual financial statements. The condensed interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2020

## 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Company.

None of these developments have had a material effect on how the Company's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 3. SEGMENT REPORTING

The Company is principally engaged in investments in listed and unlisted enterprises.

No segment information is presented in respect of the Company's business and geographical segments as all of the income, contribution to operating results, assets and liabilities of the Company are attributable to investment activities, which are carried out or originated principally in Hong Kong.

## 4. NET INVESTMENT LOSS

	For the six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Net unrealised fair value change of financial asset at fair value through profit or loss	(9)	(11)

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2020

## 5. OTHER INCOME

	For the six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Bank interest income	–	33
Net exchange loss	(3)	–
Net loss on disposal of plant and equipment	(3)	–
Government subsidies ( <i>Note</i> )	136	–
	<b>130</b>	<b>33</b>

*Note:* Being the subsidies received/receivable from the COVID-19 Anti-epidemic Fund under the Employment Support Scheme as promulgated by the Government of the Hong Kong Special Administrative Region of the People's Republic of China.

## 6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging the following:

	For the six months ended 30 September	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Investment manager fee	673	400
Legal and professional fees	795	1,001
Depreciation charge		
– owned plant and equipment	10	13
– right-of-use asset	280	205
Directors' remuneration	590	877
Staff costs (excluding directors' emoluments)		
– salaries, bonuses and other benefits	1,098	1,192
– mandatory provident fund contributions	14	20
Interest on lease liability	14	20

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2020

## 7. INCOME TAX

No Hong Kong Profits Tax has been provided for in the unaudited condensed financial statements for the six months ended 30 September 2020 and 2019 as the Company has no estimated assessable profits for both periods.

## 8. LOSS PER SHARE

The calculation of basic loss per ordinary share is based on the unaudited loss attributable to ordinary equity shareholders of the Company of approximately HK\$4,126,000 for the Period (six months ended 30 September 2019: loss of approximately HK\$4,897,000) and the weighted average of 172,800,000 ordinary shares (six months ended 30 September 2019: 172,800,000 ordinary shares) in issue during the Period.

There were no dilutive potential ordinary shares during the six months ended 30 September 2020 and 2019, and therefore, diluted loss per share is the same as the basic loss per share.

## 9. INTERIM DIVIDEND

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

## 10. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	<b>30 September 2020 HK\$'000 (Unaudited)</b>	31 March 2020 HK\$'000 (Audited)
<b>Unlisted fund investment (trading and investment security) – at fair value</b>		
Unlisted partnership investment	<b>1,361</b>	1,370

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2020

## 10. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

(continued)

A brief description of the business information of the unlisted fund investment is as follows:

### CMHJ TECHNOLOGY FUND II, L.P. (“CMHJ”)

CMHJ is a limited partnership registered pursuant to the Exempted Limited Partnership Law of the Cayman Islands on 28 September 2005. The principal activity of CMHJ is to make venture capital investments, principally by investing in equity and equity-oriented securities of privately held early stage to Pre-Initial Public Offering (“IPO”) companies in the technology-enabled services and products industries with substantial markets and/or operations in Mainland China (the “PRC”).

During the Period, the Company did not receive any cash dividend from CMHJ (six months ended 30 September 2019: Nil).

Particulars of the unlisted partnership investment as at 30 September 2020 and 31 March 2020 were as follows:

Name of limited partnership	Nature of business	Percentage of interest held (%)	Percentage of the	Percentage of the	Cost HK\$'000	Carrying amount HK\$'000
			Company's total assets (%)	Company's net assets (%)		
CMHJ Technology Fund II, L.P. (“CMHJ”)	Investing in equity and equity-oriented securities of privately-held early stage to Pre-IPO companies in the industries of technology-enabled services and products industries with substantial markets and/or operations in Mainland China	2.84 (31 March 2020: 2.84)	51 (31 March 2020: 21)	132 (31 March 2020: 27)	11,193 (31 March 2020: 11,193)	1,361 (31 March 2020: 1,370)

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2020

## 11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<b>30 September 2020 HK\$'000 (Unaudited)</b>	31 March 2020 HK\$'000 (Audited)
Deposits and other receivables	<b>190</b>	190
Prepayments	<b>133</b>	266
	<b>323</b>	456

## 12. CASH AND CASH EQUIVALENTS

	<b>30 September 2020 HK\$'000 (Unaudited)</b>	31 March 2020 HK\$'000 (Audited)
Cash at banks and on hand	<b>581</b>	1,780
Short-term bank deposits with original maturity within three months	<b>–</b>	2,325
	<b>581</b>	4,105

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2020

## 13. SHARE CAPITAL

	<b>30 September 2020 HK\$'000 (Unaudited)</b>	31 March 2020 HK\$'000 (Audited)
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	<b>100,000</b>	100,000
Issued and fully paid:		
172,800,000 ordinary shares of HK\$0.10 each	<b>17,280</b>	17,280

## 14. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### (a) Financial assets and liabilities measured at fair value

#### *Fair value hierarchy*

HKFRS 13 “Fair Value Measurement” categorises fair value measurements into a three-level hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs.

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2020

## 14. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

*(continued)*

### (a) Financial assets and liabilities measured at fair value *(continued)*

#### ***Fair value hierarchy (continued)***

The Company performs valuation for its financial asset at fair value through profit or loss, which is categorised into Level 3 of the fair value hierarchy. The valuation results with analysis of changes in fair value measurement is prepared at each interim and annual reporting date, and is reviewed and approved by the Company's executive Director. Discussion of the valuation process and results with the executive Director and the Audit Committee is held twice a year, to coincide with the reporting dates.

At 30 September 2020 and 31 March 2020, the only financial instrument of the Company carried at fair value was unlisted fund investment of approximately HK\$1,361,000 and HK\$1,370,000 respectively. The instrument is measured at fair value on a recurring basis and its fair value measurements fall into Level 3 of the fair value hierarchy described above.

During the six months ended 30 September 2020, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (six months ended 30 September 2019: Nil). The Company's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

#### ***Information about Level 3 fair value measurements***

	<b>Valuation techniques</b>	<b>Significant unobservable inputs</b>
Unlisted fund investment	Adjusted net asset value	Underlying assets' value

The fair value of unlisted fund investment is determined using adjusted net asset value. The fair value measurement is positively correlated to the underlying assets' values. As at 30 September 2020, it is estimated that with all other variables held constant, an increase/decrease in underlying assets' values by 5% would have decreased/increased the Company's loss by approximately HK\$60,000 (31 March 2020: approximately HK\$61,000).

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2020

## 14. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(continued)

### (a) Financial assets and liabilities measured at fair value (continued) Information about Level 3 fair value measurements (continued)

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	At 30 September 2020 HK\$'000 (Unaudited)	At 30 September 2019 HK\$'000 (Unaudited)
Financial asset at fair value through profit or loss		
At 1 April	1,370	2,474
Changes in fair value recognised in profit or loss during the period	(9)	(11)
At 30 September	1,361	2,463
Total gains or losses for the period included in profit or loss for asset held at the end of the reporting period	(9)	(11)

The losses arising from the remeasurement of unlisted fund investment are presented in the "Net investment loss" line item in the condensed statement of profit or loss and other comprehensive income.

### (b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Company's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 March 2020 and 30 September 2020.

# Notes to the Unaudited Condensed Interim Financial Statements

For the six months ended 30 September 2020

## 15. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions disclosed elsewhere in these unaudited condensed financial statements, the Company also had the following material transactions with related parties during the six months ended 30 September 2020.

### **Key management personnel remuneration**

The remuneration of key management during the six months ended 30 September 2020 was approximately HK\$1,190,000 (six months ended 30 September 2019: approximately HK\$1,477,000).

## 16. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the Company entered into two loan agreements with Renown Future Limited (“Renown Future”), a controlling shareholder of the Company, pursuant to which Renown Future agreed to provide interest-free loans in the amount of up to HK\$12,500,000 to the Company.

## 17. APPROVAL OF THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

These unaudited condensed interim financial statements were approved by the Board on 26 November 2020.

# Management Discussion and Analysis

## INTERIM RESULTS

During the Period, the Company recorded a loss of approximately HK\$4,126,000 (six months ended 30 September 2019: loss of approximately HK\$4,897,000), representing a decrease in loss for the Period of approximately HK\$771,000 as compared with the corresponding period last year mostly due to lower general and administrative expenses for the Period. Unrealized net investment loss of approximately HK\$9,000 was recognized for the Period in respect of the financial asset at fair value through profit or loss. General and administrative expenses for the Period amounted to approximately HK\$4,233,000, representing a decrease by approximately HK\$666,000 as compared with the six months ended 30 September 2019 mainly due to the lower staff costs and legal and professional fees.

## BUSINESS REVIEW AND PROSPECTS

In June 2020, the Company engaged a new investment manager, INV Advisory Limited, to manage the investment portfolios of the Company. During the Period, we focused on managing the existing investment of the Company and made no new investment.

Enhancement in the Hong Kong economy was seen in the third quarter of the year, attributed by the acceleration of the economy in the PRC and stabilization of the local epidemic situation after the first half year of 2020. Real Gross Domestic Product (GDP) recorded a year-on-year decrease of 3.5% in the third quarter of 2020. Financial market activities remained robust, despite some consolidation in the local stock market in the third quarter of 2020. Fund raising activities remarked notably in the third quarter of 2020, in which the PRC enterprises continued to play an important role in the local stock market. Other sectors of the economy stayed weak. Consumption expenditure continued to decline due to adverse local consumption sentiment. The region recorded a post-SARS high unemployment rate of 6.4%.

The PRC economy picked up from the contraction of 6.8% in the first quarter of 2020 to attain a growth rate of 3.2% in the second quarter and 4.9% in the third quarter of 2020, constituting a solid economic expansion since second quarter of 2020. China-US relations remained tense, attributed to various sanctions and restrictive measures imposed by the US Government on a variety of PRC companies. Following the victory of Joe Biden in the US election in November, there are some market expectations that the Biden administration shall adopt a more predictable and multilateral economic and financial strategy towards the PRC, compelling China via alliances and further liberalization rather than via sanctions and tariffs. It could result in a possible cool down of China-US Trade War under the Democrat's administration.

# Management Discussion and Analysis

Looking forward, the fourth quarter of 2020 and 2021 shall continue to be challenging to the Company. While the COVID-19 pandemic, the China-US tension, and the volatile global economic environment result in tremendous uncertainties in the investment environment, we remain confident to the long-term investment environment in Hong Kong and the PRC. The Company is cautiously pursuing investment opportunities that may bring us sustainable returns with manageable risks, and getting prepared for the arrival of the strong economic recovery upon the end of the COVID-19 pandemic for the future development of our investment management business.

## SIGNIFICANT INVESTMENTS HELD

As at 30 September 2020, the Company held the following investment:

### CMHJ Technology Fund II, L.P (“CMHJ”)

CMHJ is a limited partnership registered pursuant to the Exempted Limited Partnership Law of the Cayman Islands on 28 September 2005. The principal activity of CMHJ is to make venture capital investments, principally by investing in equity and equity-oriented securities of privately held early stage to Pre-IPO companies in the technology-enabled services and products industries with substantial markets and/or operations in the PRC.

As at 30 September 2020, the cost of the Company’s investment in 2.84% equity interests in CMHJ was approximately HK\$11,193,000 and the fair value measured based on the financial information of CMHJ amounted to approximately HK\$1,361,000 which represented approximately 51% of the total assets of the Company. Net unrealized investment loss of approximately HK\$9,000 was recognized by the Company during the Period in respect of the change in fair value of the CMHJ equity interests held by the Company. No dividend has been received from CMHJ during the Period.

Looking forward, the Board believes that CMHJ will continue to realize its existing investment portfolio in the coming year and strive to generate satisfactory returns to CMHJ.

Save as disclosed above, the Company did not hold any other significant investment with a value greater than 5% of the Company’s total assets as at 30 September 2020.

# Management Discussion and Analysis

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATES**

The Company did not have any material acquisitions and disposals of subsidiaries and associates during the Period.

## **CONTINUING CONNECTED TRANSACTIONS – CHANGE OF INVESTMENT MANAGER**

The Company entered into a new investment management agreement (the “New Investment Management Agreement”) with INV Advisory Limited (“INV Advisory” or the “New Investment Manager”) on 29 May 2020, pursuant to which INV Advisory has agreed to provide non-discretionary investment management services to the Company for a period of three years from 1 June 2020. The New Investment Manager is regarded as a connected person of the Company under Rule 14A.08 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). Accordingly the provision of non-discretionary investment management services by the New Investment Manager to the Company under the New Investment Management Agreement constitutes continuing connected transactions of the Company. The maximum aggregated fee payable by the Company to the New Investment Manager under the New Investment Management Agreement will not exceed HK\$1,620,000 per annum. As the relevant percentage ratios for the transactions contemplated under the New Investment Management Agreement on an annual basis are less than 25% and that each of the annual caps is less than HK\$10,000,000, the transactions contemplated under the New Investment Management Agreement are subject to reporting and announcement requirements but are exempted from independent shareholders’ approval requirement pursuant to Rule 14A.76 of the Listing Rules.

The Company has also terminated the investment management agreement between the Company and Avanta Investment Management Limited with effect from 1 June 2020.

Details of the change of investment manager of the Company were disclosed in the announcement of the Company dated 29 May 2020.

# Management Discussion and Analysis

## **EVENT AFTER THE REPORTING PERIOD**

### **Connected Transactions – Shareholder Loans**

On 21 October 2020, the Company entered into a loan agreement (the “First Loan Agreement”) with Renown Future, pursuant to which Renown Future agreed to provide a loan in the principal amount of HK\$2,500,000 to the Company for a term of six months from 28 October 2020 to 28 April 2021 (the “First Loan”).

On 16 November 2020, the Company entered into a second loan agreement (the “Second Loan Agreement”) with Renown Future, pursuant to which Renown Future agreed to provide a loan in the principal amount of up to HK\$10,000,000 to the Company for a term of one year from 1 January 2021 to 31 December 2021 (the “Second Loan”).

The First Loan and the Second Loan (collectively the “Loans”) do not bear any interest and shall be drawn by instalments. The Loans will be used as the general working capital of the Company. The Company shall repay the Loans that have been drawn in full upon the respective maturity of the Loans. The Company shall have the right to make early repayment of the Loans before maturity. The Loans can also be extended by written agreement by both parties before maturity.

Renown Future is the ultimate holding company and a controlling shareholder of the Company currently holding 51% of the issued share capital of the Company and is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the First Loan Agreement and the Second Loan Agreement constitute connected transactions of the Company under Chapter 14A of the Listing Rules.

The terms of the Loans are better than normal commercial terms and the Loans are not secured by the assets of the Company. Therefore, the Loans are fully exempted from the reporting and announcement and independent shareholders’ approval requirements in accordance with Rule 14A.90 of the Listing Rules.

## **LIQUIDITY AND FINANCIAL RESOURCES**

As at 30 September 2020, the Company had cash and bank balances of approximately HK\$581,000 (31 March 2020: HK\$4,105,000). There was no long term borrowing and calculation of gearing ratio was not applicable (31 March 2020: N/A).

As at 30 September 2020, the Company had net assets of approximately HK\$1,030,000 (31 March 2020: HK\$5,156,000).

# Management Discussion and Analysis

The Company has been experiencing losses in recent years. In order to strength the capital base of the Company and to improve the Company's financial position, liquidity and cash flows, and otherwise to sustain the Company as a going concern, the Board has adopted the following measures:

- (i) Renown Future, a controlling shareholder of the Company, has undertaken to the Company to provide continuing financial support to the Company so as to enable the Company to continue its day-to-day operations as a viable going concern notwithstanding any present or future financial difficulties experienced by the Company.

In October and November 2020, the Company has entered into two loan agreements with Renown Future pursuant to which Renown Future agreed to provide the Loans to the Company. The Loans shall be used as working capital for the operations of the Company. Details of the Loans from Renown Future are disclosed in the "Event After the Reporting Period" section above.

- (ii) The Board is considering various alternatives to strengthen the capital base of the Company through fund raising exercise, including but not limited to, a private placement, an open offer or rights issue of new shares of the Company.
- (iii) The Board continues to take action to tighten cost controls over various general administrative expenses and is seeking new investment and business opportunities with an aim to attain profitable and positive cash flow operations.

In the opinion of the Board, in light of the measures taken to date, together with the expected results of other measures in progress, the Company will have sufficient working capital for its future requirements and it is reasonable to expect that the Company is able to continue as a going concern in the future.

## **CHARGES ON COMPANY'S ASSETS AND CONTINGENT LIABILITIES**

As at 30 September 2020, there was no charge on the Company's assets or any significant contingent liabilities (31 March 2020: Nil).

## **CAPITAL EXPENDITURES**

The Company did not make any significant capital expenditure during the Period (six months ended 30 September 2019: Nil).

## **COMMITMENTS**

The Company had no capital commitment as at 30 September 2020 (31 March 2020: Nil).

# Management Discussion and Analysis

## CAPITAL STRUCTURE

As at 30 September 2020, the total number of ordinary shares of HK\$0.10 each in the Company in issue was 172,800,000 (31 March 2020: 172,800,000).

## INTERIM DIVIDEND

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

## PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Period, the Company did not purchase, sell or redeem any of its shares (six months ended 30 September 2019: Nil).

## FUTURE PLANS RELATING TO MATERIAL INVESTMENT OR CAPITAL ASSET

The Company did not execute any agreement in respect of material investment or capital asset during the Period and did not have any other plans relating to material investment or capital asset as at 30 September 2020. Nonetheless, if any potential investment opportunity arises in the future, the Company will perform feasibility studies and prepare implementation plans to consider whether it will be beneficial to the Company and the Shareholders as a whole to make such investment.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

The Company held assets and liabilities denominated in Hong Kong Dollars ("HKD") and US Dollars ("USD"). The Company's cash and cash equivalents were denominated in HKD and USD. Accordingly, it is subjected to limited exposure of foreign exchange fluctuation. As it is the Company's policy to maintain relatively minimal exposure to foreign exchange risks, the Company had not used any derivatives and other instruments for currency exchange hedging purposes.

## EMPLOYEES AND REMUNERATION POLICIES

As at 30 September 2020, the Company had 4 employees (31 March 2020: 4), including the executive Director.

Total remuneration paid to the employees of the Company, including the executive Director, during the Period amounted to approximately HK\$1,493,000 (six months ended 30 September 2019: approximately HK\$1,692,000). The Company's remuneration policies are in line with the prevailing market practice and are determined on the basis of the performance and experience of the individual employees.

# Management Discussion and Analysis

## DIRECTORS' RIGHT TO ACQUIRE SHARES AND DEBENTURES

At no time during the Period was the Company or its associated companies a party to any arrangements to enable the Directors or chief executive of the Company to acquire any interests or benefits by means of acquisition of shares, underlying shares in or debentures of the Company.

## DIRECTORS' AND/OR EXECUTIVES' INTEREST IN SHARES

As at 30 September 2020, as far as the Directors are aware, the Directors, chief executive and their associates had the following interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong, ("SFO")) that was required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or which would have to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO and the Model Code for Securities Transactions by Directors of Listed Issuers as contained in the Listing Rules :

### Directors' interests in the shares of associated corporations

Name of associated corporation	Name of Director or chief executive	Capacity	Long/short position	Number of ordinary shares in the associated corporation	Approximate percentage of the issued share capital in the associated corporation
Renown Future Limited	He Luling	Beneficial owner	Long position	1	20%
	Wang Biao	Beneficial owner	Long position	1	20%

Other than as disclosed above, none of the Company's Directors, chief executive nor their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations within the meaning of the SFO as at 30 September 2020.

# Management Discussion and Analysis

## SUBSTANTIAL SHAREHOLDERS

As at 30 September 2020, as far as the Directors are aware, the Company had been notified of the following substantial shareholders' interests or short positions in the shares and underlying shares in the Company (representing 5% or more of the Company's issued share capital) which were recorded in the register maintained by the Company under Section 336 of the SFO:

Name of substantial shareholder	Capacity	Long/short position	Number of shares	Approximate percentage of existing shareholding (Note 2)
1. Renown Future Limited	Beneficial owner	Long position	88,129,080	51.00%
2. Treasure Isle Global Limited	Beneficial owner	Long position	25,954,878 (Note 1)	15.02%
3. Li Bohan ("Mr. Li")	Interest of a controlled corporation	Long position	25,954,878 (Note 1)	15.02%
4. Zhang Jianming ("Mr. Zhang")	Interest of a controlled corporation	Long position	25,954,878 (Note 1)	15.02%
5. Chan Man Fung	Beneficial owner	Long position	14,916,042	8.63%

### Notes:

1. Treasure Isle Global Limited is a company incorporated in the British Virgin Islands and is beneficially owned as to 50% by Mr. Li and 50% by Mr. Zhang. Each of Mr. Li and Mr. Zhang is deemed to be interested in the 25,954,878 Shares held by Treasure Isle Global Limited under Part XV of the SFO.
2. The percentage of shareholding is calculated on the basis of 172,800,000 shares in the Company in issue as at 30 September 2020.

Save as disclosed above, as far as the Directors are aware, no other person had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or which was recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 30 September 2020.

# Management Discussion and Analysis

## **CORPORATE GOVERNANCE**

The Company is dedicated to maintaining and ensuring high standards of corporate governance practices and the corporate governance principles of the Company are adopted in the best interest of the Company and the Shareholders. The Company has established procedures on corporate governance that comply with the requirements of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules. The Board has reviewed and taken measures to adopt the CG Code as the Company’s code of corporate governance practices. During the Period, the Company has complied with the code provisions under the CG Code, save and except Code Provision A.6.7, as set out below.

Pursuant to Code Provision A.6.7 of the CG Code, independent non-executive directors and non-executive directors, as equal board members, should attend general meeting of the Company. During the Period, Mr. He Luling, Ms. Yan Yan and Mr. Xu Yanfa were unable to attend the annual general meeting of the Company held on 27 August 2020 as they had other business engagements.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the “Model Code for Securities Transaction by Directors of Listed Issuers” (the “Model Code”) set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors. On specific enquiries made, all Directors confirmed that they had complied with the required standards set out in the Model Code throughout the Period.

## **AUDIT COMMITTEE**

The Audit Committee, comprising three independent non-executive Directors and the non-executive Director, has reviewed with the management of the Company the accounting principles and practices adopted by the Company and discussed the auditing, internal control, risk management and financial reporting matters.

## **REVIEW OF UNAUDITED FINANCIAL INFORMATION**

The Audit Committee has reviewed the unaudited interim financial report for the Period.

# Management Discussion and Analysis

## FORWARD-LOOKING STATEMENTS

This interim report contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of the Company regarding the industry and markets in which it invests. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

## SHARE OPTION SCHEME

The Company did not maintain any share option scheme during the Period.

By order of the Board

**He Luling**

*Chairman*

Tianjin, the PRC, 26 November 2020