

Interim Report 2022



中金投集团

China Financial Services Holdings Ltd

China Financial Services Holdings Limited

(Incorporated in Hong Kong with limited liability)

(Stock code: 605)

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CORPORATE INFORMATION

DIRECTORS

Executive Director

Mr. Zhang Min (*Chief Executive Officer*)

Non-executive Directors

Mr. Wu Xinjiang

Mr. Tao Chun

Independent Non-executive Directors

Mr. Chan Chun Keung

Mr. Lee Ka Wai

Dr. Zhang Xiao Jun

Madam Zhan Lili

COMPANY SECRETARY

Mr. Chung Chin Keung FCCA, FCPA, FCA, CTA

AUDITOR

Baker Tilly Hong Kong Limited

Certified Public Accountants

Registered Public Interest Entity Auditors

AUDIT COMMITTEE

Mr. Lee Ka Wai (*Chairman*)

Mr. Chan Chun Keung

Dr. Zhang Xiao Jun

Mr. Wu Xinjiang

Madam Zhan Lili

REMUNERATION COMMITTEE

Mr. Lee Ka Wai (*Chairman*)

Mr. Chan Chun Keung

Mr. Tao Chun

Dr. Zhang Xiao Jun

Madam Zhan Lili

NOMINATION COMMITTEE

Mr. Lee Ka Wai (*Chairman*)

Mr. Chan Chun Keung

Mr. Tao Chun

Dr. Zhang Xiao Jun

Madam Zhan Lili

BUSINESS RISKS COMMITTEE

Mr. Zhang Min (*Chairman*)

Mr. Lee Ka Wai

Mr. Chan Chun Keung

Dr. Zhang Xiao Jun

Madam Zhan Lili

SHARE REGISTRAR

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FINANCIAL HIGHLIGHTS

	Unaudited six months ended 30 June 2022 <i>HK\$'000</i>	Unaudited six months ended 30 June 2021 <i>HK\$'000</i>	Percentage changes %
Interest and services income	113,918	158,976	(28.3)
Loss for the period attributable to owners of the Company	(40,833)	(100,636)	(59.4)
	<i>HK\$</i>	<i>HK\$</i> (Adjusted)	
Basic loss per share	(0.20)	(0.50)	(60.0)

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Despite China's economy continued to face downward pressure due to COVID-19 and macro uncertainties globally, China's GDP still grew by 2.5% year-on-year in the first half of 2022. In March 2022, the US Federal Reserve raised its benchmark rate by 25 basis points.

Mainland China's property market continued to show uncertainties amid developer debt crunch, a weaker macroeconomic situation and housing surplus. The mortgage boycott movement started in early July and was continuing to spread to multiple cities. All these have added to uncertainties to the Group's mortgage business.

BUSINESS REVIEW

Risk management was the key focus for the Group in the first half of 2022. By limiting the per-loan exposure and loan-to-value ratio, the Group managed to maintain relative stable operations in the regions we were operating in. In early 2022, various Mainland cities has begun strict lock downs, which has impacted both new loan origination as well as the Group's back-end operations.

In the first half of 2022, the Group realized interest and services income of approximately HK\$113,918,000, down by 28.3% compared to the corresponding period of last year.

The percentage of revenue contribution from different operating regions of the Group for both periods is shown below:

	Six months ended 30 June	
	2022	2021
Beijing	39.9%	52.6%
Chengdu & Chongqing	30.1%	17.4%
Shenzhen	10.3%	8.4%
Hong Kong	19.7%	21.6%

FUTURE PROSPECTS

Throughout the first half of 2022, the Company had been working tirelessly on multiple fronts in attempt to fulfil the Resumption Guidance, and has been updating our shareholders and the public via public announcements via quarterly business updates. We are hoping we will see the light at the end of the tunnel soon, and we can once again dedicate our sole focus on growing our loan business in all our operating regions as well as venture into new business opportunities.

In addition, at the time of writing, the Chinese government is gradually relaxing its zero-tolerance approach on COVID-19. We are confident the easing of COVID-19 policies will lead to better business prospects for the Group. With our professionalism and solid experience, we are confident to produce sound and fruitful operating and financial results once the economy rebounds.

FINANCIAL REVIEW

Interest and services income

For the six months ended 30 June 2022 (the “Reporting Period”), the Group reported interest, guarantee and financing consultancy services income of approximately HK\$113,918,000, a decrease of 28.3% as compared to approximately HK\$158,976,000 for the corresponding period in 2021. Decrease in revenue was mainly due to (i) the Group has tighten risk management and took a conservative approach on granting new loans, (ii) in early 2022, various Mainland cities has begun strict lock downs, which has impacted our loan origination.

Interest and handling expenses

Interest and handling expenses represent finance costs for the Reporting Period. The amount was approximately HK\$78,857,000, representing a decrease of 30.2% over the corresponding period in 2021. The decrease in finance costs was caused by repayment of borrowings and loan payables during the Reporting Period.

General and administrative expenses

General and administrative expenses for the Reporting Period were approximately HK\$74,772,000, primarily comprised staff costs and related expenses, legal and professional fee, consultancy fee and general office expenses. The management will continue to act on its stringent measures on costs control to maintain general and administrative expenses at a reasonable level.

Loss for the period

Loss for the Reporting Period attributable to owners of the Company was approximately HK\$40,833,000, representing a decrease of about 59.4% as compared to approximately HK\$100,636,000 for the corresponding period in 2021. Had the provision of interest and handling expenses related to the Incidents been excluded, the Group would have achieved a profit attributable to owners of the Company of approximately HK\$8.5 million.

Financial Resources and Capital Structure

The major non-current assets of the Group were mainly comprised of property, plant and equipment of approximately HK\$12,870,000, loan receivables of approximately HK\$290,524,000, goodwill of approximately HK\$367,661,000, intangible assets of approximately HK\$14,103,000, deposits of approximately HK\$35,000,000, other financial assets of approximately HK\$19,679,000, deferred tax assets of approximately HK\$6,145,000 and interests in associates of approximately HK\$19,874,000.

Current assets mainly comprised of loan receivables of approximately HK\$1,637,733,000, interests receivable of approximately HK\$11,428,000, contingent consideration receivables of approximately HK\$7,115,000, other receivables, deposits and prepayments of approximately HK\$62,435,000, amounts due from associates of approximately HK\$64,565,000, amount due from joint ventures of approximately HK\$2,503,000 and cash and cash equivalents of approximately HK\$432,142,000.

Current liabilities mainly comprised of borrowings and loan payables of approximately HK\$1,381,362,000, liabilities arising from loan guarantee contracts of approximately HK\$107,760,000, security deposits received of approximately HK\$2,940,000, unsecured bonds of approximately HK\$129,956,000, other payables, accruals and deposit received of approximately HK\$94,657,000, amount due to an associate of approximately HK\$2,993,000, income received in advance of approximately HK\$1,518,000, lease liabilities of approximately HK\$5,230,000 and tax payables of approximately HK\$166,580,000.

Non-current liabilities includes borrowings and loan payables of approximately HK\$87,784,000, unsecured bonds of approximately HK\$40,419,000, lease liabilities of approximately HK\$2,503,000 and deferred tax liabilities of approximately HK\$38,990,000.

Employee and Remuneration Policies

As at 30 June 2022, the Group had approximately 118 employees in the PRC and Hong Kong. Competitive remuneration packages and performance-based bonuses are structured to commensurate with individual responsibilities, qualifications, experience and performance. The Group also set up share option scheme and share award scheme for the purpose of providing incentives to eligible grantees. Total staff costs for the Reporting Period were approximately HK\$37,323,000, representing a decrease of 7.5% over the corresponding period in 2021.

Charge on assets

As at 30 June 2022, the Group pledged the entire equity interest of Brilliant Star Capital (Cayman) Limited and KP Financial Holdings Limited, wholly owned subsidiaries of the Company, to secure the issue of the note payable with principal amount of HK\$243,000,000. As at 30 June 2022, the Group had pledged its mortgage loan receivables with net book value of approximately HK\$36,173,000 to secure loan facilities granted to the Group.

Capital Management

The Group's primary objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The capital structure of the Group consists of net debt, which includes the borrowings and loan payables, bank loans, security deposits received, consideration payables, amount due to an associate, unsecured bonds and loan liabilities disclosed in respective notes, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and other reserves.

Based on the Group's current and anticipated level of operation, the Group's future operations and capital requirements will be mainly financial through borrowings and share capital. There were no significant commitments for capital expenditure as at 30 June 2022.

Fair Value Estimation

The carrying amounts less impairment provision of the financial assets and the carrying amounts of the financial liabilities are assumed to approximate their fair values.

Contingent Liabilities

The directors consider that the Group had no material contingent liabilities.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

The board of directors (the “Board” or “Directors”) of China Financial Services Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2022 (the “Reporting Period”) together with the comparative figures as follows:

	Note	Unaudited Six months ended 30 June 2022 HK\$'000	2021 HK\$'000
Interest, guarantee and financing consultancy services income	2	113,918	158,976
Interest and handling expenses	2	(78,857)	(113,067)
Net interest income and service income	2	35,061	45,909
Education consultancy service income	2	1,385	2,778
Other income and other gains and losses	3	12,044	(5,626)
Reversal of impairment losses/ (Impairment losses) on financial instruments	4	6,472	(1,648)
Impairment loss on goodwill		–	(66,670)
General and administrative expenses		(74,772)	(66,533)
Share of results of associates		777	1,613
Share of results of joint ventures		–	(276)
Loss before taxation	5	(19,033)	(90,453)
Income tax	6	(19,808)	(8,437)
Loss for the period		(38,841)	(98,890)
Attributable to:			
Owners of the Company		(40,833)	(100,636)
Non-controlling interests		1,992	1,746
Loss for the period		(38,841)	(98,890)
Loss per share	7	HK\$	HK\$ (Adjusted)
– Basic and diluted		(0.20)	(0.50)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Unaudited Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Loss for the period	(38,841)	(98,890)
Other comprehensive (expenses)/ income for the period, net of income tax		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(47,726)	14,005
Reclassification of cumulative translation reserves upon disposal of a foreign operation	<u>–</u>	<u>(434)</u>
Other comprehensive (expenses)/ income for the period, net of income tax	(47,726)	13,571
Total comprehensive expenses for the period	(86,567)	(85,319)
Attributable to:		
Owners of the Company	(84,712)	(88,097)
Non-controlling interests	(1,855)	2,778
Total comprehensive expenses for the period	(86,567)	(85,319)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Note	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	12,870	22,498
Investment property		1,195	1,250
Goodwill	10	367,661	384,504
Intangible assets		14,103	14,103
Interests in associates		19,874	19,535
Other financial assets	11	19,679	29,074
Loan receivables	12	290,524	322,096
Deposits		35,000	35,000
Deferred tax assets		6,145	6,874
		767,051	834,934
Current assets			
Contingent consideration receivables		7,115	7,115
Loan receivables	12	1,637,733	1,816,339
Account receivables		–	187
Interest receivables	13	11,428	8,273
Other receivables, deposits and prepayments	14	62,435	62,101
Amounts due from associates		64,565	67,137
Amounts due from joint ventures		2,503	923
Cash and cash equivalents		432,142	571,668
		2,217,921	2,533,743
Current liabilities			
Borrowings and loan payables	15	1,381,362	1,391,451
Security deposits received		2,940	3,075
Consideration payables		–	97,429
Other payables, accruals and deposit received		94,657	109,304
Liabilities arising from loan guarantee contracts		107,760	121,942
Amount due to an associate		2,993	3,143
Unsecured bonds	16	129,956	219,489
Income received in advance		1,518	416
Lease liabilities		5,230	9,555
Tax payables		166,580	182,597
		1,892,996	2,138,401
Net current assets		324,925	395,342
Total assets less current liabilities		1,091,976	1,230,276

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

As at 30 June 2022

		At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Non-current liabilities			
Borrowings and loan payables	15	87,784	138,520
Unsecured bonds	16	40,419	34,577
Lease liabilities		2,503	5,720
Deferred tax liabilities		38,990	38,990
		<u>169,696</u>	<u>217,807</u>
NET ASSETS		<u>922,280</u>	<u>1,012,469</u>
EQUITY			
Share capital	17	2,080,113	2,080,113
Reserves		<u>(1,241,008)</u>	<u>(1,156,296)</u>
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		839,105	923,817
Non-controlling interests		<u>83,175</u>	<u>88,652</u>
TOTAL EQUITY		<u>922,280</u>	<u>1,012,469</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to equity shareholders of the Company								
	Share capital <i>HK\$'000</i>	Shares-based compensation reserve <i>HK\$'000</i>	Shares held under the share award scheme <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Statutory surplus reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non-controlling interests <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 January 2022	2,080,113	29,675	(56,661)	(227,603)	227,114	(1,128,821)	923,817	88,652	1,012,469
Loss for the period and other comprehensive expenses	-	-	-	(43,879)	-	(40,833)	(84,712)	(1,855)	(86,567)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(3,622)	(3,622)
Transfer to reserve	-	-	-	-	7,661	(7,661)	-	-	-
At 30 June 2022 (unaudited)	2,080,113	29,675	(56,661)	(271,482)	234,775	(1,177,315)	839,105	83,175	922,280
At 1 January 2021	2,080,113	29,675	(56,661)	(257,776)	219,816	(871,458)	1,143,709	85,483	1,229,192
Loss for the period and other comprehensive income/(expenses)	-	-	-	12,539	-	(100,636)	(88,097)	2,778	(85,319)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(3,238)	(3,238)
Transfer from statutory reserve to accumulated losses upon deregistration of subsidiaries	-	-	-	-	(311)	311	-	-	-
Transfer to reserve	-	-	-	-	3,759	(3,759)	-	-	-
At 30 June 2021 (unaudited)	2,080,113	29,675	(56,661)	(245,237)	223,264	(975,542)	1,055,612	85,023	1,140,635

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Operating activities		
Cash generated from operations	61,511	387,740
Tax paid	(34,745)	(34,133)
Tax refunded	–	763
Net cash generated from operating activities	26,766	354,370
Investing activities		
Dividend received from other financial assets	–	13,530
Advance to an associate	–	(7,506)
Proceeds from disposal of other financial assets	9,682	–
Other investing cash flows	982	1,623
Net cash generated from investing activities	10,664	7,647
Financing activities		
Repayment of bank loans	–	(6,500)
Proceeds from new borrowings	41,300	71,702
Repayment of borrowings	(67,243)	(261,871)
Redemption of unsecured bonds	(87,413)	(53,390)
Dividends paid to non-controlling shareholders	(3,622)	(3,238)
Capital element of lease rentals paid	(4,113)	(5,262)
Interest element of lease rentals paid	(296)	(497)
Other interest paid	(25,472)	(14,123)
Other financing cash flows	(12)	1,995
Net cash used in financing activities	(146,871)	(271,184)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

For the six months ended 30 June 2022

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Net (decrease)/increase in cash and cash equivalents	(109,441)	90,833
Effect of foreign exchange rate changes	(30,085)	(604)
Cash and cash equivalents at beginning of the period	<u>571,668</u>	<u>595,495</u>
Cash and cash equivalents at end of the period	<u>432,142</u>	<u>685,724</u>
Analysis of balances of cash and cash equivalents:		
Cash at banks and in hand	<u>432,142</u>	<u>685,724</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These unaudited condensed consolidated interim financial information for the six months ended 30 June 2022 has been prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated interim financial information and notes does 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 unaudited condensed consolidated interim financial information should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2021. The Group’s policies on financial risk management were set out in the financial statements included in the Company’s 2021 annual report and there have been no significant changes in these policies for the six months ended 30 June 2022, except as described below.

In the current interim period, the Group has applied, for the first time, certain new and revised HKFRSs issued by the HKICPA. The application of the new and revised HKFRSs in the current interim period has had no significant effect on the amounts reported and/or disclosures set out in these condensed consolidated interim financial information.

2. REVENUE AND SEGMENT REPORTING

a) Revenue

The amount of each significant category of revenue during the periods is as follows:

	For the six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest, guarantee and financing consultancy services income from:		
Pawn loans, loan receivables from micro-lending and money-lending	112,542	121,533
Other loan receivables	1,376	37,443
	113,918	158,976
Interest and handling expenses from:		
Bank loans	–	(443)
Borrowings and loan payables	(14,210)	(18,161)
Loan payables from the Incidents	(49,366)	(79,993)
Unsecured bonds	(10,744)	(12,687)
Lease liabilities	(296)	(497)
Other finance costs	(4,241)	(1,286)
	(78,857)	(113,067)
Net interest income and service income	35,061	45,909
Income recognised over time under HKFRS 15:		
Education consultancy service	1,385	2,778

b) Segmental Information

Operating segment information

The Directors have determined that the Group has only one reportable segment as the Group is principally engaged in providing financing service which is the basis to allocate resources and assess performance of the Group for both periods.

There was no customer who individually contributed over 10% of the Group's revenue for the Reporting Period (2021: Nil).

3. OTHER INCOME AND OTHER GAINS AND LOSSES

a) Other Income

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Bank interest income	2,861	2,252
Other interest income from debt securities	484	–
Dividend income from financial assets at FVTPL	–	13,530
Income from government subsidies	1,911	2,798
Other consultancy service income	79	118
Others	5,475	3,474
	10,810	22,172

b) Other Gains and Losses

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
(Loss)/gain on deregistration of subsidiaries	(86)	2,186
Gain on disposal of financial assets at FVTPL	869	–
Loss from changes in fair value of financial assets at FVTPL, net	–	(7,779)
Loss from changes in fair value of contingent consideration receivables	–	(1,551)
Impairment loss on intangible assets	–	(20,444)
Exchange gain/(loss), net	451	(210)
	1,234	(27,798)
Total	12,044	(5,626)

4. (REVERSAL OF IMPAIRMENT LOSSES)/IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Impairment loss on loan and interest receivables from the Incidents	–	813
(Reversal of impairment losses)/impairment losses on loan and other receivables	<u>(6,472)</u>	<u>835</u>
	<u>(6,472)</u>	<u>1,648</u>

5. LOSS BEFORE TAXATION

The Group's loss before taxation is arrived at after charging:

	For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
(a) Staff costs (including directors' emoluments):		
Salaries, allowances and other benefits	34,325	37,257
Contributions to defined contribution retirement plans	<u>2,998</u>	<u>3,104</u>
	<u>37,323</u>	<u>40,361</u>
(b) Other items:		
Depreciation of property, plant and equipment	1,032	1,770
– self-owned assets	4,807	5,743
– right-of-use assets	<u>4,807</u>	<u>5,743</u>

6. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	For the six months ended 30 June 2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Current tax – PRC Enterprise Income Tax		
Provision for the period	20,873	17,872
Over-provision in respect of prior periods	(1,065)	(5,704)
Deferred tax		
Origination and reversal of temporary differences	—	(3,731)
	19,808	8,437

7. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$40,833,000 (2021: HK\$100,636,000) and the weighted average number of ordinary shares in issue less shares held under the Company's share award scheme during the period of 202,323,367 (2021: 202,323,367).

Pursuant to an ordinary resolution passed by shareholders at the special general meeting held on 7 January 2021, every twenty issued existing shares be consolidated into one consolidated share and to round down the number of consolidated shares in the issued share capital of the Company to the nearest whole number by disregarding each and every fractional consolidated share which would otherwise arise therefrom.

Diluted loss per share is not presented as the Company does not have any dilutive potential ordinary share for both periods.

8. INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the Reporting Period (2021: Nil).

9. PROPERTY, PLANT AND EQUIPMENT

Acquisitions of property, plant and equipment

During the six months ended 30 June 2022, the Group acquired property, plant and equipment having a total costs of approximately HK\$411,000 (2021: HK\$2,139,000).

10. GOODWILL

	<i>HK\$'000</i>
At 1 January 2022	384,504
Exchange adjustment	<u>(16,843)</u>
At 30 June 2022 (unaudited)	<u>367,661</u>

Goodwill has been allocated for impairment testing purposes to the following CGUs.

- Financing business in Beijing, PRC (“Division A”)
- Education business in United Kingdom (“Division B”)
- Financing business in Shenzhen, PRC (“Division C”)

The carrying amounts of goodwill as at 30 June 2022 and 31 December 2021 allocated to these units are as below:

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Division A	349,600	365,673
Division B	17,806	18,564
Division C	255	267
	<u>367,661</u>	<u>384,504</u>

11. OTHER FINANCIAL ASSETS

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Financial assets mandatory measured at FVTPL		
– Equity securities listed in Hong Kong	5	1,653
– Unlisted investment funds in the PRC	12,641	13,223
Financial assets designated at FVTPL		
– Unlisted debt securities	7,033	14,198
Total	<u>19,679</u>	<u>29,074</u>

12. LOAN RECEIVABLES

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Pawn loan receivables	251,205	171,876
Loan receivables arising from:		
– Micro-lending	1,163,681	1,365,704
– Money-lending	315,205	328,267
Loan receivables from Incidents	1,318,807	1,074,667
Other loan receivables	257,838	337,727
	3,306,736	3,278,241
Less: Impairment	(1,378,479)	(1,139,806)
	1,928,257	2,138,435
Amounts due within one year	1,637,733	1,816,339
Amounts due after one year	290,524	322,096
	1,928,257	2,138,435

Notes:

The loan receivables in the PRC carry interest plus service charge at a range of monthly effective rates of 0.08% to 3.00% (2021: 0.74% to 3.00%), and the loan receivables in Hong Kong carry interest at a range of monthly effective rates of 0.33% to 5.00% (31 December 2021: 0.33% to 5.00%).

A typical loan generally has a term of 87 days to 30 years (31 December 2021: 30 days to 30 years).

As at 30 June 2022, included in the Group's loan receivables balance are debtors with aggregate carrying amount of HK\$983,630,000 (31 December 2021: HK\$1,037,638,000) which are past due. Out of the past due balances, HK\$903,982,000 (31 December 2021: HK\$888,670,000) has been past due 90 days or more. The Directors consider credit risks have increased significantly for those past due more than 30 days and those past due more than 90 days are considered as credit-impaired.

12. LOAN RECEIVABLES (Cont'd)

a) Maturity profile

As at the end of the Reporting Period, the maturity profile of loan receivables, based on maturity date, is as follows:

At 30 June 2022 (Unaudited)

	Pawn loan receivables HK\$'000	Loan receivables arising from micro-lending HK\$'000	Loan receivables arising from money-lending HK\$'000	Loan receivables from the incidents HK\$'000	Other loan receivables HK\$'000	Total HK\$'000
Due within 1 month or on demand	163,739	598,813	221,340	1,318,807	257,838	2,560,537
Due after 1 month but within 3 months	47,475	113,661	1,217	-	-	162,353
Due after 3 months but within 6 months	20,112	152,618	1,228	-	-	173,958
Due after 6 months but within 12 months	19,879	186,080	14,525	-	-	220,484
Due after 12 months	-	112,509	76,895	-	-	189,404
Impairment	(11,809)	(30,839)	(11,251)	(1,318,807)	(5,773)	(1,378,479)
	239,396	1,132,842	303,954	-	252,065	1,928,257

At 31 December 2021 (Audited)

	Pawn loan receivables HK\$'000	Loan receivables arising from micro-lending HK\$'000	Loan receivables arising from money-lending HK\$'000	Loan receivables from the Incidents HK\$'000	Other loan receivables HK\$'000	Total HK\$'000
Due within 1 month or on demand	135,641	587,800	41,193	1,074,667	337,727	2,177,028
Due after 1 month but within 3 months	3,914	166,412	14,107	-	-	184,433
Due after 3 months but within 6 months	27,520	248,396	17,287	-	-	293,203
Due after 6 months but within 12 months	4,801	234,250	56,575	-	-	295,626
Due after 12 months	-	128,846	199,105	-	-	327,951
Impairment	(12,915)	(35,761)	(10,625)	(1,074,667)	(5,838)	(1,139,806)
	158,961	1,329,943	317,642	-	331,889	2,138,435

13. INTEREST RECEIVABLES

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Interest receivables	11,428	8,273

All of the interest receivables are expected to be recovered within one year.

14. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Non-current asset		
Deposit paid for potential investment project	35,000	35,000
Current assets		
Other receivables	57,535	55,334
Prepayments	1,901	1,529
Deposit placed with brokers	7	1,825
Utility and sundry deposits	2,992	3,413
	62,435	62,101
Total	97,435	97,101

Note:

Except for the deposits paid for potential investment project, all of the other receivables, deposits and prepayments are expected to be recovered or recognised as expense within one year.

15. BORROWINGS AND LOAN PAYABLES

	Note	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Borrowings from employees and independent third parties	(a)	63,602	56,854
Borrowings from shareholders		43,507	3,510
Borrowings from related parties	(b)	31,665	31,392
Loan payables arising from the Incidents		1,159,479	1,229,990
Note payables	(c)	170,893	208,225
		1,469,146	1,529,971
Amounts due within one year		1,381,362	1,391,451
Amounts due after one year		87,784	138,520
		1,469,146	1,529,971

Notes:

- a) The borrowings from the employees and independent third parties bore a financing cost measured at a range of annualised rate of 7% to 9.5% (31 December 2021: 6.5% to 8.5%), were repayable within one year and not secured by any assets or guarantees.
- b) The Group borrowed funds from Geston Limited, a company that is controlled by Madam Lo Wan ("Madam Lo"), a substantial shareholder of the Company. The borrowings bore a finance cost measured at annualised rates ranged from 6% to 9% (31 December 2021: 6% to 9%), and were repayable within one year and not secured by any assets or guarantees.

The Group borrowed funds from Mr. Zhang Min ("Mr. Zhang"), an executive director and chief executive officer of the Company. The borrowings bore a finance cost measured at a range of annualised rates of 7.5% to 7.6% (31 December 2021: 7.5% to 7.6%), were repayable within one year and not secured by any assets or guarantees.

- c) In February 2018, the Company issued note payable with principal amount of HK\$270,000,000. The note bears an interest rate of 8% per annum and is secured by the entire equity interest of Brilliant Star Capital (Cayman) Limited and KP Financial Holdings Limited, wholly-owned subsidiaries of the Group, and personal guarantee given by Mr. Cheung Siu Lam ("Mr. Cheung") and Madam Lo, controlling shareholders of the Company. Mr. Cheung and Madam Lo deposited 930,000,000 shares of the Company into a specific account with the safe keeping agent. The note is repayable in May 2024.
- d) As at 30 June 2022, the aggregate amount of outstanding financial guarantees of the Company under certain financial products issued by third parties amounts to RMB92,155,000 (equivalent to approximately HK\$107,760,000) (31 December 2021: RMB99,700,000 (equivalent to approximately HK\$121,942,000)) if the guarantees were called upon in entirety.

16. UNSECURED BONDS

The Company issued unlisted and unsecured bonds. All of unsecured bonds are carried at amortised cost.

	Coupon rate per annum	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
Unsecured bonds – current liabilities	2.00% to 7.00%	129,956	219,489
Unsecured bonds – non-current liabilities	3.00% to 6.00%	40,419	34,577
		170,375	254,066

17. CAPITAL, RESERVES AND DIVIDENDS

a) Share capital

	No. of shares	HK\$'000
Ordinary shares, issued and fully paid:		
At 1 January 2021	4,185,721,347	2,080,113
Shares consolidation	(3,976,435,280)	–
At 31 December 2021, 1 January 2022 and 30 June 2022	209,286,067	2,080,113

Note:

Share consolidation

Pursuant to an ordinary resolution passed by shareholders at the special general meeting held on 7 January 2021, every twenty issued existing shares be consolidated into one consolidated share and to round down the number of consolidated shares in the issued share capital of the Company to the nearest whole number by disregarding each and every fractional consolidated share which would otherwise arise therefrom.

b) Equity settled share-based transactions

For the six months ended 30 June 2022 and 2021, no share options were granted under the Company's share option scheme.

No options were exercised and lapsed (2021: Nil and Nil), respectively, for the six months ended 30 June 2022.

18. SHARE AWARD SCHEME

On 14 January 2019, the Directors adopted a share award scheme (the "Scheme") to recognise the contribution by any employee(s), director(s) or advisor(s) of any member of the Group (the "Grantees") and to give incentives thereto in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group.

	2022	
	<i>No. of shares</i>	<i>HK\$'000</i>
At 1 January 2021	139,254,000	56,661
Shares consolidation	(132,291,300)	-
At 31 December 2021, 1 January 2022 and 30 June 2022	6,962,700	56,661

Up to the date of approving the Group's unaudited condensed consolidated interim financial statements, no award shares are granted to selected Grantees.

19. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in this interim report, the Group had the following significant transactions with its related parties during the Reporting Period:

a) *Remuneration of key management personnel of the Group*

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors is as follows:

	For the six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Key management personnel compensation:		
– Short-term employee benefits	3,675	3,609
– Post-employment benefits	185	92
	3,860	3,701

19. MATERIAL RELATED PARTY TRANSACTIONS (Cont'd)

b) Financing arrangements

The details of the borrowings from shareholders included in borrowings and loan payables are as follows:

Name	Note	At 30 June 2022 HK\$'000 (Unaudited)	At 31 December 2021 HK\$'000 (Audited)
<i>Short-term borrowings</i>			
– Ms. Cheung Siu Hung	(1)	3,507	3,510
– Mr. Cheung	(2)	40,000	–
		43,507	3,510

Note:

- (1) The loan from Ms. Cheung Siu Hung, a shareholder of the Company and aunt of Dr. Cheung Chai Hong, a former executive director of the Company up to 17 December 2022, is unsecured, bears interest at 7% (31 December 2021: 7%) per annum and is repayable on demand.
- (2) A loan facility up to HK\$150,000,000 with three-month term is granted from Mr. Cheung on 22 April 2022. The term of loan facility can be extended if agreed by both parties. It is unsecured, bears interest at annualized rate at 9% (31 December 2021: Nil). Up to 30 June 2022, the Company has borrowed HK\$40,000,000 and the term of loan facility was extended to 30 January 2023. Related interest expense incurred on this loan during the six months ended 30 June 2022 was approximately HK\$207,000.

c) Transaction with related parties

- (i) The details of consultancy fee paid by the Group during the periods are as follows:

	Note	For the six months ended 30 June 2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Oyster Pie Solutions Limited	(1)	332	473

- (1) A joint venture held by the Group.

19. MATERIAL RELATED PARTY TRANSACTIONS (Cont'd)

c) *Transaction with related parties (Cont'd)*

- (ii) The details of rental paid by the Group are as follows:
- (1) During the six months ended 30 June 2022, the Group paid office rental of approximately HK\$718,000 and HK\$521,000 to 北京元長厚茶葉有限公司 and 北京萬方後海前企業經營管理有限公司, respectively, of which Madam Lo is the legal representative since 5 January 2021. In addition, as at 30 June 2022, the Group had paid rental deposits of approximately HK\$263,000 and HK\$216,000 to 北京元長厚茶葉有限公司 and 北京萬方後海前企業經營管理有限公司, respectively, which was included in "Other receivables, deposits and prepayments" in the consolidated statement of financial position.
 - (2) During the six months ended 30 June 2022, the Group paid rental expenses in respect of former director's quarter of approximately HK\$900,000 (2021: HK\$900,000) to Anton (H.K.) Limited, in which Mr. Cheung and Madam Lo, the controlling shareholders of the Company, have controlling interests. In addition, as at 30 June 2022, the Group had paid rental deposit of HK\$300,000 (31 December 2021: HK\$300,000) to Anton (H.K.) Limited, the amount was included in "Other receivables, deposits and prepayments" in the consolidated statement of financial position.

20. EVENTS AFTER THE REPORTING PERIOD

The followings are the material subsequent events after the Reporting Period ended 30 June 2022.

- (i) On 17 October 2022, Mr. Zhang has been re-designed from a non-executive director to an executive director of the Company and Mr. Fang Feiyue resigned as a non-executive director of the Company to focus on his personal business commitment.
- (ii) On 22 November 2022, the Board announced that Mr. Zhang who is an executive director of the Company has been appointed as the CEO of the Company with effect from 22 November 2022. The Company has established a Business Risks Committee (the "Committee") with Mr. Zhang as the chairman of the Committee and all independent non-executive directors as members. The main responsibility of the Committee is to approve any loan, investment or guarantee transaction exceeding the sum of RMB30,000,000, other than notifiable transactions and connected transactions as defined by the Listing Rules which are approved by the Board.
- (iii) On 16 December 2022, the Board announced that Dr. Cheung Chai Hong has tendered his resignation as an executive director of the Company with effect from 17 December 2022. Mr. Chan Yuk Ming has tendered his resignation as a non-executive director of the Company and chairman of the Board with effect from 17 December 2022.

21. APPROVAL OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of the Company on 6 January 2023.

OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2022, the following directors had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

Long Positions in Shares and Underlying Shares of the Company

Name of Director (Note 1)	Capacity	Number of Ordinary Shares held	Aggregate Long Position in Shares to Issued Share Capital (Note 2)
Cheung Chai Hong	Beneficial owner	10,000	0.0047%
Chan Yuk Ming	Beneficial owner	1,000,000	0.47%

Note:

1. Both Mr. Cheung Chai Hong and Mr. Chan Yuk Ming resigned as directors of the Company with effect from 17 December 2022.
2. The percentage is calculated based on the total number of issued shares as at 30 June 2022.

Save as disclosed above, as at 30 June 2022, none of the directors had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules.

PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2022, the following interests and short positions of 5% or more of the issued share capital of the Company were recorded in the register of substantial shareholders maintained under Section 336 of the SFO or were otherwise notified to the Company:

Long Positions in Shares and Underlying Shares of the Company

Name	Capacity	Number of Ordinary Shares held	Aggregate Long Position in Shares to Issued Share Capital (Note 4)
Cheung Siu Lam	Beneficial owner of 86,002,212 ordinary shares, family interest of 29,662,100 ordinary shares (Note 1)	115,664,312	55.27%
Lo Wan	Beneficial owner of 25,342,100 ordinary shares, interest in controlled corporation (Note 3) of 4,320,000 ordinary shares and family interest of 86,002,212 ordinary shares (Note 2)	115,664,312	55.27%
China United SME Guarantee Corporation	Beneficial owner of ordinary shares	30,259,000	14.46%

Notes:

- By virtue of the SFO, Cheung Siu Lam is deemed to be interested in 29,662,100 ordinary shares held by his spouse, Lo Wan.
- By virtue of the SFO, Lo Wan, being spouse of Cheung Siu Lam, is deemed to be interested in 86,002,212 ordinary shares held by Cheung Siu Lam.
- Arbalice Holdings Limited is beneficially owned by Lo Wan. By virtue of the SFO, Lo Wan are deemed to be interested in 4,320,000 shares held by Arbalice Holdings Limited.
- The percentage is calculated based on the total number of issued shares as at 30 June 2022.

Save as disclosed above, no persons, other than a director whose interests are set out above, had registered an interest or a short position in the shares and underlying shares or debentures of the Company that was required to be recorded under section 336 of the SFO.

SHARE OPTION

The Company adopted a share option scheme on 7 June 2004 (the “2004 Scheme”) which was terminated on 6 June 2014. The Company adopted a new share option scheme (the “2014 Scheme”) at the Company’s annual general meeting held on 20 May 2014. Unless otherwise cancelled or amended, the 2014 Scheme will remain in force for 10 years from that date.

Subsequent to the termination of the 2004 Scheme, no further option can be granted thereunder but in all other respects, the provisions of the 2004 Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

The following share options were outstanding under the 2014 Scheme for the Reporting Period:

Director	Date of offer	Exercise price HK\$	Outstanding at 1.1.2022	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Outstanding at 30.6.2022	Exercise period	Closing price of the securities immediately before the date on which the options were offered HK\$	Fair value of each option at the date of grant HK\$
Other eligible grantees	11.04.14	13.20	1,500,000	–	–	–	1,500,000	11.04.14 – 10.04.24	12.60	9.246
	26.08.15	10.92	2,750,000	–	–	–	2,750,000	26.08.15 – 25.08.25	9.8	5.78

FOREIGN EXCHANGE AND CURRENCY RISKS

The Group’s monetary assets, liabilities and transactions are principally denominated in Renminbi (“RMB”) and Hong Kong Dollars (“HKD”). The Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against RMB. The Group has a net exchange exposure to RMB as the Group’s assets are principally located in the PRC. The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its statement of financial position exposure to fluctuations in exchange rates as at 30 June 2022.

Contingent liabilities

The Directors consider that the Group had no material contingent liabilities as at 30 June 2022.

APPROVAL OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of the Company on 6 January 2023.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There was no purchase, sale or redemption by the Company or any of its subsidiaries of its securities during the six months ended 30 June 2022.

SHARE AWARD SCHEME

During the Reporting Period, there were 6,962,700 shares held in trust by the trustee under the Share Award Scheme and no awards have been granted or agreed to be granted under Share Award Scheme.

Up to the date of approving the Group's unaudited condensed consolidated interim financial statements, no award shares were granted to selected Grantees.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the Reporting Period (six months ended 30 June 2021: Nil).

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the Reporting Period, except for code provisions A.2.1 and A.6.1:

Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing.

The Board considers that the chairman's responsibilities are to manage the Board whereas the chief executive officer's responsibilities are to manage the Company's businesses. The responsibilities of the chairman and the chief executive officer respectively are clear and distinctive and hence written terms thereof are not necessary.

On the date of this report Mr. Zhang Min is the chief executive officer of the Company and assume the duties of chairman of the Board temporarily until a new chairman has been elected.

Code Provision A.6.1

Code provision A.6.1 of the CG Code stipulates that every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on appointment. Subsequently he should receive any briefing and professional development necessary to ensure that he has a proper understanding of the issuer's operations and business and is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies.

There is currently no arrangement in place for providing professional briefings and training programmes to directors. Nevertheless, the directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. The Company would consider to engage external legal and other professional advisers for providing professional briefings and training programmes to directors whenever necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Company Code") on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Company Code throughout the Reporting Period.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

AUDIT COMMITTEE

The audit committee of the Company (the “Audit Committee”), which comprises one non-executive director and four independent non-executive directors, has reviewed the interim results for six months ended 30 June 2022. The Audit Committee considered that the unaudited condensed consolidated interim financial information for the Reporting Period is in compliance with the relevant financial reporting standards, requirement on the Listing Rules and Laws of Hong Kong, and the Company has made appropriate disclosures thereof. The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the chief financial officer or external auditors of the Company before submission to the Board.
- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.
- To review the adequacy and effectiveness of the Company’s financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee provides supervision on the internal control system of the Group and reports to the Board on any material issues and makes recommendations to the Board.

On behalf of the Board
Zhang Min
Executive Director & Chief Executive Officer

Hong Kong, 6 January 2023