



Amber Hill Financial Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 33

Second Interim Report

2021

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CORPORATE INFORMATION

Executive Directors

Ng Yu (*Chairman*)

Wei Weicheng

Lin Feng (*Appointed on 10 January 2020*)

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

Chan Chi Ming (*Appointed on 6 April 2020*)

Zhao Hong Mei (*Ceased to be Director with effect from 4 September 2020*)

Li Junheng (*Ceased to be Director with effect from 10 January 2020*)

Non-executive Director

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

Independent Non-executive Directors

Anthony Espina

Wang Jun Sheng

Lo Hang Fong (*Appointed on 19 March 2020*)

Executive Committee

Ng Yu (*Chairman*)

Wei Weicheng

Chan Chi Ming (*Appointed on 6 April 2020*)

Zhao Hong Mei (*Ceased to be Director with effect from 4 September 2020*)

Audit Committee

Anthony Espina (*Chairman*)

Wang Jun Sheng

Huang Shao Long (*Appointed on 19 March 2020*)

Lo Hang Fong (*Appointed on 19 March 2020*)

Remuneration Committee

Wang Jun Sheng (*Chairman*)

Anthony Espina

Ng Yu (*Appointed on 19 March 2020*)

Nomination Committee

Wang Jun Sheng (*Chairman*)

Anthony Espina

Wei Weicheng

Risk Management Committee

Wei Weicheng (*Chairman*)

Anthony Espina

Wang Jun Sheng (*Appointed on 19 March 2020*)

Authorised Representatives

Wei Weicheng

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

Tsang King Sun

Company Secretary

Tsang King Sun

Website

www.ahfh.com.hk

Registered Office

94 Solaris Avenue

Camana Bay

PO Box 1348

Grand Cayman KY1-1108

Cayman Islands

Principal Place of Business in Hong Kong

19/F, One Hennessy

1 Hennessy Road

Wan Chai

Hong Kong

Principal Share Registrar and Transfer Office

Suntera (Cayman) Limited

4th Floor, Royal Bank House

24 Shedden Road, George Town

Grand Cayman KY1-1110

Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

CORPORATE INFORMATION

Principal Bank

Bank of China (Hong Kong)

Auditor

CHENG & CHENG LIMITED

Certified Public Accountants

Level 35, Tower 1, Enterprise Square Five

38 Wang Chiu Road, Kowloon Bay

Kowloon

Hong Kong

Stock Code

0033 (Listed on the Main Board of

The Stock Exchange of Hong Kong Limited)

MANAGEMENT DISCUSSION AND ANALYSIS

COMPANY PROFILE

Amber Hill Financial Holdings Limited (the “Company”, together with its subsidiaries, the “Group”) was incorporated and domiciled in the Cayman Islands under Companies Law (2004 Revision) of the Cayman Islands as an exempted company with limited liability on 20 March 2007. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). On 31 December 2020, the Company announced the change of its financial year end date from 31 December to 30 June. Accordingly, the current financial reporting period will cover an eighteen-month period from 1 January 2020 to 30 June 2021, and the unaudited interim results of the Group disclosed herein covers a twelve-month period from 1 January 2020 to 31 December 2020 (the “Reporting Period”).

The Group is principally engaged in trading of party products, securities and commodities brokerage and asset management, advancing business and trading of commodities.

FINANCIAL REVIEW

During the second half of 2020, the Group prudently maintained its existing business operations and continued its stringent control over the operating costs.

The Group recorded revenue of HK\$71.78 million for the Reporting Period (corresponding period in 2019: HK\$135.61 million), representing a year-on-year decrease of 47%. The decrease in revenue was mainly due to the cessation of trading of security products in early 2020, no new loans granted from the advancing business and decrease in sales of party products. For details, please refer to Business Review Section.

Cost control measures continued to be in place in the second half of 2020, and operating expenses decreased by 49% to HK\$40.25 million during the Reporting Period as compared with the corresponding period in 2019. Loss from operations of HK\$14.77 million for the Reporting Period was recorded. Net loss attributable to equity shareholders of the Company for the Reporting Period was HK\$52.64 million (corresponding period in 2019: HK\$380.38 million), which was mainly attributable to the abovementioned loss from operations, and (i) interest of HK\$12.31 million on convertible bonds issued by the Company; (ii) loss resulting from termination of profit guarantees provided to the Group and cancellation of the corresponding convertible bonds issued by the Company of HK\$6.94 million; and (iii) impairment on certain receivables of HK\$16.30 million.

During the Reporting Period, the loss per share of the Company was HK45.51 cents (corresponding period in 2019: HK406.83 cents (restated as a result of completion of the share consolidation of the Company with effect from 1 December 2020)).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Trading of Party Products

The revenue generated from the trading of party products segment decreased to HK\$26.46 million (corresponding period in 2019: HK\$40.97 million) during the Reporting Period. The trading of party products segment of the Group comprises of designing, developing, merchandising and providing consumer hard goods, primarily party and festivity products. The drop in revenue is primarily due to the impact of COVID-19 pandemic on normal social and business orders in North America and Hong Kong, the two major markets of the Group's trading of party products segment.

The board (the "Board") of directors (the "Directors") of the Company is, however, confident about the future prospects of this business segment with promising long-term growth rates and believes that the effect of the COVID-19 pandemic would only be temporary and would be lessened gradually when vaccines become available to the public worldwide. As previously disclosed, the Company intends to apply approximately HK\$30 million from the proceeds of the rights issue (the "Right Issue") completed on 14 January 2021 and the subscription (the "Subscription") completed on 25 January 2021 as additional capital for this segment. With the additional financial resources, the Group will continue to explore ways to broaden its customer base which include, in particular, the development of an electronic trading platform to capture demand without geographical boundary. The Group also targets to further expand into the market in the People's Republic of China ("PRC") which had a promising market size of approximately US\$528.4 million in 2019. The PRC has also recovered rapidly from the COVID-19 pandemic as a result of the effective quarantine and hygiene measures taken since early 2020.

The Company will continue with its efforts in developing this business segment despite the economic uncertainties caused by the spread of COVID-19. As at the date hereof, the Company has already secured first batch of confirmed orders in an aggregate amount of approximately HK\$26 million for this business segment which are expected to be due for delivery in the first quarter of 2021.

Securities and Commodities Brokerage and Asset Management

The Group recorded a revenue of HK\$23.50 million (corresponding period in 2019: HK\$0.73 million) from this segment during the Reporting Period.

The relevant licenses of the Group to carry out Type 1 (Dealing in Securities), Type 2 (Dealing in Futures Contracts) and Type 5 (Advising on Futures Contracts) regulated activities (collectively the "Securities Licenses"); as well as Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities (collectively the "Asset Management Licenses") under the Securities and Futures Ordinance (Chapter 571 of laws of Hong Kong) (the "SFO") were suspended in 2019 before the existing management joined the Group for the reason of failure to meet the requirements of required liquid capital and responsible officers under the SFO. The Group has already taken steps to comply with such requirements under the SFO and is awaiting for the SFC to approve the applications for resumption of the Asset Management Licenses and Securities Licenses.

MANAGEMENT DISCUSSION AND ANALYSIS

As previously disclosed, the Company intends to apply approximately HK\$15 million from the proceeds from the Rights Issue and the Subscription for strengthening the liquid capitals and supporting the development of the securities and commodities brokerage and asset management business of the Group, including but not limited to promoting the business, attracting more customers and recruiting new staff to expand the business team. The securities and commodities brokerage business of the Group will focus on providing securities and commodities brokerage services to retail and institutional clients in Hong Kong. The asset management business of the Group is expected to focus on providing fund management, discretionary account and investment advisory services to clients who are professional investors in Hong Kong, the PRC, and other Asia markets. The Group will also continue to identify and evaluate suitable business expansion and investment management opportunities for the asset management business of the Group in other countries and regions.

Trading of Commodities

During the Reporting Period, the Group generated revenue of HK\$21.03 million (corresponding period in 2019: Nil) from this segment. The Group has completed the business review and has resumed this segment in the second half of 2020. It is anticipated that the Group will expand this segment by purchasing different commodities from upstream companies and selling them to downstream companies as well as exploring other business opportunities in the Asian regions.

Advancing Business

To properly assess the status of the existing loan portfolio of the Group and to protect the interests of the Company and its shareholders, no new loans have been granted since the inception of the current management in December 2019, hence the Group did not generate any revenue from this segment during the Reporting Period (corresponding period in 2019: HK\$12 million).

As previously disclosed, the Company intends to apply approximately HK\$15 million from the proceeds of the Rights Issue and Subscription for financing the advancing business of the Group. The Company is currently developing an electronic platform to provide retail loans with the application of financial technology. The business model is designed in such a way that short-term microadvances will be provided to individuals while at the same time the credit risk borne by the Company will be relatively low. The Company is also developing the business of provision of advances of relatively larger sum to borrowers who are capable of providing personal guarantee, asset pledge or other collaterals to secure the loans. It is anticipated that interest from the advances will generate stable source of revenue to the Group.

Although the existing loan portfolio was fully impaired in 2019 as the recoverability of the relevant receivables was considered as doubtful as previously disclosed, the Group has been actively seeking opportunities to dispose of the impaired loan receivables and/or the pledged assets as distressed assets to suitable buyer(s) on such terms and conditions which are fair and reasonable to the Company. Based on the advice of the Company's legal advisors, the Group is also taking legal actions in Hong Kong against certain borrowers in Hong Kong or who may have assets in Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

Trading of Security Products and Provision of Security Services

The security products trading business of the Group had ceased due to the cessation of control over 德威可信(北京)科技有限公司 (Dewe Kexin (Beijing) Technology Co., Ltd*) in early 2020, while provision of security services business had ceased during the Reporting Period upon completion of the disposal of the entire issued share capital of International Security Net Co., Limited (“International Security Net”), details of which were set out in the announcement of the Company dated 30 June 2020.

Credit Guarantee and Investment Business

The Board resolved on 7 July 2020 that the results of the relevant operating subsidiaries of the credit guarantee and investment business of the Group in the PRC would be deconsolidated from the consolidated financial statements of the Group for the financial year ended 31 December 2019. Based on the advice of the Company’s legal advisors, the Group has commenced legal actions in the PRC against those deconsolidated subsidiaries with a view to upholding its shareholder’s right. It is also seeking suitable buyer(s) to dispose of its interest in the deconsolidated subsidiaries as distressed assets on such terms and conditions which are fair and reasonable to the Company.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2020, (i) the Group’s net current liabilities were HK\$136.92 million (31 December 2019: HK\$109.70 million); (ii) the Group’s net liabilities were HK\$121.15 million (31 December 2019: HK\$110.15 million); (iii) the Group’s current ratio was 0.44 (31 December 2019: 0.44); and (iv) the Group’s gearing ratio was 112% (31 December 2019: 107%). The Group’s gearing ratio was calculated as net debts divided by total assets. The Group’s net debts include convertible bonds, shareholder’s loan and other loan less cash and bank balances.

The Group’s liquidity and financial resources were significantly improved in January 2021 upon the completion of the Rights Issue and the Subscription as stipulated in the circular and the prospectus of the Company dated 4 November 2020 and 11 December 2020 respectively, which raised net proceeds of HK\$284 million in aggregate, and the Directors consider that the Group is able to meet in full its financial obligations as they fall due in the foreseeable future.

As at 31 December 2020, the Group had loans from a shareholder and an independent third party with principal amounts of HK\$38.50 million (31 December 2019: Nil) and of HK\$13 million (31 December 2019: HK\$13 million) respectively, which were unsecured, and bear fixed interest rates of 2.5% and 5% per annum respectively. In addition, the outstanding amount (including both principal and interest thereon) of HK\$112.77 million in total (31 December 2019: HK\$108.60 million) under the convertible bonds was due by the Company to the bondholders as at 31 December 2020. The loans and convertible bonds are expected to be settled in the first quarter of 2021 by proceeds raised from the Rights Issue and the Subscription.

As at 31 December 2020, the Group had cash and bank balances of HK\$25.60 million (31 December 2019: HK\$13.53 million). The cash and bank balances were denominated in HK dollar, Renminbi and US dollar. The Group had no structured investment products and foreign exchange contracts as at 31 December 2020. The Group is not exposed to material fluctuations in exchange rates. The Company received net proceeds of HK\$284 million from the Rights Issue and the Subscription in January 2021.

* For identification purpose only.

MANAGEMENT DISCUSSION AND ANALYSIS

CAPITAL STRUCTURE AND FUND-RAISING ACTIVITIES

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

A. Share Capital

On 11 September 2020, the Company announced, among other things, consolidation (the “Share Consolidation”) of the issued shares on the basis of ten shares of HK\$0.001 each into one share of HK\$0.01 each. The Share Consolidation was approved by the shareholders at the extraordinary general meeting of the Company held on 27 November 2020 and became effective on 1 December 2020. Upon the Share Consolidation becoming effective on 1 December 2020 and as at 31 December 2020, the authorised share capital of the Company was HK\$10,000,000,000 divided into 1,000,000,000,000 shares of HK\$0.01 each, and the issued share capital of the Company was HK\$1,343,112.76 divided into 134,311,276 shares of HK\$0.01 each. Details of the Share Consolidation were set out in the Company’s announcements dated 11 September 2020 and 27 November 2020, and its circular dated 4 November 2020.

During the Reporting Period, the Company completed a placing of new shares under the general mandate granted to the Directors by the shareholders of the Company at the annual general meeting of the Company held on 18 June 2019. An aggregate of 181,463,440 shares of HK\$0.001 each were successfully placed at issue price of HK\$0.1 each to not fewer than six places in accordance with the terms and conditions of the relevant placing agreement dated 26 February 2020. The placing of the 181,463,440 new shares of HK\$0.001 each was completed on 20 April 2020.

During the Reporting Period, the Company completed another placing of new shares under the general mandate granted to the Directors by the Company’s shareholders at the extraordinary general meeting of the Company held on 7 July 2020. An aggregate of 223,852,128 shares of HK\$0.001 each were successfully placed at issue price of HK\$0.105 per share to not fewer than six places in accordance with the terms and conditions of the relevant placing agreement dated 17 July 2020. The placing of 223,852,128 new shares of HK\$0.001 each was completed on 4 August 2020.

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

Date of announcements	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
26 February 2020 and 20 April 2020	Placing of 181,463,440 new shares of HK\$0.001 each under general mandate granted on 18 June 2019	Approximately HK\$17.97 million	Working capital of the Group	The proceeds were fully utilised as intended
17 July 2020 and 4 August 2020	Placing of 223,852,128 new shares of HK\$0.001 each under general mandate granted on 7 July 2020	Approximately HK\$22.96 million	Working capital of the Group	The proceeds were fully utilised as intended

MANAGEMENT DISCUSSION AND ANALYSIS

On 11 September 2020, the Company announced, among other things, the Rights Issue and the Subscription. Both the Rights Issue and the Subscription were completed in January 2021.

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

B. Convertible Bonds

Details on the movements of the convertible bonds during the Reporting Period are set out in note 14 to the unaudited interim condensed consolidated financial statements.

MERGERS, ACQUISITIONS AND DISPOSAL

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

SIGNIFICANT INVESTMENTS

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

CHARGE OF ASSETS

As at 31 December 2020, the Group did not have any charge of assets.

As disclosed in the 2019 Annual Report, Market Speed Limited and Li Yee Man Anly (trading as Ming Fai Marine Service) (the “Plaintiffs”) took out an action in rem under the Admiralty Jurisdiction of the High Court on 3 July 2019 for arrest of a vessel named “亞投金融” (the “Vessel”) held by AIF Happy Services Limited (“AIF”). The Plaintiffs and AIF executed a deed of settlement on 3 June 2020 relating to withdrawal by the Plaintiffs of all claims relating to the Vessel. The Vessel was released, unencumbered, back to AIF’s ownership and possession on 4 June 2020. As at 31 December 2020, the carrying value of the Vessel was HK\$14,175,000 (31 December 2019: HK\$16,875,000).

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities.

FOREIGN CURRENCY RISK

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

MANAGEMENT DISCUSSION AND ANALYSIS

HUMAN RESOURCES

As at 31 December 2020, the Group had 27 employees (31 December 2019: 27 employees). It is the Group's policy to recruit the right person for each position based on the person's qualification and experience. The remuneration of each employee is reviewed every year based on the performance of the employee with reference to the prevailing market conditions. During the Reporting Period, the remuneration of Directors and other members of senior management has not changed materially from the information disclosed in the 2019 Annual Report.

CAPITAL COMMITMENTS

As at 31 December 2020, the Group did not have any material capital commitment.

PROSPECTS

Since January 2020, the new management of the Group has conducted a detailed business review and restructuring of the operations with a view of further developing the existing businesses, improving the financial situation, strengthening the internal controls, streamlining the operating costs and efficiency. The Board believes that the business performance of the Group will continue to improve after the removal of the legacy issues of the Group and the implementation of new business strategies; and the business environment will continue to improve with the introduction of vaccines to curb the spread of COVID-19.

In order to strengthen the financial position of the Group for its business development in the coming future, the Company announced a number of fund-raising activities during the Reporting Period, in particular the Rights Issue and the Subscription which were announced on 11 September 2020 and completed in January 2021. Aggregate net proceeds of approximately HK\$284 million have been raised from the Rights Issue and the Subscription.

After the restructuring of the business and operations as well as the completion of the Rights Issue and the Subscription mentioned above, the Group will have additional financial resources to develop its existing businesses.

DISCLOSURE OF INTERESTS

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

As at 31 December 2020, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Appendix 10 of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange, were as follows:

Long Position

Name	Capacity	Nature of interest	Number of shares of HK\$0.01 each in the share capital of the Company (the "Shares")	Percentage to the total issued share capital of the Company (Note 4)
Mr. Ng Yu	Beneficial owner	Personal	61,200	0.05%
	Interest in controlled corporation (Note 1)	Corporate	26,536,800	19.75%
		Corporate (Note 2)	332,121,222	247.28%
		Unlisted derivatives (Note 3)	10,000,000	7.45%
		Sub-total	368,719,222	274.53%

Notes:

- Neo Tech Inc. is a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Ng Yu. Mr. Ng Yu is therefore deemed to be interested in all such Shares and unlisted derivative held by Neo Tech Inc. for the purpose of Part XV of the SFO.
- According to the subscription agreement entered into by the Company and Neo Tech Inc. on 31 July 2020 (as amended pursuant to the extension letter dated 4 December 2020 entered into by the parties), Neo Tech Inc. has conditionally agreed to subscribe for a maximum of 332,121,222 subscription shares of the Company.
- The unlisted derivatives referred to the 10,000,000 Shares (conversion shares) issuable to Neo Tech Inc. in the event of exercise in full of the conversion rights attaching to the outstanding convertible bonds in the principal amount of HK\$100,000,000 held by Neo Tech Inc., details of which are set out in note 14 to the unaudited interim condensed consolidated financial statements.
- The total number of issued Shares as at 31 December 2020 was 134,311,276.

DISCLOSURE OF INTERESTS

Save as disclosed above, as at 31 December 2020, as far as the Directors are aware, none of the Directors had any other interests, long positions or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

Based on information available to the Board and to the best knowledge of the Board, as at 31 December 2020, other than the interests of the Directors and Chief Executive Officer as disclosed above, the following persons had interests in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Long Position

Name	Capacity	Nature of interest	Number of shares of HK\$0.01 each in the share capital of the Company (the "Shares")	Percentage to the total issued share capital of the Company (Note 4)
Neo Tech Inc. (Note 1)	Beneficial owner	Corporate	26,536,800	19.75%
		Corporate (Note 2)	332,121,222	247.28%
		Unlisted derivatives (Note 3)	10,000,000	7.45%
		Sub-total	<u>368,658,022</u>	<u>274.48%</u>

Notes:

1. Neo Tech Inc. is a company incorporated in the British Virgin Islands with limited liability and is wholly and beneficially owned by Mr. Ng Yu. Mr. Ng Yu, the chairman of the Board and an executive Director, is therefore deemed to be interested in all such Shares and unlisted derivative held by Neo Tech Inc. for the purpose of Part XV of the SFO and such interests have also been disclosed as part of Mr. Ng Yu's interests under the paragraph headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and the associated corporations" above.
2. According to the subscription agreement entered into by the Company and Neo Tech Inc. on 31 July 2020 (as amended pursuant to the extension letter dated 4 December 2020 entered into by the parties), Neo Tech Inc. has conditionally agreed to subscribe for a maximum of 332,121,222 subscription shares of the Company.
3. The unlisted derivatives referred to the 10,000,000 Shares (conversion shares) issuable to Neo Tech Inc. in the event of exercise in full of the conversion rights attaching to the outstanding convertible bonds in the principal amount of HK\$100,000,000 held by Neo Tech Inc., details of which are set out in note 14 to the unaudited interim condensed consolidated financial statements.
4. The total number of issued Shares as at 31 December 2020 was 134,311,276.

DISCLOSURE OF INTERESTS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

At the annual general meeting of the Company held on 26 June 2017, the shareholders of the Company approved the adoption of a new share option scheme (the "Share Option Scheme") which took effect from 26 June 2017 (the "Commencement Date"). The purpose of the Share Option Scheme is to provide incentives or rewards to participants (the "Participants") of the Share Option Scheme for their contribution to, and continuing efforts to promote the interests of the Group. The Participants (as defined in the Share Option Scheme) include any employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any of its subsidiaries) and any distributor, contractor, business partner, promoter, service provider, customer, supplier, consultant, agent and adviser or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from 26 June 2017. Pursuant to the existing scheme mandate limit in respect of the grant of options to subscribe for ordinary shares (the "Shares") of the Company under the Share Option Scheme which was refreshed and renewed according to the approval granted by the Company's shareholders at the annual general meeting of the Company held on 18 June 2019, the maximum number of the Shares to be allotted and issued pursuant to the grant or exercise of the options under the Share Option Scheme (excluding options previously granted, outstanding, cancelled, lapsed or exercised under the Share Option Scheme) must not exceed 10% of the Shares of the Company in issue as at 18 June 2019. Accordingly, options in respect of a maximum of 9,327,172 shares of HK\$0.01 each in the capital of the Company (as a result of completion of the capital reorganisation of the Company with effect from and as announced on 24 July 2019 and upon the share consolidation, which was announced by the Company on 11 September 2020, becoming effective on 1 December 2020) in total may be granted under the existing scheme mandate limit of the Share Option Scheme.

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

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

DISCLOSURE OF INTERESTS

As at 31 December 2020, all share options previously granted were lapsed, and no Share was required to be issued under the Share Option Scheme.

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

	Date of grant	Exercise price HK\$	Adjusted exercise price HK\$ (vii)	Note	Exercisable period	Number of share options (Note viii)		
						Outstanding as at 1 January 2020	Lapsed	Outstanding as at 31 December 2020
Executive Directors								
Cheung Kwan (Removed on 19 December 2019)	27 July 2017	0.15	1.50	(i)	From 27 July 2017 to 26 July 2020	25,000,000	(25,000,000)	–
Liu Hu (Resigned on 6 November 2019)	29 November 2017	0.15	1.50	(iv)	From 29 November 2017 to 28 November 2020	5,000,000	(5,000,000)	–
Ling Zack Xiange (Resigned on 15 January 2019)	7 September 2018	0.15	1.50	(v)	From 7 September 2018 to 6 September 2021	1,000,000	(1,000,000)	–
Non-executive Director								
Wang Dayong (Resigned on 9 December 2019)	7 September 2018	0.15	1.50	(v)	From 7 September 2018 to 6 September 2021	9,000,000	(9,000,000)	–
Independent Non-executive Director								
Anthony Espina	27 July 2017	0.15	1.50	(ii)	From 27 July 2017 to 26, July 2020	900,000	(900,000)	–
Employees								
	27 July 2017	0.15	1.50	(ii)	From 27 July 2017 to 26 July 2020	1,400,000	(1,400,000)	–
	29 November 2017	0.15	1.50	(iv)	From 29 November 2017 to 28 November 2020	7,000,000	(7,000,000)	–
	7 September 2018	0.15	1.50	(v)	From 7 September 2018 to 6 September 2021	14,100,000	(14,100,000)	–
Consultants								
	27 July 2017	0.15	1.50	(ii)	From 27 July 2017 to 26 July 2020	4,000,000	(4,000,000)	–
	27 July 2017	0.15	1.50	(iii)	From 27 July 2017 to 26 July 2020	15,300,000	(15,300,000)	–
Others								
	27 July 2017	0.15	1.50	(ii)	From 27 July 2017 to 26 July 2020	900,000	(900,000)	–
						83,600,000	(83,600,000)	–

DISCLOSURE OF INTERESTS

Notes:

- (i) Share options were conditionally granted and vested subject to the approval of the shareholders of the Company, and such approval was obtained on 20 March 2018.
- (ii) Share options were vested immediately on the date of the options granted.
- (iii) Each of the one third of the share options were vested on the date of the options granted, 1 January 2018 and 1 January 2019 respectively. The exercise period was from the effective vested dates to 26 July 2020.
- (iv) 50% of the share options were vested immediately on the date of the options granted and the remaining 50% of the share options were vested on 29 November 2018. The exercise period was from the effective vested dates to 28 November 2020.
- (v) Each of the one third of the share options were and would be vested on the date of the options granted, 1 January 2020 and 1 January 2021 respectively. The exercise period would be from the effective vested dates to 6 September 2021.
- (vi) As at 31 December 2020, no share option was outstanding and exercisable.
- (vii) Immediately prior to the Capital Reorganisation becoming effective, the exercise price of the outstanding share options was HK\$0.15 per Share. As a result of the capital reorganisation effective from 24 July 2019 and pursuant to the terms of the Share Option Scheme, the exercise price of the outstanding share options had been adjusted to HK\$1.50 per share.
- (viii) As all then outstanding share options lapsed before the consolidation of the issued shares of the Company on the basis of ten shares of HK\$0.001 each into one consolidated share of HK\$0.01 each becoming effective on 1 December 2020 (details of which are set out in the Company's announcements dated 1 September 2020 and 27 November 2020), no further adjustment has been made to the exercise price and the number of then outstanding share options set out in the table.

CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES

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

Under A.2.1 of the CG Code, the role of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual and the division of responsibilities between Chairman and Chief Executive Officer should be established and set out in writing. Since 10 January 2011, the Company had no Chief Executive Officer. The functions of Chief Executive Officer were performed by the Executive Committee of the Board. The Board considered that this structure had not impaired the balance of the power and authority between the Board and the management of the Company, and had been effective in discharging its responsibilities satisfactorily and facilitating the Company's operation and business development. Subsequently, Mr. Chan Chi Ming was appointed as the Chief Executive Officer of the Company on 6 April 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules regarding directors' securities transactions. Having made specific enquiries to all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code during the Reporting Period.

CHANGES IN INFORMATION OF DIRECTORS

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

Appointment

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

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

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

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

Mr. Lo Hang Fong was appointed as independent non-executive Director and a member of the audit committee of the Board on 19 March 2020.

Mr. Wang Jun Sheng was appointed as a member of the risk management committee of the Board on 19 March 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Cessation

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

Ms. Zhao Hong Mei was not re-elected as Executive Director during the annual general meeting of the Company held on 4 September 2020.

Other information

Set out below are changes in directorship in other companies of the following Directors during the Reporting Period:

- (i) Mr. Lo Hang Fong resigned as an independent non-executive director of Bonjour Holdings Limited (stock code: 653) with effect from 15 September 2020;
- (ii) Mr. Ng Yu was appointed as an executive director and the co-chairman of the board of directors of Target Insurance (Holdings) Limited (stock code: 6161) (“Target Insurance”), of which he has become a substantial shareholder since 23 December 2020, with effect from 23 December 2020;
- (iii) Mr. Wei Weicheng was appointed as an executive director and a member of each of the remuneration committee, the nomination committee and the risk committee of Target Insurance with effect from 23 December 2020;
- (iv) Mr. Lin Feng was appointed as an executive director and a member of the risk committee of Target Insurance with effect from 23 December 2020;
- (v) Mr. Anthony Espina was appointed as (a) an independent non-executive director and a member of the audit committee of Target Insurance with effect from 1 May 2020; (b) a member of each of the remuneration committee and the risk committee of Target Insurance with effect from 23 December 2020; and (c) the chairman of the nomination committee of Target Insurance with effect from 1 January 2020. He also resigned as a non-executive director of the supervisory board of ATF Bank in Kazakhstan; and
- (vi) Mr. Wang Jun Sheng was appointed as an independent non-executive director and a member of each of the audit committee and the remuneration committee of Target Insurance with effect from 23 December 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE

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

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

The Audit Committee has, together with the Directors, reviewed this interim report, including the unaudited interim condensed consolidated financial statements, accounting principles and practices adopted by the Group contained herein for the Reporting Period.

On behalf of the Board

Mr. Ng Yu

Chairman and Executive Director

Hong Kong,

26 February 2021

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the twelve months ended 31 December 2020

	Notes	Twelve months ended 31 December	
		2020	2019
		HK\$'000 (Unaudited)	HK\$'000 (Audited)
Revenue	4	71,778	135,613
Cost of sales and services		(48,473)	(105,104)
Gross profit		23,305	30,509
Other revenue and other net gain	5	2,173	6,625
Fair value gain on contingent consideration receivables		–	54,510
Operating expenses		(40,251)	(79,193)
(Loss)/profit from operations		(14,773)	12,451
Finance costs	6(a)	(14,169)	(15,684)
Other non-operating expenses	6(b)	(7,392)	(117,699)
Impairment losses	6(c)	(16,298)	(268,290)
Share of profit of an associate		–	5,396
Loss before tax	6	(52,632)	(383,826)
Income tax (expense)/credit	7	(3)	428
Loss for the period		(52,635)	(383,398)
Other comprehensive income/(loss) for the period:			
Items may be reclassified to profit or loss:			
Release of translation reserve upon disposal of foreign subsidiaries		101	(75)
Release of translation reserve upon deconsolidation of foreign subsidiaries		–	(2,020)
		101	(2,095)
Exchange differences on translating financial statements of:			
— subsidiaries		530	(126)
— associate		–	253
		530	127
		631	(1,968)
Total comprehensive loss for the period		(52,004)	(385,366)

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

For the twelve months ended 31 December 2020

		Twelve months ended 31 December	
		2020	2019
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Loss for the period attributable to:			
Equity shareholders of the Company		(52,635)	(380,376)
Non-controlling interests		—	(3,022)
		<u>(52,635)</u>	<u>(383,398)</u>
Total comprehensive loss for the period attributable to:			
Equity shareholders of the Company		(52,004)	(382,151)
Non-controlling interests		—	(3,215)
		<u>(52,004)</u>	<u>(385,366)</u>
			(restated)
Loss per share			
— Basic	9	<u>HK45.51 cents</u>	<u>HK406.83 cents</u>
— Diluted	9	<u>HK45.51 cents</u>	<u>HK406.83 cents</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		As at 31 December 2020	As at 31 December 2019
	<i>Notes</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment		14,733	17,180
Right-of-use assets		526	–
Intangible assets		–	11,188
Deposit paid		400	400
Goodwill		–	489
Contingent consideration receivables		–	34,230
Interest in an associate		586	586
		<u>16,245</u>	<u>64,073</u>
Current assets			
Trading securities		174	114
Loan receivable		4,911	–
Trade receivables	10	56,514	18,654
Prepayments, deposits and other receivables		19,083	26,577
Contingent consideration receivables	11	–	26,110
Tax recoverable		–	45
Client trust bank balance		819	1,924
Cash and cash equivalents		25,604	13,525
		<u>107,105</u>	<u>86,949</u>
Total Assets		<u>123,350</u>	<u>151,022</u>
Capital and reserves			
Share capital	12	1,343	938
Reserves		<u>(122,493)</u>	<u>(111,085)</u>
Equity attributable to shareholders of the Company		<u>(121,150)</u>	(110,147)
Non-controlling interests		<u>(70)</u>	<u>8,829</u>
Total Equity		<u>(121,220)</u>	<u>(101,318)</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2020

		As at 31 December 2020	As at 31 December 2019
	Notes	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current liabilities			
Convertible bonds	14	–	52,890
Lease liabilities		541	–
Deferred tax liabilities		–	2,797
		<u>541</u>	<u>55,687</u>
Current liabilities			
Trade payables	13	15,010	7,764
Accruals and other payables		56,281	43,304
Lease liabilities		–	5,976
Other loan		13,000	13,000
Shareholder's loan	19(c)	38,500	–
Convertible bonds	14	112,768	108,601
Amount due to a deconsolidated subsidiary		8,467	8,467
Tax payables		3	2,961
Provisions	15	–	6,580
		<u>244,029</u>	<u>196,653</u>
Total Equity and Liabilities		<u>123,350</u>	<u>151,022</u>
Net current liabilities		<u>(136,924)</u>	<u>(109,704)</u>
Total assets less current liabilities		<u>(120,679)</u>	<u>(45,631)</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the twelve months ended 31 December 2020

	Attributable to equity shareholders of the Company								Subtotal	Non-controlling interests	Total
	Share capital	Share premium	Translation reserve	Share options reserve	Capital reserve	Convertible bonds reserve	Statutory reserve	Accumulated losses			
	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000	HK\$ '000			
Unaudited											
At 1 January 2020	938	3,995,137	(1,842)	15,570	(15,000)	25,893	-	(4,130,843)	(110,147)	8,829	(101,318)
Share issuance	405	40,596	-	-	-	-	-	-	41,001	-	41,001
Lapse of share options	-	-	-	(15,570)	-	-	-	15,570	-	-	-
Disposal of a subsidiary (note 18)	-	-	-	-	-	-	-	-	-	(8,899)	(8,899)
Release of convertible bonds reserve	-	-	-	-	-	(24,400)	-	24,400	-	-	-
Total comprehensive loss for the period	-	-	631	-	-	-	-	(52,635)	(52,004)	-	(52,004)
At 31 December 2020	<u>1,343</u>	<u>4,035,733</u>	<u>(1,211)</u>	<u>-</u>	<u>(15,000)</u>	<u>1,493</u>	<u>-</u>	<u>(4,143,508)</u>	<u>(121,150)</u>	<u>(70)</u>	<u>(121,220)</u>
Audited											
At 1 January 2019	932,717	3,058,278	(67)	14,690	(15,000)	37,063	3,420	(3,765,181)	265,920	26,698	292,618
Convertible bonds restructure	-	-	-	-	-	(11,170)	-	11,114	(56)	-	(56)
Share issuance	5,080	-	-	-	-	-	-	-	5,080	-	5,080
Capital reorganisation	(936,859)	936,859	-	-	-	-	-	-	-	-	-
Lapse of share options	-	-	-	(180)	-	-	-	180	-	-	-
Equity settled share-based payment	-	-	-	1,060	-	-	-	-	1,060	-	1,060
Deconsolidation of subsidiaries (note 17)	-	-	-	-	-	-	(3,420)	3,420	-	(13,170)	(13,170)
Disposal of subsidiaries (note 18)	-	-	-	-	-	-	-	-	-	(1,484)	(1,484)
Total comprehensive loss for the year	-	-	(1,775)	-	-	-	-	(380,376)	(382,151)	(3,215)	(385,366)
At 31 December 2019	<u>938</u>	<u>3,995,137</u>	<u>(1,842)</u>	<u>15,570</u>	<u>(15,000)</u>	<u>25,893</u>	<u>-</u>	<u>(4,130,843)</u>	<u>(110,147)</u>	<u>8,829</u>	<u>(101,318)</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the twelve months ended 31 December 2020

	Notes	Twelve months ended	
		31 December	
		2020	2019
		HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Net cash (used in)/generated from operating activities		(52,247)	281
Cash flows from investing activities			
Net cash outflow from disposal of subsidiaries	18	(10,723)	(841)
Acquisition of a subsidiary		(492)	–
Interest received		–	18
Proceeds from disposal of property, plant and equipment		534	32
Purchase of property, plant and equipment		(1,027)	(27)
Net cash outflow from deconsolidation of subsidiaries	17	–	(8,380)
Net cash used in investing activities		(11,708)	(9,198)
Cash flows from financing activities			
Consideration paid for convertible bonds restructure		–	(499)
Dividend received		–	–
Interest paid		–	(111)
Capital element of lease payments		(3,944)	(5,589)
Interest element of lease payments		(53)	(325)
Proceeds from issuance of shares		41,001	5,080
Loan from a shareholder		38,500	–
Advances from other payables		–	1,199
Net cash generated from/(used in) financing activities		75,504	(245)
Net increase/(decrease) in cash and cash equivalents		11,549	(9,162)
Cash and cash equivalents at beginning of the period		13,525	22,910
Effect of foreign exchange rate changes		530	(223)
Cash and cash equivalents at end of the period		25,604	13,525

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

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

The address of the principal place of business of the Company is 19/F, One Hennessy, 1 Hennessy Road, Wan Chai, Hong Kong and the Company has been registered as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance since 4 September 2007.

2. BASIS OF PREPARATION

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

The unaudited interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the consolidated financial statements of the Company for the year ended 31 December 2019, except for the accounting policy changes that are expected to be reflected in the consolidated financial statements for the eighteen months ending 30 June 2021. Details of these changes in accounting policies are set out in note 3.

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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

On 31 December 2020, the Company announced the change in its financial year end date from 31 December to 30 June. Accordingly, the current financial period will cover an eighteen-month period from 1 January 2020 to 30 June 2021. The unaudited interim condensed consolidated financial information now presented covers a twelve-month period from 1 January 2020 to 31 December 2020, and the comparative figures in this unaudited interim condensed consolidated financial information cover a twelve-month period from 1 January 2019 to 31 December 2019.

The unaudited interim condensed consolidated financial statements contain the condensed consolidated statement of financial position of the Group as at 31 December 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 twelve-month period then ended and selected explanatory notes. The notes include an explanation of events and transactions that are significant to understanding the changes in financial position and performance of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements were made up. The interim condensed consolidated financial statements and notes thereto do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). The interim condensed consolidated financial statements are unaudited, but have been reviewed by the audit committee and the board (the “Board”) of directors (the “Directors”) of the Company.

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

Deconsolidation of subsidiaries of the Company

As disclosed in the consolidated financial statements for the year ended 31 December 2019 contained in the annual report for that year (the “2019 Annual Report”), during the time between 31 December 2019 and the publication of the 2019 Annual Report, despite repeated verbal, written request and physical meeting in Beijing, PRC, the Board has been unable to obtain cooperation from legal representative, directors and key management of its subsidiary, 和協海峽融資擔保有限公司 (Harmonic Strait Credit Guarantee Company Limited*) (“Harmonic Strait” or the “Deconsolidated Subsidiary”), and the subsidiaries of Harmonic Strait namely 深圳瀚宏供應鏈管理有限公司 (Shenzhen Hanhong SCM Co., Ltd.*) and 深圳薩尼威國際貿易有限公司 (Shenzhen Sunnyway International Trade Company Limited*) (together with Harmonic Strait, collectively known as the “Deconsolidated Subsidiaries”).

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

* For identification purpose only.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION *(Continued)*

Deconsolidation of subsidiaries of the Company *(Continued)*

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

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

Further details of the Deconsolidated Subsidiaries are set out in note 17.

Going concern basis

The Group recorded a loss attributable to equity shareholders of the Company of approximately HK\$52,635,000 for the twelve months ended 31 December 2020 and, as of that date, the Group had net current liabilities and net liabilities of approximately HK\$136,924,000 and HK\$121,150,000 respectively. These conditions indicate the existence of a material uncertainty which may cast doubt on the Group’s ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Notwithstanding the above conditions, the unaudited interim condensed consolidated financial statements were prepared based on the assumption that the Group can be operated as a going concern after taking into consideration the completion of the rights issue (the “Rights Issue”) and the subscription (the “Subscription”) as stipulated in the circular and the prospectus of the Company dated 4 November 2020 and 11 December 2020 respectively, which raised net proceeds of approximately HK\$284 million in aggregate in January 2021.

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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. CHANGE IN ACCOUNTING POLICIES

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

Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. REVENUE

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

Disaggregation of Revenue

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

	Twelve months ended	
	31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Sales of party products	26,463	40,965
Brokerage commission income and assets management income (excluded interest income from cash and margin client and investment income)	–	76
Trading of commodities	21,033	–
Sales of security products	–	79,502
Provision of security services	784	2,419
	<u>48,280</u>	<u>122,962</u>
Revenue from other sources		
Interest income from cash and margin client earned from securities brokerage and assets management business	756	650
Investment income under assets management segment	22,742	–
Interest income from advancing business	–	12,001
	<u>23,498</u>	<u>12,651</u>
Total	<u><u>71,778</u></u>	<u><u>135,613</u></u>
Disaggregation by timing of revenue recognition within the scope of HKFRS 15		
— At a point in time	47,496	120,543
— Over time	784	2,419
	<u><u>48,280</u></u>	<u><u>122,962</u></u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. OTHER REVENUE AND OTHER NET GAIN

	Twelve months ended	
	31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Reversal of lease liabilities	1,390	–
Net exchange (loss)/gain	(15)	954
Interest income	119	18
Dividend income	1	–
Loss on convertible bonds restructure (<i>note 14(a)</i>)	–	(1,693)
Fair value loss on derivative financial assets	–	(1,546)
Realised loss on disposal of trading securities	–	(498)
Unrealised loss on fair value changes in trading securities	–	(67)
Sundry income	639	11,057
Loss on written off of property, plant and equipment	–	(1,600)
Gain on disposal of property, plant and equipment	39	–
	<u>2,173</u>	<u>6,625</u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. LOSS BEFORE TAX

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

	Twelve months ended	
	31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
(a) Finance costs		
Interest on convertible bonds	12,308	14,000
Interest on shareholder's loan	806	–
Interest on lease liabilities	29	762
Interest on other borrowings	1,026	922
	<u>14,169</u>	<u>15,684</u>
Total	<u><u>14,169</u></u>	<u><u>15,684</u></u>
(b) Other non-operating expenses		
Gain on disposal of subsidiaries	(190)	(2,616)
Loss on termination of profit guarantees and cancellation of convertible bonds	6,939	–
Loss on deregistration of a subsidiary	–	159
Loss on deconsolidation of subsidiaries	–	120,156
Others	643	–
	<u>7,392</u>	<u>117,699</u>
Total	<u><u>7,392</u></u>	<u><u>117,699</u></u>
(c) Impairment losses on:		
Impairment loss on goodwill	–	43,235
Impairment loss on intangible assets	–	28,681
Impairment loss on interest in an associate	–	46,445
Impairment loss on property, plant and equipment	–	294
Impairment loss on right-of-use asset	–	1,912
Impairment loss on loan receivable, net	89	111,128
Impairment loss on trade receivables, net	5,430	18,245
Impairment loss on prepayments, deposits and other receivables, net	10,779	18,350
	<u>16,298</u>	<u>18,350</u>
Total	<u><u>16,298</u></u>	<u><u>268,290</u></u>
(d) Other items		
Amortisation of intangible assets	–	5,411
Depreciation on property, plant and equipment	2,981	5,630
Depreciation on right-of-use assets	72	11,083
	<u>72</u>	<u>11,083</u>
Total	<u><u>72</u></u>	<u><u>11,083</u></u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. INCOME TAX (EXPENSES)/CREDIT

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

	Twelve months ended	
	31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Current tax — Hong Kong Profits Tax		
Under-provision in prior years	–	(276)
Current tax — PRC Income Tax		
Charged for the period	(3)	(3,050)
Under-provision in prior years	–	(172)
	(3)	(3,498)
Deferred tax credit	–	3,926
Total income tax (expense)/credit	<u>(3)</u>	<u>428</u>

No provision for Hong Kong Profits Tax has been made for the twelve months ended 31 December 2020 as the Group has no assessable profits for the period (year ended 31 December 2019: HK\$Nil).

The provision for PRC Income Tax for the twelve months ended 31 December 2020 was calculated at 25% of the estimated assessable profits for the period (2019: 25%).

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

8. DIVIDEND

The Board did not recommend the payment of an interim dividend for the twelve months ended 31 December 2020 and year ended 31 December 2019.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. LOSS PER SHARE

The calculation of basic loss per share is based on:

	Twelve months ended 31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
The consolidated loss attributable to equity shareholders of the Company	<u><u>(52,635)</u></u>	<u><u>(380,376)</u></u>
	Number of shares	
		*(restated)
The weighted average number of ordinary shares in issue	<u><u>115,646,512</u></u>	<u><u>93,498,580</u></u>

* Restated as a result of the share consolidation on the basis of every ten then existing shares of HK\$0.001 each consolidated into one consolidated share of HK\$0.01 each with effect from 1 December 2020.

The calculation of diluted loss per share does not assume the exercise of the Company's outstanding share options or conversion of outstanding convertible bonds which had anti-dilutive effect and would result in a reduction in loss per share during the twelve months ended 31 December 2020 and year ended 31 December 2019. Therefore, the diluted loss per share is same as basic loss per share during the twelve months ended 31 December 2020 and year ended 31 December 2019.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. TRADE RECEIVABLES

	At 31 December 2020	At 31 December 2019
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Trade receivables arising from securities brokerage and assets management:		
— Clients arising from dealing in securities	3,555	2,788
— Investment income	22,681	—
	26,236	2,788
Trade receivables arising from trading of party products	10,077	9,303
Trade receivables arising from trading of commodities	23,969	—
Interest receivables arising from advancing business	12,387	12,387
Trade receivables arising from trading of security products	—	5,449
Trade receivables arising from provision of security services	—	7,834
	72,669	37,761
<i>Less: Impairment</i>	(16,155)	(19,107)
	56,514	18,654

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

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

	At 31 December 2020	At 31 December 2019
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Within 30 days	35,094	5,265
31 to 60 days	969	5,294
61 to 90 days	2,872	4,056
Over 90 days	17,579	4,039
	56,514	18,654

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. CONTINGENT CONSIDERATION RECEIVABLES

Contingent consideration receivables as at 31 December 2019 represent the profit guarantee in respect of 德威可信(北京)科技有限公司 (Dewe Kexin (Beijing) Technology Co., Ltd*) (“Dewe Kexin”) and International Security Net Co., Limited (“International Security Net”) (collectively the “Acquired Group”) for each of the years ended 31 December 2018, 2019 and 2020 (the “Relevant Years”) given by the vendors (the “Vendors”) to the Group in relation to the acquisition of the Acquired Group by the Group on 17 December 2018.

Non-fulfillment and termination of profit guarantees

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

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

The cancellation of convertible bonds and termination of profit guarantee has been completed during the Reporting Period. For details, please refer to note 14(b).

* For identification purpose only.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. SHARE CAPITAL

	At 31 December 2020	
	Number of shares	Amount
	'000	HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 each At 1 January 2020	10,000,000,000	10,000,000
Share consolidation (<i>Note (c)</i>)	(9,000,000,000)	–
	<u>1,000,000,000</u>	<u>10,000,000</u>
Ordinary shares of HK\$0.01 each At 31 December 2020		
	<u>1,000,000,000</u>	<u>10,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.001 each At 1 January 2020	937,797	938
Issue of new shares (<i>Notes (a) and (b)</i>)	405,316	405
Share consolidation (<i>Note (c)</i>)	(1,208,802)	–
	<u>134,311</u>	<u>1,343</u>
Ordinary shares of HK\$0.01 each At 31 December 2020		
	<u>134,311</u>	<u>1,343</u>
At 31 December 2019		
	Number of shares	Amount
	'000	HK\$'000
Authorised:		
Ordinary shares of HK\$0.1 each At 1 January 2019	100,000,000	10,000,000
Capital reorganisation (<i>Note (d)</i>)	9,900,000,000	–
	<u>10,000,000,000</u>	<u>10,000,000</u>
Ordinary shares of HK\$0.001 each At 31 December 2019		
	<u>10,000,000,000</u>	<u>10,000,000</u>
Issued and fully paid:		
Ordinary shares of HK\$0.1 each At 1 January 2019	9,327,172	932,717
Issue of new shares (<i>Note (e)</i>)	50,800	5,080
Capital reorganisation (<i>Note (d)</i>)	(8,440,175)	(936,859)
	<u>937,797</u>	<u>938</u>
Ordinary shares of HK\$0.001 each At 31 December 2019		
	<u>937,797</u>	<u>938</u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. SHARE CAPITAL (Continued)

Notes:

- (a) During the Reporting Period, the Company completed a placing of new shares under the general mandate granted to Directors by the shareholders of the Company at the annual general meeting of the Company held on 18 June 2019. An aggregate of 181,463,440 shares were successfully placed at issue price of HK\$0.1 each to not fewer than six places in accordance with the terms and conditions of the relevant placing agreement dated 26 February 2020. The placing of the new shares was completed on 20 April 2020.
- (b) During the Reporting Period, the Company completed another placing of new shares under the general mandate granted to the Directors by the Company's shareholders at the extraordinary general meeting of the Company held on 7 July 2020. On 17 July 2020, the Company and a placing agent entered into a placing agreement pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, of up to 223,852,128 shares, to not less than six independent third parties at a price of HK\$0.105 per placing share. The placing was completed on 4 August 2020.
- (c) The share consolidation (the "Share Consolidation") which consolidated the issued shares of the Company on the basis of every ten shares of HK\$0.001 each into one consolidated share of HK\$0.01 each was approved by the Company's shareholders at an extraordinary general meeting of the Company held on 27 November 2020 and became effective on 1 December 2020.
- (d) The capital reorganisation (the "Capital Reorganisation") announced by the Company on 4 April 2019 was approved by the Company's shareholders at an extraordinary general meeting of the Company on 23 May 2019 and completed on 24 July 2019. The number of authorised shares of the Company was increased from 100,000 million shares of HK\$0.1 each to 10,000,000 million shares of HK\$0.001 each and its authorised capital of HK\$10,000 million remained unchanged on the completion date of the Capital Reorganisation. The Company's issued share capital was reduced from HK\$937,797,200 divided into 9,377,972,000 shares of HK\$0.1 each to HK\$937,797 divided into 937,797,200 shares of HK\$0.001 each on the completion date of the Capital Reorganisation. The Capital Reorganisation comprised the following: (i) the par value of each issued ordinary share of the Company of HK\$0.1 was reduced to HK\$0.0001 by cancelling the paid-up share capital to the extent of HK\$0.0999 on each issued share (the "Capital Reduction"); (ii) immediately after the Capital Reduction becoming effective, each authorised but unissued share was subdivided into 1,000 new ordinary shares of the Company of HK\$0.0001 each ("New Shares") (the "Subdivision"); and (iii) immediately after the Capital Reduction and Subdivision becoming effective, the New Shares were consolidated on the basis that every ten issued and unissued New Shares of HK\$0.0001 each were consolidated into one new ordinary shares of the Company of HK\$0.001 each. A credit of approximately HK\$936,859,000 arising from the Capital Reduction was transferred to the share premium account of the Company. Details of the Capital Reorganisation were set out in the Company's circular dated 26 April 2019 and its announcements dated 4 April 2019, 23 May 2019, 8 July 2019 and 24 July 2019.
- (e) On 18 March 2019, the Company and four subscribers entered into the subscription agreements to issue a total of 300,000,000 new shares of HK\$0.1 each. Subsequently, the Company entered into a termination agreement with one of the four subscribers to terminate issuance of 100,000,000 shares of HK\$0.1 each with effect on 15 July 2019. On the same date, the Company entered into supplemental agreements with each of remaining three subscribers to reduce issuance of shares from 200,000,000 shares to 50,800,000 shares in aggregate. On 22 July 2019, 50,800,000 shares of HK\$0.1 each were allotted and issued to the three subscribers, giving rise to a gross proceeds of approximately HK\$5,080,000. Details of the above were set out in the Company's announcements dated 18 March 2019, 15 July 2019, 17 July 2019 and 22 July 2019.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. TRADE PAYABLES

	At 31 December 2020	At 31 December 2019
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Trade payables arising from trading of party products	9,874	2,796
Trade payables arising from assets management	1,880	–
Trade payables arising from dealing in securities:		
— Clients' money	819	1,924
Trade payable arising from trading of commodities	2,437	–
Trade payables arising from trading of security products	–	3,044
	15,010	7,764

The ageing analysis of trade payables based on the date of the invoices is as follows:

	At 31 December 2020	At 31 December 2019
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Within 30 days	10,708	4,720
31 to 60 days	192	–
61 to 90 days	2,539	–
Over 90 days	1,571	3,044
	15,010	7,764

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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. CONVERTIBLE BONDS

	Note	At 31 December 2020 (Unaudited)			At 31 December 2019 (Audited)		
		Liability portion	Equity portion	Total	Liability portion	Equity portion	Total
		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
2020 Convertible Bonds	(a)	112,768	1,493	114,261	108,601	1,493	110,094
2021 Convertible Bonds	(b)	–	–	–	52,890	24,400	77,290
Total		112,768	1,493	114,261	161,491	25,893	187,384
Representing:							
Current liabilities		112,768	–	112,768	108,601	–	108,601
Non-current liabilities		–	–	–	52,890	–	52,890
Convertible bonds reserve		–	1,493	1,493	–	25,893	25,893

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

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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. CONVERTIBLE BONDS *(Continued)*

(a) *(Continued)*

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

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

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

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

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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. CONVERTIBLE BONDS *(Continued)*

(a) *(Continued)*

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

Upon maturity of the 2020 Convertible Bonds on 18 February 2020, there is default interest at the rate of 10% per annum under the terms of the 2020 Convertible Bonds. The New Bondholder agreed to the Company that it would only charge the Company default interest at the rate of 2.5% per annum until the date of actual repayment by the Company of the total outstanding amount under the 2020 Convertible Bonds with principal amount of HK\$100,000,000.

Reference is made to the circular of the Company dated 4 November 2020 in relation to, among other things, the Share Consolidation. The Share Consolidation has become effective on 1 December 2020. As a result of the Share Consolidation and pursuant to the terms of the 2020 Convertible Bonds, the conversion price of the outstanding 2020 Convertible Bonds has been adjusted from HK\$1.00 per share of HK\$0.001 to HK\$10.00 per consolidated share of HK\$0.01. The maximum number of shares that would be issued upon conversion of all the outstanding 2020 Convertible Bonds at the adjusted conversion price of HK\$10.00 is 10,500,000 consolidated shares. The said adjustments took effect from the close of business on 30 November 2020.

The Rights Issue and the Subscription have been completed as at 25 January 2021. As a result, the following adjustments took place in relation to the outstanding 2020 Convertible Bonds issued by the Company. Immediately prior to the completion of the Rights Issue and the Subscription, the 2020 Convertible Bonds had an outstanding principal amount of HK\$105,000,000, with the maximum number of shares that would be issued upon conversion at the conversion price of HK\$10.00 of all the outstanding 2020 Convertible Bonds being 10,500,000 shares. As a result of completion of the Rights Issue and the Subscription and pursuant to the terms of the 2020 Convertible Bonds, the conversion price of the outstanding 2020 Convertible Bonds has been adjusted from HK\$10.00 per share to HK\$7.91 per share. The maximum number of shares that would be issued upon the conversion of all the outstanding 2020 Convertible Bonds at the adjusted conversion price of HK\$7.91 is 13,274,336 shares. The said adjustments took effect retrospectively from 11 December 2020 (being the day immediately following the record date with regard to determination of the entitlements under the Rights Issue). Notwithstanding the above adjustments to the 2020 Convertible Bonds, the Company intends to repay all the outstanding overdue 2020 Convertible Bonds with part of the net proceeds from the Rights Issue and the Subscription.

As at 31 December 2020, the outstanding interest of the 2020 Convertible Bonds amounted to HK\$7.77 million.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. CONVERTIBLE BONDS *(Continued)*

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

The consideration x (the Guaranteed Profit of Each of the Relevant Years – the Net Profit of Each of the Relevant Years)/the total Guaranteed Profit of the Relevant Years

The Vendors and the Group should procure the auditor nominated by the Group to complete the audited financial statements of the Acquired Group for each of the year ended 31 December 2018, 2019 and 2020 within 3 months after the end of the Relevant Years or any other date as agreed between the Vendors and the Group. The Compensation (if any) should be paid by the Vendors to the Group within 7 business days after determination of the Net Profit of Each of the Relevant Years. The Vendors should be entitled to elect to pay the Compensation in cash or by way of set off against an equivalent principal amount of the 2021 Convertible Bonds. Based on the audited financial statements of the Acquired Group issued on 27 August 2019, the combined audited consolidated profit after tax (excluding extraordinary items and exceptional items) of the Acquired Group under HKFRSs for the year ended 31 December 2018 was approximately HK\$11 million which was not less than the Guaranteed Profit for the year ended 31 December 2018 of HK\$10 million. Accordingly, no Compensation was required to be paid by the Vendors to the Group in relation to the Guarantee Profit for the year ended 31 December 2018.

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

The conversion price of 2021 Convertible Bonds was adjusted from HK\$0.1 per share of HK\$0.1 to HK\$1.0 per share of HK\$0.001 with effect from 24 July 2019 as a result of completion of the Capital Reduction. The maximum number of shares that would be issued upon conversion of all the outstanding 2021 Convertible Bonds at the adjusted conversion price of HK\$1.00 is 70,000,000 shares. Details of the adjustments of the conversion price of the 2021 Convertible Bonds are set out in the Company’s announcement on 24 July 2019.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. CONVERTIBLE BONDS *(Continued)*

(b) (Continued)

On 30 June 2020, the Vendors entered into the sale and purchase agreement with the Group in relation to the disposal by the Group of the entire issued share capital of International Security Net and other receivables for a total consideration of HK\$8,750,000 by way of surrendering by the Vendors of the relevant 2021 Convertible Bonds in principal amount of HK\$8,750,000 issued by the Company and arising from the profit guarantee of the Acquired Group for the financial year ended 31 December 2018 (the “2018 Profit Guarantee”). The transaction has been completed during the Reporting Period.

On 30 June 2020, the Vendors and the Group entered into a supplemental deed, pursuant to which it was mutually agreed that profit guarantee for the years ended 31 December 2019 and 2020 was unfulfilled and be terminated respectively. The Vendors agreed to surrender the corresponding 2021 Convertible Bonds in the principal amount of HK\$26,250,000 and HK\$35,000,000 respectively to the Company for cancellation. The cancellation has been completed during the Reporting Period.

15. PROVISIONS

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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. SEGMENT REPORTING

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

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

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

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

(a) Segment Revenues and Results

The accounting policies of the operating segments are the same as the accounting policies of the Group. Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit or loss, which is a measure of adjusted profit or loss before tax. The adjusted profit or loss before tax is measured consistently with the Group's profit or loss before tax except that certain other revenue and other net gain, other non-operating expenses, finance costs, share of profit of an associate, unallocated corporate income and unallocated corporate expenses are excluded from such measurement.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. SEGMENT REPORTING *(Continued)*

(a) Segment Revenues and Results *(Continued)*

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

	Revenue		Segment results	
	Twelve months ended		Twelve months ended	
	31 December		31 December	
	2020	2019	2020	2019
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Trading of party products	26,463	40,965	(8,995)	(4,541)
Securities brokerage and assets management	23,498	726	19,296	(36,237)
Trading of commodities	21,033	–	55	(11,241)
Advancing business	–	12,001	(611)	(130,671)
Trading of security products and provision of security services	784	81,921	(5,173)	(1,600)
Credit guarantee and investment business	–	–	–	375
	<u>71,778</u>	<u>135,613</u>	4,572	(183,915)
Reconciliation:				
Bank interest income			–	18
Unallocated corporate expenses			(38,173)	(34,966)
Unallocated corporate income			1,887	13,768
Impairment loss on interest in an associate			–	(46,445)
Loss on convertible bonds restructure			–	(1,693)
Fair value loss on derivative financial assets			–	(1,546)
Equity settled share-based payment expenses			–	(1,060)
Finance costs			(14,169)	(15,684)
Share of profit of an associate			–	5,396
Loss on deregistration of subsidiaries			–	(159)
Loss on termination of profit guarantees and cancellation of convertible bonds			(6,939)	–
Gain on disposal of subsidiaries			190	2,616
Loss on deconsolidation of subsidiaries			–	(120,156)
Loss before tax			(52,632)	(383,826)
Income tax (expense)/credit			(3)	428
Loss for the period			<u>(52,635)</u>	<u>(383,398)</u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. SEGMENT REPORTING (Continued)

(b) Segment Assets and Liabilities

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

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

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

As at 31 December 2020

	Trading of party products	Securities brokerage and assets management	Trading of commodities	Advancing business	Trading of security products and provision of security services	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unaudited						
ASSETS						
Segment assets	12,170	23,705	33,377	424	–	69,676
Cash and cash equivalents (including restricted cash)						26,423
Loan receivable						4,911
Interest in an associate						586
Unallocated corporate assets						21,754
Consolidated total assets						<u>123,350</u>
LIABILITIES						
Segment liabilities	10,474	3,528	33,380	713	–	48,095
Convertible bonds						112,768
Shareholder's loan						38,500
Other loan						13,000
Amount due to a deconsolidated subsidiary						8,467
Unallocated corporate liabilities						23,740
Consolidated total liabilities						<u>244,570</u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. SEGMENT REPORTING (Continued)

(b) Segment Assets and Liabilities (Continued)

As at 31 December 2019

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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. SEGMENT REPORTING (Continued)

(c) Geographic information

Revenue

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

	For the twelve months ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Revenue from contracts with customers within the scope of HKFRS 15		
Hong Kong	27,247	43,460
Mainland China	21,033	79,502
	<u>48,280</u>	<u>122,962</u>
Revenue from other sources		
Hong Kong	23,498	12,651
Mainland China	—	—
	<u>23,498</u>	<u>12,651</u>
Total	<u><u>71,778</u></u>	<u><u>135,613</u></u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

16. SEGMENT REPORTING *(Continued)*

(c) Geographic information *(Continued)*

Specified non-current assets

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

	At	At
	31 December	31 December
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Hong Kong	15,254	16,875
Mainland China	591	12,568
	15,845	29,443
Total	15,845	29,443

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

	For the twelve months ended	
	31 December	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Customer A	#	32,556
Customer B	22,681	*
Customer C	21,033	*
Customer D	9,912	*
	9,912	

* The transactions with each of these customers from securities brokerage and assets management business, trading of commodities and trading of party products business did not contribute 10% or more of total revenue of the Group for the twelve months ended 31 December 2019.

The transaction with this customer from trading of security products business did not contribute 10% more of total revenue of the Group for the twelve months ended 31 December 2020.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. DECONSOLIDATION OF SUBSIDIARIES

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

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

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

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

* The English name is for identification purpose only.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. DECONSOLIDATION OF SUBSIDIARIES *(Continued)*

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

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

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. DISPOSAL OF SUBSIDIARIES

For the twelve months ended 31 December 2020

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

HK\$'000

Net assets disposed of:

Property, plant and equipment	16
Cash and cash equivalents	10,740
Trade receivables	5,449
Prepayment, deposits and other receivables	5,749
Trade payables	(3,044)
Accruals and other payables	(6,179)
Tax payable	(2,961)
	9,770

Loss on disposal of a subsidiary:

Loan payable pledged by the Company's equity interest in Dewe Kexin	5,595
Less:	
Net assets disposed of	9,770
Goodwill	11,188
Intangible assets	489
Deferred tax liabilities	(2,797)
Non-controlling interest	(8,899)
Translation reserve release upon disposal	101
	(4,257)

Loss in disposal of a subsidiary (4,257)

Net cash outflow arising on disposal:

Cash and bank balances disposed of	(10,740)
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As disclosed in the above note 14(b), on 30 June 2020, the Vendors entered into the sale and purchase agreement with the Group in relation to the disposal by the Group of the entire issued share capital of International Security Net and the other receivables for a total consideration of HK\$8,750,000 by way of surrendering by the Vendors of the relevant 2021 Convertible Bonds in principal amount of HK\$8,750,000 issued by the Company and arising from the 2018 Profit Guarantee. The disposal has been completed on 31 December 2020.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the twelve months ended 31 December 2020 *(Continued)*

HK\$'000

Net liabilities disposed of:

Cash and cash equivalents (overdrawn)	(17)
Trade receivables	199
Prepayment, deposits and other receivables	3,626
Accruals and other payables	(6,220)
	(2,412)
	(2,412)

Gain on disposal of a subsidiary:

Convertible bonds surrendered and cancelled	7,629
Less:	
Net liabilities disposed of	(2,412)
Other receivables disposed of	5,594
	4,447
	4,447

Gain on disposal of a subsidiary

4,447

Net cash inflow arising on disposal:

Cash and bank balances (overdrawn) disposed of	17
	17

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2019

(a) Disposal Group 1

In December 2019, the Company entered into sale and purchase agreement with an independent third party (“Purchaser 1”) to dispose certain subsidiaries which listed as below. The disposal was completed on 27 December 2019.

List of disposed subsidiaries and its subsidiaries (collectively “Disposal Group 1”):

Name of subsidiary	Place of establishment/ incorporation and operation	Particulars of issued and paid up/ registered capital	Group’s effective interest	Principal activities
Gold Classic Group Limited	BVI	USD1	100%	Investment holding
Blooming Charm Company Limited	BVI	USD1	100%	Investment holding
AIF Corporate Management Limited	BVI	USD1	100%	Investment holding
World Paradise Limited	BVI	USD1	100%	Investment holding
Aceland Enterprises Limited	BVI	USD1	100%	Investment holding
Asiaciti Limited	BVI	USD1	100%	Investment holding
AIF Fund Management Holdings Limited	BVI	USD50,000	100%	Investment holding
AIF Television Culture Communication Company Limited	BVI	USD1	100%	Investment holding
China Cloud Copper Company Limited	BVI	USD1	100%	Inactive
重慶富甲天下股權投資基金管理有限公司 Chongqing Fujia Tianxia Equity Investment Fund Management Co., Limited*	PRC	RMB50,000,000	90%	Inactive
江蘇長青寶科技有限公司 Jiangsu Chang Qing Bao Technology Co., Ltd*	PRC	RMB10,000,000	70%	Inactive

* The English name is for identification purpose only.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2019 *(Continued)*

(a) Disposal Group 1 (Continued)

Details of net assets of Disposal Group 1 at date of disposal were as follows:

	<i>HK\$ '000</i>
Net assets disposed of:	
Deposits and other receivables, net of impairment	7,721
Cash and cash equivalents	723
Accruals and other payables	<u>(1,878)</u>
	<u>6,566</u>
Gain on disposal of subsidiaries:	
Consideration receivables	6,110
Less:	
Net assets disposed of	6,566
Non-controlling interest	(1,484)
Translation reserve release upon disposal	<u>(72)</u>
Gain on disposal of subsidiaries	<u>1,100</u>
Net cash outflow arising on disposal:	
Cash and bank balances disposal of	<u>(723)</u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. DISPOSAL OF SUBSIDIARIES (Continued)

For the year ended 31 December 2019 (Continued)

(b) Disposal Group 2

In December 2019, the Company entered into sale and purchase agreement with an independent third party (“Purchaser 2”) to dispose certain subsidiaries which listed as below. The disposal was completed on 27 December 2019.

List of disposed subsidiaries and its subsidiaries (collectively “Disposal Group 2”):

Name of subsidiary	Place of establishment/ incorporation and operation	Particulars of issued and paid up capital	Group’s effective interest	Principal activities
Hyclon Limited	Hong Kong	HK\$1	100%	Inactive
AIF Energy and Resources Investments Limited	Hong Kong	HK\$1	100%	Investment holding
AIF Healthtech Limited	Hong Kong	HK\$1	100%	Investment holding
AIF Mining Technology Development Limited	Hong Kong	HK\$100	100%	Investment holding
Asia Investment Finance Limited	Hong Kong	HK\$1	100%	Inactive

Details of net assets of Disposal Group 2 at date of disposal were as follows:

	<i>HK\$ '000</i>
Net assets disposed of:	
Right-of-use assets	2,471
Deposits and other receivables, net of impairment	664
Cash and cash equivalents	118
Lease liabilities	(4,338)
Accruals and other payables	(310)
	<u>(1,395)</u>
Gain on disposal of subsidiaries:	
Consideration receivables	118
Less:	
Net liabilities disposed of	(1,395)
Translation reserve release upon disposal	(3)
	<u>1,516</u>
Net cash outflow arising on disposal:	
Cash and bank balances disposal of	(118)
	<u>2,616</u>
Total gain on disposal of Disposal Group 1 and Disposal Group 2	<u>2,616</u>

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. RELATED PARTY TRANSACTIONS

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

- (a) During the Reporting Period, the Group entered into agreements (the “Agreements”) with Neo Tech Inc., pursuant to which the Group, by paying a premium, would be entitled to the profits (the “Relevant Profits”), if any, from the difference between the opening value and the closing value of the long position of certain investment funds as the underlying assets respectively specified in the Agreements as at the respective dates of expiry of the Agreements. Neo Tech Inc. and its sole beneficial owner, namely Mr. Ng Yu (who is also the chairman of the Company and an executive Director), are the substantial shareholders of the Company. The transactions contemplated under the Agreements (including the payment of the abovementioned premium) were of normal commercial terms and exempted connected transactions according to Chapter 14A of the Listing Rules. Upon expiry of the Agreements, the Relevant Profits in the total amount of HK\$22,681,000 were recognised during the Reporting Period.
- (b) As at 31 December 2020, the Company had outstanding unsecured convertible bonds in principal amount of HK\$100,000,000 held by Neo Tech Inc.. The convertible bonds are charged at 5% (2019: 5%) coupon rate, unsecured and overdue on 18 February 2020. Neo Tech Inc. agreed to the Company that it would only charge the Company default interest at the rate of 2.5% per annum until the date of actual repayment by the Company of the total outstanding amount under the convertible bonds. Further details of the convertible bonds are set out in note 14(a).
- (c) During the Reporting Period, Mr. Ng Yu provided loans in total amount of HK\$38,500,000 to the Company at interest rate of 2.5%, unsecured and repayable on demand. As at 31 December 2020, principal of HK\$38,500,000 and interest of HK\$806,000 were outstanding. The relevant principal and interest were repaid in full on 27 January 2021.
- (d) On 11 September 2020, the Company announced that, among other things, an agreement was entered into by the Company (as issuer) and Neo Tech Inc. (as subscriber) on 31 July 2020 in relation to the Subscription. It was further announced by the Company on 25 January 2021 that the Subscription was completed on that date, pursuant to which a total of 284,673,884 shares were issued and allotted by the Company to Neo Tech Inc. at the price of HK\$0.71 per share. Details of the Subscription were set out in the Company’s announcements dated 11 September 2020, 3 November 2020, 13 January 2021 and 25 January 2021, and its circular dated 3 November 2020.

NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. RELATED PARTY TRANSACTIONS *(Continued)*

(e) Compensation to key management of the Group is as follows:

	For the twelve months ended	
	31 December	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Salaries, allowances and other benefits	2,185	11,437
Contributions to defined contribution retirement plans	27	73
Discretionary bonus	–	150
Equity-settled share-based payment	–	419
	<u>2,212</u>	<u>12,079</u>

20. CAPITAL COMMITMENTS

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

21. EVENTS AFTER THE REPORTING PERIOD

Completion of the Rights Issue and the Subscription

References are made to (i) the announcements dated 11 September 2020, 3 November 2020, 31 December 2020, 13 January 2021 and 25 January 2021, (ii) the circular dated 3 November 2020, and (iii) the prospectus dated 11 December 2020 relating to, among other things, the Rights Issue and the Subscription of the Company. The Rights Issue was approximately 29.35% subscribed and became unconditional on 7 January 2021. 118,259,944 rights shares were issued by the Company for a total consideration of approximately HK\$84 million at the issue price of HK\$0.71 per share. On 25 January 2021, 284,673,884 subscription shares were allotted and issued by the Company to Neo Tech Inc. for a total consideration of approximately HK\$202 million at the subscription price of HK\$0.71 per share. Total net proceeds of approximately HK\$284 million had been raised from the Rights Issue and the Subscription after the Reporting Period.

22. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements for the twelve months ended 31 December 2020 were approved by the Board on 26 February 2021.