



# 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)



**Interim Report** **2020**

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## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors

Mr. Luo Rui (*Chief Executive Officer*)  
Madam Guan Xue Ling  
Dr. Cheung Chai Hong

#### Non-executive Directors

Mr. Chan Yuk Ming (*Chairman*)  
Mr. Cheung Siu Lam  
Mr. Dong Yibing  
Madam Huang Mei

#### Independent Non-executive Directors

Mr. Chan Chun Keung  
Mr. Chan Wing Fai  
Dr. Zhang Xiao Jun  
Madam Zhan Lili

### COMPANY SECRETARY

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

### AUDITORS

Crowe (HK) CPA Limited

### AUDIT COMMITTEE

Mr. Chan Wing Fai (*Chairman*)  
Mr. Chan Chun Keung  
Dr. Zhang Xiao Jun  
Madam Huang Mei  
Madam Zhan Lili

### REMUNERATION COMMITTEE

Mr. Chan Wing Fai (*Chairman*)  
Mr. Chan Chun Keung  
Mr. Dong Yibing  
Dr. Zhang Xiao Jun  
Madam Zhan Lili

### NOMINATION COMMITTEE

Mr. Chan Yuk Ming (*Chairman*)  
Mr. Chan Chun Keung  
Mr. Chan Wing Fai  
Mr. Dong Yibing  
Dr. Zhang Xiao Jun  
Madam Zhan Lili

### PRINCIPAL BANKER

Bank of Beijing

### SHARE REGISTRAR

Tricor Tengis Limited  
Level 54  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

### REGISTERED OFFICE

Suite 5606  
56th Floor  
Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

### STOCK CODE: 605

### WEBSITE

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

### INVESTORS RELATION

[0605ir@cfsh.com.hk](mailto:0605ir@cfsh.com.hk)

## FINANCIAL HIGHLIGHTS

	<b>Unaudited six months ended 30 June 2020 HK\$'000</b>	Unaudited six months ended 30 June 2019 HK\$'000	Percentage changes
Interest, guarantee and financing consultancy services income	<b>307,732</b>	415,301	(25.9%)
Profit for the period attributable to equity shareholders of the Company	<b>70,567</b>	138,579	(49.1%)
Basic earnings per share	<b>HK\$1.70 cents</b>	HK3.32 cents	(48.8%)
Dividend	<b>Nil</b>	Nil	N/A

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY REVIEW

In the first half of 2020, the outbreak of COVID-19 brought an unprecedented test to China's economy. According to the data released by the National Bureau of Statistics of China, the economic growth in the first quarter of 2020 recorded a 6.8% decline compared to the same period last year. However, with the continuous improvement of the epidemic prevention and control and the resumption of manufacture production, China's economy rebounded rapidly and achieved a 3.2% year-on-year growth in the second quarter. In terms of the credit market, the overall loan volume rose while the interest rate declined significantly in the first half as a result of quantitative easing in major economies. Due to the suppression of the epidemic on consumption, offline entertainment and tourism industries, there is still a gap in short-term loans at the retail end compared with last year. In terms of asset price, the rising transaction volume of real estate in first-tier cities once led to a nationwide rise in housing prices. With the tightening housing market regulation and the stricter property-purchasing limitations and credit provisions, the housing prices continued to revert to a reasonable level.

### BUSINESS REVIEW

Our Group is one of the leading integrated financial services providers in Mainland China and Hong Kong. The Group mainly engages in the provision of one-stop financing services to small and medium enterprises, microenterprises and individuals.

In the first half of 2020, the group was facing various adverse factors as a result of COVID-19 epidemic and the rising tensions between China and the U.S. In Mainland China, city lockdowns in February/March have affected our new loan origination which resulted in about 50% decline in net profit and about 26% decline in revenue as compared to the corresponding period of last year. The loan management size amounted to approximately HK\$3,885 million, down by about 11.8% as compared to the figure as at 31 December 2019.

## FUTURE PROSPECTS

In the first half of 2020, the Covid-19 has brought the world economy the biggest impact since 'The Great Depression', and it's still on the loose as of today. As the virus is still spreading many parts of the world, it might be difficult to predict when would the current wave of outbreak end. Meanwhile, the epidemic is already well under control in China, and the domestic production and consumption has been restored and stimulations such as expansionary monetary policy and spending stimulus have been made to boost the economy. As an all-rounded financial service provider in the Greater China Area, the majority of the Group's business is secured by real estate properties, while asset prices, buoyed by the easy monetary environment, has shown a moderate rise; we do not expect real estate prices to decline sharply in the short term. Therefore, the Group expects the direct impact from the Covid-19 to be minimal.

On the other hand, the economy has been being more pressurized due to the uncertainty from the escalating Sino-US tensions, the rise of national conservatism in the U.S. as well as the approaching U.S. presidential election. We would possibly expect a further deterioration of the bilateral relation, which will inevitably affect the economies of Mainland China and Hong Kong, bringing more challenges to the Group's credit risk management.

As a result, the Group will pay close attention to the progression of epidemic control and the Sino-US relations, and closely monitor relevant macroeconomic indicators in each business area, such as the unemployment rate, household consumption and real estate prices, etc. By further strengthening the management of net credit exposure and the stress testing of solvency and loan-to-value ratio, the Group's overall risk resistance capacity will be further improved.

## FINANCIAL REVIEW

For the six months ended 30 June 2020 (the "Reporting Period"), the Group reported interest, guarantee and financing consultancy services income of approximately HK\$307,732,000, a decrease of 25.9% as compared to approximately HK\$415,301,000 for the corresponding period in 2019. Profit attributable to equity shareholders in the Reporting Period was approximately HK\$70,567,000 down 49.1% as compared to the corresponding period last year. The loans receivable as at 30 June 2020 was about HK\$3,885,169,000, down 14.1% as compared to the corresponding period last year.

## Interest and handling expenses

Interest and handling expenses represent finance costs for the Reporting Period. The amount was approximately HK\$70,959,000, representing a decrease of 10.6% over the corresponding period in 2019. The decrease in finance costs was caused by repayment of borrowings and other payables and some bank loans during the Reporting Period.

## General and administrative expenses

General and administrative expenses for the Reporting Period were approximately HK\$116,148,000, primarily comprised staff costs, consultancy fee, provision for doubtful debts and intermediary handling charges. The management will continue to act on its stringent measures on costs control to maintain general and administrative expenses at a reasonable level.

## Profit for the period

The profit for the period attributable to equity shareholders for the Company was approximately HK\$70,567,000, representing a decrease of about 49.1% as compared to approximately HK\$138,579,000 for the corresponding period last year.

## Financial Resources and Capital Structure

The assets of the Group were mainly comprised of loans receivable of approximately HK\$3,885,169,000, accounting for 70.7% of the total assets of the Group as at 30 June 2020. Other major non-current assets include goodwill of approximately HK\$585,469,000, property, plant and equipment of approximately HK\$20,119,000, intangible assets of approximately HK\$19,371,000, other financial assets of approximately HK\$40,272,000, deferred tax assets of approximately HK\$40,210,000 and interests in associates of approximately HK\$19,082,000.

Current assets mainly comprised of accounts receivable of approximately HK\$13,750,000, interests receivable of approximately HK\$32,536,000, contingent consideration receivables of approximately HK\$10,682,000, other receivables, deposits and prepayments of approximately HK\$42,006,000, amount due from an associate of approximately HK\$44,557,000 pledged bank and security deposits paid of approximately HK\$33,823,000, and cash and cash equivalents of approximately HK\$708,874,000.

Current liabilities mainly comprised of borrowings and other payables of approximately HK\$808,102,000, bank loans of approximately HK\$143,936,000, consideration payables of approximately HK\$95,774,000, security deposits received of approximately HK\$32,721,000, unsecured bonds of approximately HK\$28,161,000, accruals and other deposit received of approximately HK\$83,191,000, amount due to an associate of approximately HK\$2,824,000, income received in advance of approximately HK\$2,425,000, lease liabilities of approximately HK\$7,380,000 and tax payable of approximately HK\$80,049,000.

Non-current liabilities includes unsecured bonds of approximately HK\$269,606,000, consideration payables of approximately HK\$96,512,000, lease liabilities of approximately HK\$2,606,000 and deferred tax liabilities of approximately HK\$35,032,000.

### **Charge on assets**

As at 30 June 2020, the Group pledged the entire equity interest of Brilliant Star Capital (Cayman) Limited, a wholly owned subsidiary of the Company, to secure the issue of the note payable with principal amount of HK\$243,000,000. As at 30 June 2020, the bank loans of approximately HK\$65,686,000 were secured by a guarantee provided by a guarantor, an independent third party. Approximately HK\$125,450,000 loans receivable and 30% of equity interest in CFSH Urban Development (Beijing) Small Co. Limited (北京中金城開小額貸款有限公司), a subsidiary of the Company were pledged to the guarantor. As at 30 June 2020, a bank loan of HK\$42,500,000 was secured by the Group's bank deposits of HK\$25,000,000. As at 30 June 2020; approximately HK\$254,000,000 loan receivable was pledged to the Bank of East Asia, Limited as security for the certain deferred payment in relation to the acquisition of Shenzhen Credit Gain and Chongqing Credit Gain.

### **Exposure to fluctuations in exchange rates and any related hedges**

Majority of the subsidiaries of the Company operate in the PRC with most of the transactions denominated and settled in RMB. Fluctuations of exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidated accounts. If RMB appreciates/depreciates against HK\$, the Group would record a(n) increase/decrease in the Group's net asset value. During the Reporting Period, the Group had not used derivative financial instruments to hedge against its foreign currency risk.



## Contingent liabilities

The Directors consider that the Group had no material contingent liabilities as at 30 June 2020.

## Employee and Remuneration Policies

As at 30 June 2020, the Group had approximately 346 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\$46,784,000.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020 – unaudited

		For the six months ended 30 June	
	Note	2020 HK\$'000	2019 HK\$'000
<b>Interest, guarantee and financing consultancy services income</b>	4	<b>307,732</b>	415,301
Interest and handling expenses	4	<b>(70,959)</b>	(79,388)
<b>Net interest income and service income</b>	4	<b>236,773</b>	335,913
Education consultancy service income	4	<b>2,447</b>	3,089
Other income, net	5	<b>33,643</b>	27,206
General and administrative expenses		<b>(116,148)</b>	(127,423)
Impairment losses on financial instruments	6	<b>(36,514)</b>	(13,015)
Share of losses of associates		<b>(778)</b>	(1,408)
Share of losses of joint ventures		<b>(289)</b>	(473)
<b>Profit before taxation</b>	7	<b>119,134</b>	223,889
Income tax	8	<b>(44,259)</b>	(64,656)
<b>Profit for the period</b>		<b>74,875</b>	159,233
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>70,567</b>	138,579
Non-controlling interests		<b>4,308</b>	20,654
<b>Profit for the period</b>		<b>74,875</b>	159,233
<b>Earnings per share</b>	10	<b>HK cents</b>	HK cents
– Basic		<b>1.70</b>	3.32
– Diluted		<b>1.70</b>	3.32

The notes on pages 16 to 49 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 23(a).

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020 – unaudited

		For the six months ended 30 June	
	Note	2020 HK\$'000	2019 HK\$'000
<b>Profit for the period</b>		<b>74,875</b>	159,233
<b>Other comprehensive income/(loss) for the period, net of nil income tax</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation into presentation currency		<b>(75,894)</b>	(23,638)
Financial assets measured at FVOCI			
Net (loss)/gain on debt securities at fair value through other comprehensive income (recycling)	9	<b>(320)</b>	6,640
Reclassification adjustments for amounts transferred to profit or loss: – loss on disposal	9	<b>2,815</b>	–
		<b>2,495</b>	6,640
<b>Other comprehensive loss for the period, net of nil income tax</b>		<b>(73,399)</b>	(16,998)
<b>Total comprehensive income for the period</b>		<b>1,476</b>	142,235
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>(796)</b>	122,357
Non-controlling interests		<b>2,272</b>	19,878
<b>Total comprehensive income for the period</b>		<b>1,476</b>	142,235

The notes on pages 16 to 49 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020 – unaudited

	Note	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment	11	20,119	19,526
Goodwill	12	585,469	597,551
Intangible assets		19,371	19,371
Interests in associates	13	19,082	17,721
Interests in joint ventures	14	495	784
Other financial assets	15	40,272	53,756
Loans receivable	16	476,973	565,763
Deferred tax assets		40,210	32,743
		<u>1,201,991</u>	<u>1,307,215</u>
<b>Current assets</b>			
Contingent consideration receivables		10,682	10,682
Loans receivable	16	3,408,196	3,839,295
Accounts receivable	17	13,750	9,580
Interests receivable	18	32,536	22,551
Other receivables, deposits and prepayments	19	42,006	41,939
Amount due from associates		44,557	13,866
Amounts due from joint ventures		–	50
Tax recoverable		122	157
Pledged bank and security deposits paid		33,823	34,053
Cash and cash equivalents		708,874	703,563
		<u>4,294,546</u>	<u>4,675,736</u>
<b>Current liabilities</b>			
Borrowings and other payables	20	808,102	1,073,786
Bank loans	21	143,936	237,598
Security deposits received		32,721	50,822
Consideration payables		95,774	94,520
Accruals and other deposit received		83,191	54,957
Amount due to an associate		2,824	2,885
Unsecured bonds	22	28,161	14,914
Income received in advance		2,425	17,171
Lease liabilities		7,380	6,397
Tax payable		80,049	96,582
		<u>1,284,563</u>	<u>1,649,632</u>
<b>Net current assets</b>		<u>3,009,983</u>	<u>3,026,104</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

As at 30 June 2020 – unaudited

	Note	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
<b>Total assets less current liabilities</b>		<b>4,211,974</b>	4,333,319
<b>Non-current liabilities</b>			
Consideration payables		96,512	186,190
Unsecured bonds	22	269,606	279,449
Lease liabilities		2,606	1,147
Deferred tax liabilities		35,032	35,137
		<b>403,756</b>	501,923
<b>NET ASSETS</b>		<b>3,808,218</b>	3,831,396
<b>EQUITY</b>			
Share capital	23	2,080,113	2,080,113
Reserves		1,649,182	1,644,368
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY</b>		<b>3,729,295</b>	3,724,481
Non-controlling interests		78,923	106,915
<b>TOTAL EQUITY</b>		<b>3,808,218</b>	3,831,396

The interim financial report on pages 9 to 49 were approved and authorised for issue by the board of directors on 28 August 2020 and were signed on its behalf by:

**Chan Yuk Ming**  
Director

**Cheung Chai Hong**  
Director

The notes on pages 16 to 49 form part of this interim financial report.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020 – unaudited

	Attributable to equity shareholders of the Company										
	Note	Share capital HK\$'000	Shares-based compensation reserve HK\$'000	Shares held under the share award scheme HK\$'000	Exchange fluctuation reserve HK\$'000	Fair value reserve HK\$'000	Statutory surplus reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
<b>At 1 January 2020</b>		2,080,113	40,216	(49,365)	(384,591)	(2,495)	190,546	1,850,057	3,724,481	106,915	3,831,396
<b>Changes in equity for the six months ended 30 June 2020:</b>											
Profit for the period		-	-	-	-	-	-	70,567	70,567	4,308	74,875
Other comprehensive loss	9	-	-	-	(73,858)	2,495	-	-	(71,363)	(2,036)	(73,399)
Total comprehensive (loss)/income		-	-	-	(73,858)	2,495	-	70,567	(796)	2,272	1,476
Repurchase of own shares		-	-	-	-	-	-	(8,783)	(8,783)	-	(8,783)
Step acquisition from non-controlling interest		-	-	-	(1,986)	-	-	16,379	14,393	(15,050)	(657)
Dividends paid to non-controlling interest		-	-	-	-	-	-	-	-	(15,214)	(15,214)
Transfer to reserve		-	-	-	-	-	21,424	(21,424)	-	-	-
<b>At 30 June 2020</b>		<b>2,080,113</b>	<b>40,216</b>	<b>(49,365)</b>	<b>(460,435)</b>	<b>-</b>	<b>211,970</b>	<b>1,906,796</b>	<b>3,729,295</b>	<b>78,923</b>	<b>3,808,218</b>
<b>At 1 January 2019</b>		2,080,113	40,216	-	(268,555)	(11,501)	158,560	1,711,170	3,710,003	184,066	3,894,069
<b>Changes in equity for the six months ended 30 June 2019:</b>											
Profit for the period		-	-	-	-	-	-	138,579	138,579	20,654	159,233
Other comprehensive loss	9	-	-	-	(22,862)	6,640	-	-	(16,222)	(776)	(16,998)
Total comprehensive income		-	-	-	(22,862)	6,640	-	138,579	122,357	19,878	142,235
Purchase of shares under share award scheme	24	-	-	(49,365)	-	-	-	-	(49,365)	-	(49,365)
Step acquisition from non-controlling interest		-	-	-	(7,712)	-	-	12,968	5,256	(121,164)	(115,908)
Dividends approved in respect of the previous year	23	-	-	-	-	-	-	(12,768)	(12,768)	-	(12,768)
Shares repurchased		-	-	-	-	-	-	(26)	(26)	-	(26)
Transfer to reserve		-	-	-	-	-	18,604	(18,604)	-	-	-
<b>At 30 June 2019</b>		<b>2,080,113</b>	<b>40,216</b>	<b>(49,365)</b>	<b>(299,129)</b>	<b>(4,861)</b>	<b>177,164</b>	<b>1,831,319</b>	<b>3,775,457</b>	<b>82,780</b>	<b>3,858,237</b>

The notes on pages 16 to 49 form part of this interim report.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020 – unaudited

	For the six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
<b>Operating activities</b>		
Cash generated from operations	545,696	403,568
Tax paid	(66,643)	(75,182)
Tax refunded	77	4
<b>Net cash generated from operating activities</b>	<b>479,130</b>	<b>328,390</b>
<b>Investing activities</b>		
Decrease in pledged bank deposits	229	18,079
Acquisition of a subsidiary	–	8,486
Advance to an associate	(30,891)	–
Purchase of other financial asset	(2,500)	(67,191)
Proceeds from sale of other financial assets	13,015	–
Capital injection to joint ventures	–	(2,000)
Capital injection to an associate	(2,205)	–
Other cash flows arising from investing activities	1,693	(3,140)
<b>Net cash used in investing activities</b>	<b>(20,659)</b>	<b>(45,766)</b>
<b>Financing activities</b>		
Payment for repurchase of shares	(8,783)	(26)
Proceeds from new bank loans	31,284	208,477
Repayment of bank loans	(122,900)	(112,478)
Proceeds from new borrowings	92,337	369,148
Repayment of borrowings	(362,189)	(471,143)
Dividends paid to equity shareholders of the Company	–	(12,768)
Dividends paid to non-controlling shareholders	(15,214)	–
Purchase of shares under share award scheme	–	(49,365)
Capital element of lease rentals paid	(7,267)	(4,890)
Interest element of lease rentals paid	(414)	(339)
Other cash flows arising from financing activities	(54,301)	(36,112)
<b>Net cash used in financing activities</b>	<b>(447,447)</b>	<b>(109,496)</b>

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

For the six months ended 30 June 2020 – unaudited

	For the six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Net increase in cash and cash equivalents	11,024	173,128
Effect of foreign exchange rate changes	(5,713)	(15,952)
Cash and cash equivalents at beginning of the period	703,563	540,184
Cash and cash equivalents at end of the period	<u>708,874</u>	<u>697,360</u>
Analysis of balances of cash and cash equivalents:		
Cash at banks and in hand	<u>708,874</u>	<u>697,360</u>

The notes on pages 16 to 49 form part of this interim financial report.



## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

*For the six months ended 30 June 2020*

### 1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). It was authorised for issue on 28 August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the adoption of new accounting policies which are relevant to the Group and the accounting policy changes that are expected to be reflected in the 2020 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report 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.

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

The interim financial report is unaudited, but has been reviewed by the Company’s Audit Committee.

The financial information relating to the financial year ended 31 December 2019 that is included in the interim financial report as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company’s auditor has reported on those financial statements. The auditor’s report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

## 2. CHANGES IN ACCOUNTING POLICIES

The group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 3, Definition of a Business
- Amendment to HKFRS 16, Covid-19-Related Rent Concessions

Other than the amendment to HKFRS 16, the group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The application of the amendments to HKFRS in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

## 3. SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the condensed consolidated financial information, are identified from the financial information provided regularly to the Company's board of directors for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

### a) Operating segment information

The Company's board of directors assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the operation of provision of financing services business. Therefore, the Company's board of directors considers there is only one operating segment under the requirements of HKFRS 8 "Operating Segments". In this regard, no operating segment information is presented.

### b) Geographic information

Revenue from external customers

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Hong Kong	42,784	38,089
The PRC	264,948	377,212
United Kingdom	2,447	3,089
	<b>310,179</b>	<b>418,390</b>

The geographic location of revenue from external customers is based on the location at which the services were rendered.

### 3. SEGMENT REPORTING (Cont'd)

#### b) Geographic information (Cont'd)

Non-current assets

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Hong Kong	27,336	29,034
The PRC	586,058	593,864
United Kingdom	31,142	32,055
	<b>644,536</b>	<b>654,953</b>

The above table sets out the information about the geographical location of the Group's property, plant and equipment, goodwill, intangible assets, interests in associates, interests in joint ventures and deposits ("Specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets, goodwill and deposits and the location of operation, in the case of interests in associates and interests in joint ventures.

### 4. NET INTEREST INCOME AND SERVICE INCOME

	For the six months ended 30 June 2020 HK\$'000	2019 HK\$'000
<b>Interest, guarantee and financing consultancy services income</b>	<b>307,732</b>	415,301
<b>Interest and handling expenses arising from:</b>		
Bank loans	(5,910)	(5,531)
Borrowings and other payables	(44,547)	(60,278)
Unsecured bonds	(13,536)	(13,240)
Lease liabilities	(414)	(339)
Other financial costs	(6,552)	-
	<b>(70,959)</b>	<b>(79,388)</b>
<b>Net interest income and service income</b>	<b>236,773</b>	<b>335,913</b>
<b>Income arising from:</b>		
Education consultancy service	2,447	3,089

For the six months ended 30 June 2020, the total amount of interest income on financial assets not at fair value through profit or loss including bank and interest income from debt securities was approximately HK\$310,403,000 (2019: approximately HK\$417,682,000).

## 5. OTHER INCOME, NET

	For the six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Bank interest income	2,671	2,381
Other interest income from debt securities	17	1,539
Dividend income from other financial assets	–	68
Income from government subsidies	15,373	17,227
Other financial assets: reclassified from equity		
– Loss on disposal ( <i>note 9</i> )	(2,815)	–
(Loss)/gain on fair value change of financial assets at FVTPL		
– Gain on disposal	268	15
– Change on fair value of financial assets at FVTPL	(2,408)	(311)
	(2,140)	(296)
Exchange gain, net	1,994	705
Other consultancy services income	14,973	–
Others	3,570	5,582
	<b>33,643</b>	<b>27,206</b>

## 6. IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

	For the six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Loans and advances to customers	36,514	13,015

## 7. PROFIT BEFORE TAXATION

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

	For the six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
<b>(a) Staff costs (including directors' emoluments):</b>		
Salaries, allowances and other benefits	45,182	34,855
Contributions to defined contribution retirement plans	1,602	3,439
	<b>46,784</b>	<b>38,294</b>
<b>(b) Other items:</b>		
Depreciation of property, plant and equipment		
– self-owned assets	2,029	2,880
– right-of-use assets	6,971	5,076
Consultancy fee	28,064	22,898

## 8. INCOME TAX

	For the six months ended 30 June	
	2020 HK\$'000	2019 HK\$'000
Current Tax		
Hong Kong Profits Tax	–	(409)
PRC Income Tax	46,224	62,948
	<b>46,224</b>	<b>62,539</b>
Deferred tax		
Origination and reversal of temporary differences	(1,965)	2,117
	<b>44,259</b>	<b>64,656</b>

## 8. INCOME TAX (Cont'd)

### a) *Hong Kong*

The provision for the Hong Kong Profits Tax of the subsidiaries established in HK is calculated at 16.5% (2019: 16.5%) of the estimated taxable profit for the six months ended 30 June 2020, except for QL Credit Gain Finance Company Limited, a subsidiary of the Company which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2019.

### b) *The PRC*

The provision for the PRC Enterprise Income Tax of the subsidiaries established in the PRC is calculated at 25% (2019: 25%) of the estimated taxable profits for the reporting period.

A PRC subsidiary of the Company, 北京中金投商業經紀有限公司 was qualified as "small Low-profit Enterprise" in Beijing and subject to a concessionary PRC enterprise income tax rate.

Pursuant the Enterprise Income Tax Law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC enterprise.

For the purpose of the interim financial report, the directors determined that the management of the Group can control the quantum and timing of distribution of profits of their PRC subsidiaries. Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future in respect of profits generated since 1 January 2008.

### c) *BVI, Cayman Islands and United Kingdom*

Pursuant to the rules and regulations of the BVI and Cayman Islands, the Group is not subject to any income tax in the BVI and Cayman Islands.

The Group is not subject to income tax in United Kingdom since no assessable income is arisen.

## 8. INCOME TAX (Cont'd)

### d) *Deferred tax assets not recognised*

Deferred tax assets in respect of unused tax losses carried forward are to be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

The Group has not recognised the deferred tax assets in respect of the cumulative tax losses of HK\$274,122,000 (31 December 2019: HK\$275,115,000) due to unpredictability to future profit streams. The unrecognised tax losses, mainly arising from companies incorporated in Hong Kong, can be carried forward indefinitely.

### e) *Deferred tax liabilities not recognised*

At 30 June 2020, the aggregate amount of temporary differences associated with undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised was approximately HK\$737,592,000 (31 December 2019: approximately HK\$782,485,000). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

## 9. OTHER COMPREHENSIVE INCOME/(LOSS)

Components of other comprehensive income/(loss), including re-classification adjustments, are as follows:

	<i>Note</i>	<b>For the six months ended 30 June 2020 HK\$'000</b>	2019 HK\$'000
<b>Exchange differences on translation into presentation currency</b>		<b>(75,894)</b>	(23,638)
<b><i>Financial assets measured at FVOCI:</i></b>			
Net (loss)/gain on debt securities at fair value through other comprehensive income (recycling)		<b>(320)</b>	6,640
Reclassification adjustments for amounts transferred to profit or loss:			
– loss on disposal	5	<b>2,815</b>	–
Net movement in fair value reserve during the year recognised in other comprehensive income		<b>2,495</b>	6,640
		<b>(73,399)</b>	(16,998)

## 10. EARNINGS PER SHARE

### a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$70,567,000 (30 June 2019: HK\$138,579,000) and the weighted average number of 4,146,806,446 (30 June 2019: 4,176,254,596) ordinary shares in issue less shares held under the Company's share award scheme of the interim period.

### b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$70,567,000 (30 June 2019: HK\$138,579,000) and the weighted average number of ordinary shares calculated as follows:

Weighted average number of ordinary shares (diluted)

	For the six months ended 30 June	
	2020	2019
	<i>No. of shares</i>	<i>No. of shares</i>
Weighted average number of ordinary shares in issue less shares held for the share award scheme used in the basic earnings per share calculation	<b>4,146,806,446</b>	4,176,254,596
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	–	1,952,493
Number of ordinary shares for the purpose of diluted earnings per share	<b>4,146,806,446</b>	4,178,207,089

For the six months ended 30 June 2020, the effects of potential ordinary shares arising from share options are not included in the calculation of the diluted earnings per share as they had an anti-dilutive effect on the earnings per share for the year.



## 11. PROPERTY, PLANT AND EQUIPMENT

### *Acquisitions of property, plant and equipment*

During the six months ended 30 June 2020, the Group acquired property, plant and equipment having a total costs of approximately HK\$371,000 (2019: HK\$1,434,000).

## 12. GOODWILL

	<i>HK\$'000</i>
At 1 January 2020	597,551
Exchange adjustment	<u>(12,082)</u>
At 30 June 2020	<u>585,469</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 2020 and 31 December 2019 allocated to these units are as below:

	<b>At 30 June 2020 HK\$'000</b>	At 31 December 2019 HK\$'000
Division A	<b>565,267</b>	576,412
Division B	<b>16,901</b>	17,781
Division C	<b>238</b>	254
Division D	<b>3,063</b>	3,104
	<u><b>585,469</b></u>	<u>597,551</u>

### 13. INTERESTS IN ASSOCIATES

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Carrying amount in the consolidated statement of financial position	<b>19,082</b>	17,721

The following list contains the particulars of associates, which are an unlisted corporate entities whose quoted market price are not available.

Name of associate	Place of incorporation/ registration and operation	Particulars of issued and paid-up capital/ registered share capital	Proportion of ownership interest		Principal activity
			Group's effective interest	Held by the Company	
北京中匯豐源融資租賃有限公司 (note (i))	The PRC	Registered capital USD10,000,000	25%	25%	Not yet commenced operation
KGH Holdings Limited	Republic of Seychelles	100 ordinary shares	40%	-	Investment holding
Thetford Grammar School Limited	United Kingdom	5,760,480 ordinary shares	40%	-	Provision of education services
北京達隆恆業管理諮詢有限公司	The PRC	Registered capital RMB10,000,000	20%	-	Not yet commenced operation

Note:

- (i) 北京中匯豐源融資租賃有限公司 is established in the PRC in the form of sino-foreign equity enterprise.

The Company shall contribute an amount of US\$2,500,000 as its capital contribution, representing 25% equity interest in the associate. As at 30 June 2020 and 31 December 2019, the Company had contributed US\$500,000 (equivalent to approximately HK\$3,900,000). The Company has an obligation to settle the remaining amount of US\$2,000,000 (equivalent to approximately HK\$15,600,000).

## 14. INTERESTS IN JOINT VENTURES

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Carrying amount in the consolidated statement of financial position	<b>495</b>	784

The following list contains the particulars of joint ventures, which are an unlisted corporate entities whose quoted market price are not available.

Name of joint venture	Place of incorporation/ registration and operation	Particulars of issued capital	Proportion of ownership interest		Principal activity
			Group's effective interest	Held by the Company	
Oyster Pie Group Limited	Hong Kong	400 ordinary shares	50%	–	Investment holding
Oyster Pie Solutions Limited	Hong Kong	100 ordinary shares	50%	–	Not yet commenced operation

## 15. OTHER FINANCIAL ASSETS

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Financial assets measured at FVOCI		
– Debt securities listed in Hong Kong	–	13,104
Financial assets carried at FVTPL		
– Equity securities listed in Hong Kong	<b>5,085</b>	3,985
– Unlisted investment funds in the PRC	<b>23,988</b>	24,461
– Unlisted investments:		
– Golf club membership	<b>7,899</b>	8,506
– Marina club membership	<b>3,300</b>	3,700
	<b>40,272</b>	40,652
	<b>40,272</b>	53,756

## 16. LOANS RECEIVABLE

	At 30 June 2020 <i>HK\$'000</i>	At 31 December 2019 <i>HK\$'000</i>
Pawn loans receivable	<b>286,433</b>	329,436
Loans receivable arising from:		
– Micro-lending	<b>1,411,120</b>	1,472,838
– Money-lending	<b>590,640</b>	651,369
Other loans receivable	<b>1,716,295</b>	2,039,480
	<b>4,004,488</b>	4,493,123
Less: Allowance for doubtful debts	<b>(119,319)</b>	(88,065)
	<b>3,885,169</b>	4,405,058
Amounts due within one year included under current assets	<b>3,408,196</b>	3,839,295
Amounts due after one year included under non-current assets	<b>476,973</b>	565,763
	<b>3,885,169</b>	4,405,058

### Notes:

- i) Approximately HK\$3,317,288,000 (31 December 2019: HK\$3,773,544,000) of the Group's loans receivable were arising from the PRC and are denominated in Renminbi ("RMB"). The loans receivable in the PRC carry interest plus service charge at a monthly effective rate of 0.67% to 3.13% (31 December 2019: 0.32% to 4.29%), and the loans receivable in Hong Kong carry interest at a monthly effective rate of 0.15% to 4.97% (31 December 2019: 0.35% to 4.98%). At 30 June 2020, the carrying amounts of loans receivable of approximately of HK\$3,443,701,000 (31 December 2019: HK\$4,218,698,000) are secured by collaterals. In the opinion of the Company's directors, the Group held collateral with value not less than the carrying amount of the secured loans receivable.
- ii) A typical loan generally has a term of 28 days to 30 years (31 December 2019: 31 days to 30 years).
- iii) At 30 June 2020, the loan receivables of approximately HK\$101,937,000 (31 December 2019: HK\$158,163,000) and HK\$151,870,000 (31 December 2019: HK\$216,630,000) were pledged to the vendor to secure the consideration payable for acquisitions of Shenzhen Credit Gain, Chongqing Credit Gain and Chongqing Dongrong respectively. Such pledged loan receivables will be released upon the Group pays the consideration to the vendor partially in two separate instalments.

## 16. LOANS RECEIVABLE (Cont'd)

### a) Maturity profile

As at the end of the reporting period, the maturity profile of loans receivable, based on maturity date, is as follows:

	At 30 June 2020					At 31 December 2019				
	Pawn loans receivable	Loans receivable arising from micro- lending	Loans receivable arising from money- lending	Other loans receivable	Total	Pawn loans receivable	Loans receivable arising from micro- lending	Loans receivable arising from money- lending	Other loans receivable	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Due within 1 month or on demand	645	201,016	79,629	885,327	1,166,617	156,347	123,730	19,119	655,618	954,814
Due after 1 month but within 3 months	876	153,776	12,165	108,053	274,870	2,456	111,415	20,331	229,252	363,454
Due after 3 months but within 6 months	144,344	511,776	66,840	311,099	1,034,059	27,909	183,746	78,412	282,844	572,911
Due after 6 months but within 12 months	140,568	420,998	69,332	407,273	1,038,171	115,374	867,039	186,471	858,927	2,027,811
Due after 12 months	-	123,554	362,674	4,543	490,771	27,350	186,907	347,037	12,839	574,133
Allowance for doubtful debts	(2,625)	(31,200)	(33,499)	(51,995)	(119,319)	(2,547)	(22,214)	(30,699)	(32,605)	(88,065)
	<b>283,808</b>	<b>1,379,920</b>	<b>557,141</b>	<b>1,664,300</b>	<b>3,885,169</b>	<b>326,889</b>	<b>1,450,623</b>	<b>620,671</b>	<b>2,006,875</b>	<b>4,405,058</b>

## 16. LOANS RECEIVABLE (Cont'd)

### b) Analysed by credit quality

At 30 June 2020

	Pawn loans receivable HK\$'000	Loans receivable arising from micro-lending HK\$'000	Loans receivable arising from money-lending HK\$'000	Other loans receivable HK\$'000	Total HK\$'000
- Not past due	286,433	1,322,882	461,737	1,677,978	3,749,030
- Less than 1 month past due	-	34,947	42,680	-	77,627
- 1 to 3 months past due	-	4,996	9,749	-	14,745
- Over 3 months past due	-	48,295	76,474	38,317	163,086
- Allowance for doubtful debts	(2,625)	(31,200)	(33,499)	(51,995)	(119,319)
<b>Total</b>	<b>283,808</b>	<b>1,379,920</b>	<b>557,141</b>	<b>1,664,300</b>	<b>3,885,169</b>

At 31 December 2019

	Pawn loans receivable HK\$'000	Loans receivable arising from micro-lending HK\$'000	Loans receivable arising from money-lending HK\$'000	Other loans receivable HK\$'000	Total HK\$'000
- Not past due	329,436	1,418,341	531,281	2,022,735	4,301,793
- Less than 1 month past due	-	5,732	80,956	-	86,688
- 1 to 3 months past due	-	4,692	16,060	-	20,752
- Over 3 months past due	-	44,072	23,073	16,745	83,890
Allowance for doubtful debts	(2,547)	(22,214)	(30,699)	(32,605)	(88,065)
	<b>326,889</b>	<b>1,450,623</b>	<b>620,671</b>	<b>2,006,875</b>	<b>4,405,058</b>

## 16. LOANS RECEIVABLE (Cont'd)

### c) Reconciliation of gross exposure and allowances for loans receivable

	For the six months ended 30 June 2020						Total	
	Non credit-impaired			Credit-impaired				
	Stage 1		Stage 2		Stage 3		Gross exposure HK\$'000	Allowance for ECL HK\$'000
	Gross exposure HK\$'000	Allowance for ECL HK\$'000	Gross exposure HK\$'000	Allowance for ECL HK\$'000	Gross exposure HK\$'000	Allowance for ECL HK\$'000		
At 1 January 2020	4,301,793	(40,145)	107,440	(3,772)	83,890	(44,148)	4,493,123	(88,065)
Transfers of financial instruments:								
– transfers to Stage 2	(50,729)	655	50,729	(655)	–	–	–	–
– transfers to Stage 3	(33,899)	650	(33,918)	1,254	67,817	(1,904)	–	–
Net remeasurement of								
ECL arising from transfer of stage	–	–	–	(2,659)	–	(7,305)	–	(9,964)
Net new and further lending/(repayment)	(399,900)	5,432	(31,466)	1,700	16,693	(4,424)	(414,673)	2,708
Changes to risk parameters (model inputs)	–	(8,744)	–	(1,501)	–	(19,013)	–	(29,258)
Asset written off	–	–	–	–	(3,947)	3,947	(3,947)	3,947
Foreign exchange and others	(68,235)	563	(413)	35	(1,367)	715	(70,015)	1,313
<b>At 30 June 2020</b>	<b>3,749,030</b>	<b>(41,589)</b>	<b>92,372</b>	<b>(5,598)</b>	<b>163,086</b>	<b>(72,132)</b>	<b>4,004,488</b>	<b>(119,319)</b>

	For the year ended 31 December 2019						Total	
	Non credit – impaired			Credit – impaired				
	Stage 1		Stage 2		Stage 3		Gross exposure HK\$'000	Allowance for ECL HK\$'000
	Gross exposure HK\$'000	Allowance for ECL HK\$'000	Gross exposure HK\$'000	Allowance for ECL HK\$'000	Gross exposure HK\$'000	Allowance for ECL HK\$'000		
At 1 January 2019	4,531,041	(34,103)	67,438	(2,466)	79,445	(36,326)	4,677,924	(72,895)
Transfers of financial instruments:								
– transfers to Stage 2	(12,869)	210	12,869	(210)	–	–	–	–
– transfers to Stage 3	(27,780)	276	(3,229)	90	31,009	(366)	–	–
Net remeasurement of								
ECL arising from transfer of stage	–	–	–	(258)	–	(24,831)	–	(25,089)
Net new and further lending/(repayment)	(103,615)	(1,036)	30,567	(1,085)	7,166	(1,515)	(65,882)	(3,636)
Assets written off	–	–	–	–	(32,616)	32,616	(32,616)	32,616
Changes to risk parameters (model inputs)	–	(6,132)	–	151	–	(13,738)	–	(19,719)
Foreign exchange and others	(84,984)	640	(205)	6	(1,114)	12	(86,303)	658
<b>At 31 December 2019</b>	<b>4,301,793</b>	<b>(40,145)</b>	<b>107,440</b>	<b>(3,772)</b>	<b>83,890</b>	<b>(44,148)</b>	<b>4,493,123</b>	<b>(88,065)</b>

## 16. LOANS RECEIVABLE (Cont'd)

### d) *Loans and advances three-staging exposure*

Loans and advances to customers by five-tier loan classification and three-staging analysed as follows:

	At 30 June 2020			
	Stage 1 (12-month ECL) HK\$'000	Stage 2 (Lifetime ECL) HK\$'000	Stage 3 (Lifetime ECL – impaired) HK\$'000	Total HK\$'000
Pass	3,749,030	–	–	3,749,030
Special-mention	–	92,372	–	92,372
Substandard	–	–	35,701	35,701
Doubtful	–	–	69,563	69,563
Loss	–	–	57,822	57,822
Subtotal	3,749,030	92,372	163,086	4,004,488
Allowance for doubtful debts	(41,589)	(5,598)	(72,132)	(119,319)
<b>Total</b>	<b>3,707,441</b>	<b>86,774</b>	<b>90,954</b>	<b>3,885,169</b>
	At 31 December 2019			
	Stage 1 (12-month ECL) HK\$'000	Stage 2 (Lifetime ECL) HK\$'000	Stage 3 (Lifetime ECL – impaired) HK\$'000	Total HK\$'000
Pass	4,301,793	–	–	4,301,793
Special-mention	–	107,440	–	107,440
Substandard	–	–	5,051	5,051
Doubtful	–	–	40,246	40,246
Loss	–	–	38,593	38,593
Subtotal	4,301,793	107,440	83,890	4,493,123
Allowance for doubtful debts	(40,145)	(3,772)	(44,148)	(88,065)
<b>Total</b>	<b>4,261,648</b>	<b>103,668</b>	<b>39,742</b>	<b>4,405,058</b>



## 17. ACCOUNTS RECEIVABLE

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Accounts receivable	<b>13,750</b>	9,580

All of the Group's accounts receivable were arising from the PRC and are denominated in Renminbi ("RMB") and are expected to be recovered within one year.

### a) Ageing analysis

As at the end of the reporting period, the ageing analysis of accounts receivable, based on the revenue recognition date, is as follows:

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Within 1 month	<b>13,681</b>	6,930
1 to 3 months	<b>69</b>	2,648
3 to 6 months	–	2
	<b>13,750</b>	9,580

Accounts receivable are due within 30 days from the date of billing.

### b) Accounts receivable that are not credit impaired

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Neither past due nor credit impaired	<b>13,681</b>	6,930
Less than 1 month past due	<b>69</b>	1,784
1 to 3 months past due	–	866
	<b>13,750</b>	9,580

At 31 December 2019 and 30 June 2020, no material impairment allowance on accounts receivable is provided in accordance with HKFRS 9.

## 18. INTERESTS RECEIVABLE

	At 30 June 2020 <i>HK\$'000</i>	At 31 December 2019 <i>HK\$'000</i>
Interests receivable	<b>32,536</b>	22,551

At 30 June 2020, approximately HK\$22,658,000 (31 December 2019: approximately HK\$12,371,000) of the Group's interests receivable were arising from the PRC and are denominated in RMB. All of the interests receivable are expected to be recovered within one year.

### i) Ageing analysis

As at the end of the reporting period, the ageing analysis of interests receivable, based on the revenue recognition date, is as follows:

	At 30 June 2020 <i>HK\$'000</i>	At 31 December 2019 <i>HK\$'000</i>
Within 1 month	<b>13,518</b>	12,520
1 to 3 months	<b>9,573</b>	3,897
3 to 6 months	<b>5,785</b>	1,711
Over 6 months	<b>3,660</b>	4,423
	<b>32,536</b>	22,551

Interests receivable are due within 30 days from the date of billing (or on maturity date of loans receivable according to the relevant loan agreements).

## 18. INTERESTS RECEIVABLE (Cont'd)

### ii) *Interests receivable that are not credit impaired*

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Neither past due nor credit impaired	12,037	11,317
Less than 1 month past due	6,572	3,473
1 to 3 months past due	7,648	2,353
4 to 6 months past due	3,200	2,139
Over 6 months past due	3,079	3,269
	<b>32,536</b>	<b>22,551</b>

At 31 December 2019 and 30 June 2020, no material impairment allowance on interest receivable is provided in accordance with HKFRS 9.

## 19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Other receivables	31,164	27,230
Prepayments	5,726	8,211
Utility and sundry deposits ( <i>note</i> )	5,116	6,498
	<b>42,006</b>	<b>41,939</b>

### *Notes:*

The amount of utility and sundry deposits expected to be recovered or recognised as expense after more than one year is approximately HK\$292,000 (31 December 2019: approximately HK\$1,517,000). All of the other receivables, deposits and prepayments are expected to be recovered or recognised as expense within one year.

## 20. BORROWINGS AND OTHER PAYABLES

	Note	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Borrowings under contractual agreements with:			
– Platform A	20(a)	–	73,679
Borrowings from employees and certain independent third parties	20(b)	<b>100,870</b>	69,134
Borrowings from shareholders	26(b)	<b>29,815</b>	4,286
Borrowings from related companies	20(c)	<b>39,154</b>	163,048
Borrowings from a money lending license corporation	20(d)	<b>42,500</b>	47,500
Note Payable	20(e)	<b>246,529</b>	273,217
		<b>458,868</b>	630,864
Payable to interest holders of consolidated structured entity – investment fund	20(f)	<b>7,315</b>	7,315
Payable to interest holders of consolidated structured entity – trust	20(f)	<b>341,919</b>	435,607
		<b>349,234</b>	442,922
		<b>808,102</b>	1,073,786

### Notes:

- a) During the year ended 31 December 2017, the Group entered into a strategic cooperation agreement with an independent third party, which would establish and operate an integrated finance information service platform (“Platform A”), in the launch of internet finance so as to provide investors to invest in the loans receivable of the Group. In this regard, the Group shall assign all its rights and benefits in the invested receivables to the investors and shall guarantee the due recoverability of such receivables. At the expiry of the investment period, the Group shall repay all the proceeds received to the investors. At 30 June 2020, the borrowings under this platform amounted to HK\$Nil (31 December 2019: HK\$73,679,000), which bore a financing cost measured at an annualised rate of 9.1% and were secured by certain of loans receivable of approximately HK\$Nil (31 December 2019: HK\$73,679,000).

## 20. BORROWINGS AND OTHER PAYABLES (Cont'd)

Notes: (Cont'd)

- b) During the year ended 31 December 2019 and period ended 30 June 2020, the Group borrowed funds from its employees and certain independent third parties for the development of its money lending business. At 30 June 2020, the borrowing from the employees and certain independent third parties amounted to approximately HK\$100,870,000 (31 December 2019: approximately HK\$69,134,000), which bore a financing cost measured at annualised rate of 6% to 11.2% (31 December 2019: 6% to 9%), were repayable within one year and not secured by any assets or guarantees.
- c) During the year ended 31 December 2019 and period ended 30 June 2020, the Group borrowed funds from Geston Limited, related party of the Group. Cheung Siu Lam, a director of the Company, controls this company. At 30 June 2020, the borrowings from the related party amounted to approximately HK\$39,154,000 (31 December 2019: HK\$161,000,000), which bore a finance cost measured at annualized rate of 6% (31 December 2019: 4.8% to 6%), were repayable within one year and not secured by any assets or guarantees.

During the years ended 31 December 2019 and period ended 30 June 2020, the Group borrowed funds from Taste of Sessyu Limited, related party of the Group. Ms. Lo Wan controls the company. At 30 June 2020, the borrowings from the related party amount to approximately HK\$Nil (31 December 2019: HK\$2,048,000), which bore a finance cost measured at annualised rate of 5% (2019: 5%), was repayable within one year and not secured by any assets or guarantees.

Relationship of Mr. Cheung Siu Lam and Ms. Lo Wan to the Group are detailed in note 26(b)(2).

- d) During the year ended 31 December 2019 and period ended 30 June 2020, the Group borrowed funds from a money lending license corporation amounted to approximately HK\$42,500,000 (31 December 2019: HK\$47,500,000), which bore a finance cost measured at an annualised rate of HIBOR+3.30%, were repayable within one year and secured by deposits of approximately HK\$21,250,000 (31 December 2019: HK\$23,750,000).

## 20. BORROWINGS AND OTHER PAYABLES (Cont'd)

Notes: (Cont'd)

- e) In February 2018, the Company issued note payable with principal amount of HK\$270,000,000. The note bear interest at 8% per annum and was secured by equity interest of Brilliant Star Capital (Cayman) Limited, a wholly-owned subsidiary of the Group, and personal guarantee given by Mr Cheung Siu Lam and Ms. Lo Wan. Mr. Cheung Siu Lam and Ms. Lo Wan should deposit at least 930,000,000 shares of the Company into a specific account with the safe keeping agent. The note was repayable in March and May 2020. The repayment date of the note are extended to 2021.

Relationship of Mr. Cheung Siu Lam and Ms. Lo Wan to the Group are detailed in note 26(b)(2).

- f) The amount represents third party interests in consolidated structured entity, which consists of third-party unit/shareholders' interests in consolidated structured entity which are reflected as a liability since they can be redeemed for cash. The realisation of net assets attributable to third-party unit/shareholders' interests in consolidated structured entity cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated investment fund that are subject to the actions of third-party unit holders.
- g) The borrowings and other payables of approximately HK\$341,919,000 (31 December 2019: approximately HK\$509,286,000) were arising from the PRC and are denominated in RMB.
- h) All borrowings are carried at amortised cost.

## 21. BANK LOANS

At the end of the reporting period, the bank loans of the Group were repayable as follows:

	<b>At 30 June 2020 HK\$'000</b>	At 31 December 2019 HK\$'000
Within 1 year or on demand	<b>143,936</b>	237,598

## 21. BANK LOANS (Cont'd)

At the end of the reporting period, the bank loans were secured as follows:

	Note	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
Bank loans			
– secured by an independent third party's guarantee	(i)	65,686	127,598
– secured by the Company's corporate guarantee	(ii)	–	20,000
– secured by Group's bank deposits	(iii)	20,000	20,000
– secured by related company's property	(iv)	25,000	35,000
– secured by the share mortgage and guarantee	(v)	33,250	35,000
		<b>143,936</b>	<b>237,598</b>

The ranges of effective interest rates on the Groups bank loans are as follows:

	At 30 June 2020	At 31 December 2019
Effective interest rate:		
Bank loans	<b>3.65% – 6.53%</b> <b>per annum</b>	2.5% – 6.53% per annum

Notes:

- (i) At 30 June 2020, the bank loans of approximately HK\$65,686,000 (31 December 2019: HK\$127,598,000) were secured by a guarantee provided by a guarantor, an independent third party. The Company, Guan Xue Ling, a director of the Company, Lu Wei Jun, a senior management of the Group, and certain subsidiaries provided counterguarantee to the guarantor. In addition, approximately HK\$125,450,000 (31 December 2019: HK\$268,734,000) loans receivable and 30% (31 December 2019: 80%) of equity interest in 北京中金城開小額貸款有限公司, a subsidiary of the Company, were pledged to the guarantor.
- (ii) At 30 June 2020, a bank loan of HK\$Nil (31 December 2019: HK\$20,000,000) was secured by corporate guarantee provided by the Company.

## 21. BANK LOANS (Cont'd)

*Notes: (Cont'd)*

- (iii) At 30 June 2020, a bank loan of HK\$20,000,000 (31 December 2019: HK\$20,000,000) was secured by Group's bank deposits of HK\$10,173,000 (31 December 2019: HK\$10,099,000).
- (iv) At 30 June 2020, a bank loan of HK\$25,000,000 (31 December 2019: HK\$35,000,000) was secured by the first mortgage for the property held by Fortuna Grace Limited, a company owned by Cheung Siu Lam, a director of the Company.
- (v) At 30 June 2020, a bank loan of HK\$33,250,000 (31 December 2019: HK\$35,000,000) was secured by (i) a share mortgage from the Group over its 40% equity interest of KGH Holdings Limited; (ii) corporate guarantee provided by the Company and Geston Limited, a related party of the Group; and (iii) personal guarantee provided by Mr. Cheung Siu Lam, a director of the Company and Ms. Lo Wan, a shareholder of the Company and the spouse of Mr. Cheung Siu Lam.
- (vi) The bank loans of approximately HK\$65,686,000 (31 December 2019: HK\$127,598,000) were obtained in the PRC and denominated in RMB.
- (vii) All of the bank loans are carried at amortised cost.
- (viii) The bank loans of HK\$78,250,000 (31 December 2019: HK\$110,000,000) are repayable on demand clause according to the banking facilities.
- (ix) All of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the bank loans would become payable on demand. The Group regularly monitors its compliance with these covenants. At 30 June 2020, none of the covenants relating to the bank loans had been breached (at 31 December 2019: Nil).



## 22. UNSECURED BONDS

The Company issued unlisted and unsecured bonds. The details of the due date and coupon rate per annum are shown as below table. All of unsecured bonds are carried at amortised cost. The unsecured bonds are subject to the fulfillment of covenants relating to certain financial ratios, as are commonly found in leading arrangements. If the Group were to breach the covenants, unsecured bonds would become payable on demand. The Group regularly monitors its compliance with these covenants. At 30 June 2020 and 31 December 2019, none of the covenants relating to the unsecured bonds had been breached.

	Coupon rate per annum	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
<b>Current liabilities</b>			
Unsecured bonds of HK\$7,190,000 due 2020 (issued in 2019)	1.50%	–	7,244
Unsecured bonds of HK\$1,170,000 due 2020 (issued in 2019)	5.00%	1,185	1,170
Unsecured bonds of HK\$6,500,000 due 2020 (issued in 2019)	13.20%	–	6,500
Unsecured bonds of HK\$14,000,000 due 2021 (issued in 2019)	2.00%	13,176	–
Unsecured bonds of HK\$3,000,000 due 2021 (issued in 2020)	13.39%	3,000	–
Unsecured bonds of HK\$6,000,000 due 2020 (issued in 2020)	9.60%	6,000	–
Unsecured bonds of HK\$4,800,000 due 2021 (issued in 2020)	13.40%	4,800	–
		<b>28,161</b>	<b>14,914</b>
<b>Non-current liabilities</b>			
Unsecured bonds of HK\$220,000,000 due 2022 (issued in 2015)	7.00%	200,455	198,373
Unsecured bonds of HK\$10,000,000 due 2022 (issued in 2016)	5.00%	9,457	9,368
Unsecured bonds of HK\$10,000,000 due 2024 (issued in 2016)	6.00%	9,248	9,175
Unsecured bonds of HK\$11,413,000 due 2021 (issued in 2017)	4.00%	11,014	10,829
Unsecured bonds of HK\$14,145,800 due 2024 (issued in 2018)	5.00%	12,851	12,709
Unsecured bonds of HK\$10,000,000 due 2025 (issued in 2018)	4.50%	10,000	10,000
Unsecured bonds of HK\$13,390,000 due 2021 (issued in 2019)	2.00%	12,528	12,156
Unsecured bonds of HK\$14,000,000 due 2021 (issued in 2019)	2.00%	–	12,786
Unsecured bonds of HK\$4,000,000 due 2021 (issued in 2019)	8.00%	4,053	4,053
		<b>269,606</b>	<b>279,449</b>
		<b>297,767</b>	<b>294,363</b>

## 23. CAPITAL, RESERVES AND DIVIDENDS

### a) Dividends

- i) Dividends payable to equity shareholders attributable to the interim period

	2020 HK\$'000	2019 HK\$'000
Interim dividend declared and paid after the interim period of HK Nil cent per share (2019: HK Nil cent per share)	–	–

The interim dividend has not been recognised as a liability at the end of the reporting period.

- ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period:

	For the six months ended 30 June 2020 HK\$'000	2019 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK Nil cent per share (six months ended 30 June 2019: HK0.30 cents per share)	–	12,768

### b) Share capital

	No. of shares	HK\$'000
<b>Ordinary shares, issued and fully paid:</b>		
At 1 January 2019	4,292,807,347	2,080,113
Shares cancelled	(36,668,000)	–
Shares repurchased and cancelled	(50,000)	–
	<u>4,256,089,347</u>	<u>2,080,113</u>
At 31 December 2019 and 1 January 2020	4,256,089,347	2,080,113
Shares cancelled (note (i))	(7,672,000)	–
Shares repurchased and cancelled	(30,156,000)	–
	<u>4,218,261,347</u>	<u>2,080,113</u>
At 30 June 2020	4,218,261,347	2,080,113

## 23. CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

### b) Share capital (Cont'd)

Note:

- (i) During the period ended 30 June 2020, a total of 47,174,000 shares of the Company were repurchased on The Stock Exchange of Hong Kong Limited. A total of 37,828,000 shares (including the shares buy-back for both current and last year) have been cancelled for the six months ended 30 June 2020 and 17,018,000 were cancelled in August 2020.

Month/year	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$'000
<b>Shares repurchased during the year ended 31 December 2019 and cancelled during the period ended 30 June 2020</b>				
February 2020	7,672,000	0.4550	0.3950	3,452
<b>Shares repurchased and cancelled during the period ended 30 June 2020</b>				
January 2020	3,762,000	0.4200	0.3950	1,506
March 2020	48,000	0.2800	0.2800	13
April 2020	544,000	0.3300	0.2800	163
May 2020	25,802,000	0.2020	0.1600	4,481
<b>Shares repurchased but not yet cancelled during the period ended 30 June 2020</b>				
June 2020	17,018,000	0.1600	0.1420	2,620

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. During the six months ended 30 June 2020, the total amount paid on the repurchased shares of HK\$8,783,000 was paid wholly out of retained earnings.

### c) Equity settled share-based transactions

For the six months ended 30 June 2020 and 2019, no share options were granted under the Company's share option scheme.

No options were exercised and lapsed (six months ended 30 June 2019: nil and nil), respectively, for the six months ended 30 June 2020.

## 24. SHARE AWARD SCHEME

On 14 January 2019, the directors of the Company 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.

	2020	
	No. of shares	HK\$'000
At 1 January 2020 and 30 June 2020	89,754,000	49,365

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

## 25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

#### i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

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

The Group engages independent professional valuers to perform valuations for its financial instruments, including the financial derivatives and financial assets which are categorised into Level 3 of the fair value hierarchy. Valuation reports with analysis of changes in fair value measurement are reviewed by the financial controller and approved by the directors of the Company. Discussion of the valuation process and results with the financial controller and the directors of the Company is held twice a year to coincide with the reporting dates.

## 25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Cont'd)

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

#### i) Fair value hierarchy (Cont'd)

Fair value at 30 June 2020 HK\$'000	Fair value measurements as at 30 June 2020 categorised into		
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Recurring fair value measurement</b>			
Assets:			
Other financial assets			
– Equity securities, listed	5,085	–	–
– Debt securities, listed	–	–	–
– Investment funds, unlisted	23,988	–	23,988
– Other unlisted investments	11,199	11,199	–
Contingent consideration receivable	10,682	–	10,682

Fair value at 31 December 2019 HK\$'000	Fair value measurements as at 31 December 2019 categorised into		
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Recurring fair value measurement</b>			
Assets:			
Other financial assets			
– Equity securities, listed	3,985	–	–
– Debt securities, listed	13,104	13,104	–
– Investment funds, unlisted	24,461	–	24,461
– Other unlisted investments	12,206	12,206	–
Contingent consideration receivables	10,682	–	10,682

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

#### ii) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of debt securities in Level 2 is determined by using quoted price from financial institutions.

## 25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Cont'd)

### a) *Financial assets and liabilities measured at fair value (Cont'd)*

iii) Information about Level 3 fair value measurements

The movements during the interim period in the balances of these Level 3 fair value measurements are as follows:

	At 30 June 2020 <i>HK\$'000</i>	At 30 June 2019 <i>HK\$'000</i>
<b>Contingent consideration receivable:</b>		
At 1 January	10,682	15,238
Fair value change recognised in general and administrative expenses in profit or loss	—	—
At 30 June	<b>10,682</b>	<b>15,238</b>
Total gain/(loss) for the period included in profit or loss for assets held at the end of the reporting period recognised in general and administrative expenses in profit or loss	—	—
	At 30 June 2020 <i>HK\$'000</i>	At 30 June 2019 <i>HK\$'000</i>
<b>Investment funds in the PRC, unlisted:</b>		
At 1 January	24,461	31,567
Payment for purchase of investments	—	67,191
Fair value change recognised in general and administrative expenses in profit or loss	—	—
Exchange differences	<b>(473)</b>	<b>(1,381)</b>
At 30 June	<b>23,988</b>	<b>97,377</b>
Total gain/(loss) for the period included in profit or loss for assets held at the end of the reporting period recognised in general and administrative expenses in profit or loss	—	—

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2019 and 30 June 2020.

## 26. 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 interim period:

### a) Transactions with key management personnel of the Group

Remuneration for key management personnel of the Group is as follows:

	For the six months ended 30 June 2020 HK\$'000	2019 HK\$'000
Key management personnel compensation:		
– Short-term employee benefits	3,879	3,437
– Post-employment benefits	107	175
	<u>3,986</u>	<u>3,612</u>

Total remuneration is included in “staff costs” see note 6(a).

### b) Financing arrangements

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

Name	Note	At 30 June 2020 HK\$'000	At 31 December 2019 HK\$'000
<i>Short-term borrowings</i>			
– Lo Wan	(1), (2)	25,765	235
– Cheung Siu Hung	(3), (4)	4,050	4,052
		<u>29,815</u>	<u>4,287</u>

Notes:

- The loan from Ms Lo Wan is unsecured, bears interest at annualised rate of 6% (31 December 2019: 4.8%) per annum and is repayable on 28 June 2021 (31 December 2019: 8 May 2019 and 26 June 2019). Related interest expense incurred on this loan during the six months ended 30 June 2020 was approximately HK\$1,068,000 (six months ended 30 June 2019: HK\$1,636,000), which is included in interest and handling expenses (note 4).
- Ms. Lo Wan is a shareholder of the Company and the spouse of Mr. Cheung Siu Lam, a non-executive director of the Company.

## 26. MATERIAL RELATED PARTY TRANSACTIONS (Cont'd)

### b) *Financing arrangements (Cont'd)*

Notes: (Cont'd)

- (3) The loan from Ms. Cheung Siu Hung is unsecured, bears interest at 7% (31 December 2019: 7%) per annum and is repayable on 26 October 2020 (31 December 2019: 26 October 2020). Related interest expense incurred on this loan during the six months ended 30 June 2020 was approximately HK\$139,000 (six months ended 30 June 2019: HK\$146,000), which is included in interest and handling expenses (note 4).
- (4) Ms. Cheung Siu Hung is sister of Mr. Cheung Siu Lam, a non-executive director of the Company.

### c) *Transaction with a related party*

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

	For the six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
<b>Consultancy fee paid</b>		
Tiger One Holdings Limited (note (1))	250	1,918
<b>Consultancy fee received</b>		
珠海鑫達路投資企業(有限合伙)(note (2))	14,973	-

Notes:

- (1) Dr. Cheung Chai Hong, a director of the Company, is the sole shareholder of that company.
- (2) Madam Guan Xue Ling, a director of the Company, is one of the shareholders of that company.



## 26. MATERIAL RELATED PARTY TRANSACTIONS (Cont'd)

### c) *Transaction with a related party (Cont'd)*

- (ii) The details of rental paid by the Group are as follows
- (1) During the six months ended 30 June 2019, the Group paid minimum lease payments (in respect of properties) of approximately HK\$620,000 and HK\$1,188,000 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 a director of the Company is their legal representative. The directors of the Company are of the opinion that such transactions were conducted on mutually agreed terms in the ordinary course of business. In addition, as at 30 June 2019, the Group has paid rental deposits of approximately HK\$225,000 and HK\$185,000 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 2020, the Group paid minimum lease payments (in respect of director's quarter) of approximately HK\$900,000 (2019: HK\$900,000) to Anton (H.K.) Limited, in which a director of the Company and his wife have controlling interests. The directors of the Company are of the opinion that such transaction was conducted on mutually agreed terms in the ordinary course of business. In addition, as at 30 June 2020, rental deposit of HK\$300,000 (31 December 2019: HK\$300,000), which was related to this director's quarter, was included in "Other receivables, deposits and prepayments" in the consolidated statement of financial position.

## 27. EQUITY TRANSACTION WITH NON-CONTROLLING INTEREST

During the six months ended 30 June 2019, the Group has the following equity transaction with non-controlling interest of a subsidiary that do not result in a gain of control.

### ***Acquisition of additional interest in a subsidiary***

During the six months ended 30 June 2019, the Group acquired an additional 30% equity interest of 中金恒豐(北京)科技服務有限公司("中金恒豐") from the non-controlling shareholder at cash consideration of HK\$657,000. This resulted in an increase in the Group's equity interest in 中金恒豐 from 70% to 100%. Approximately HK\$16,379,000 representing the difference between the carrying amounts of the interest acquired of approximately HK\$15,050,000, the exchange fluctuation reserve attributable to non-controlling shareholder of approximately HK\$1,986,000 and the consideration paid for the acquisition of additional interest of approximately HK\$657,000, which was recognised in retained earnings.

## 28. EVENTS AFTER THE REPORTING PERIOD

### a) *Cancellation of shares*

In August 2020, a total of 27,294,000 shares in which 17,018,000 of the Company's shares were repurchased in June 2020 and 10,276,000 of its shares were repurchased after the reporting period, were cancelled.

### b) *Outbreak on Novel Coronavirus ("COVID-19")*

Since January 2020, the outbreak on COVID-19' has impacted the global business environment. Up to the date of these interim financial statements, COVID-19 has resulted impact to the Group. Pending the development and spread of COVID-19 subsequent to the date of the interim financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these interim financial statements. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

## 29. POSSIBLE IMPACT OF AMENDMENTS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2020

Up to the date of issue of these interim financial statements, the HKICPA has issued a number of amendments which are not yet effective for the six months ended 30 June 2019 and which have not been adopted in these interim financial statements. These include the following which may be relevant to the Group.

	<b>Effective for accounting periods beginning on or after</b>
Amendments to HKFRS 3, Reference to Conceptual Framework	1 January 2022
Amendments to HKFRS 10 and HKAS 28 Sales or contribution of assets between an investor and its associate and joint venture	To be determined
New Standard, HKFRS 17 Insurance contracts	1 January 2021
Amendments to HKFRS 16, Property, Plant and Equipment – Proceeds before Intended use	1 January 2022
Amendments to HKAS 37, Onerous Contracts – Cost of fulfilling a Contract	1 January 2022
Amendments to HKFRSs, Annual improvements to HKFRSs 2018-2020	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements for the year ending 31 December 2020.

## 30. 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 28 August 2020.

## OTHER INFORMATION

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

As at 30 June 2020, 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	Capacity	Number of Ordinary Shares held	Underlying Shares Interested (Note 1)	Aggregate Long Position in Shares and Underlying Shares to Issued Share Capital (Note 4)
Cheung Siu Lam	Beneficial owner of 1,720,044,240 ordinary shares and 1,000,000 underlying shares, family interest of 506,842,000 ordinary shares and 1,000,000 underlying shares (Note 2) and interest in controlled corporation of 86,400,000 ordinary shares (Note 3)	2,313,286,240	2,000,000	54.88%
Luo Rui	Beneficial owner	3,390,000	20,000,000	0.55%
Guan Xue Ling	Beneficial owner	–	2,000,000	0.047%
Cheung Chai Hong	Beneficial owner	200,000	–	0.0047%
Chan Yuk Ming	Beneficial owner	20,000,000	2,000,000	0.52%

#### Notes:

1. The number of shares represents the shares in which the directors are deemed to be interested as a result of holding share options.

- By virtue of the SFO, Cheung Siu Lam is deemed to be interested in 506,842,000 ordinary shares and 1,000,000 underlying shares held by his spouse, Lo Wan.
- Arbalice Holdings Limited is beneficially owned as to 60% by Cheung Siu Lam and 40% by his spouse, Lo Wan. By virtue of the SFO, Cheung Siu Lam and Lo Wan are deemed to be interested in 86,400,000 shares held by Arbalice Holdings Limited.
- The percentage is calculated based on the total number of issued shares as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, 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 2020, 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	Underlying Shares Interested (Note 1)	Aggregate Long Position in Shares and Underlying Shares to Issued Share Capital (Note 4)
Lo Wan	Beneficial owner of 506,842,000 ordinary shares and 1,000,000 underlying shares, family interest of 1,720,044,240 ordinary shares and 1,000,000 underlying shares (Note 2) and interest in controlled corporation of 86,400,000 ordinary shares (Note 3)	2,313,286,240	2,000,000	54.88%
China United SME Guarantee Corporation	Beneficial owner of 604,980,000 ordinary shares	604,980,000	–	14.34%

*Notes:*

1. The number of shares represents the shares in which the substantial shareholder is deemed to be interested as a result of holding share options.
2. By virtue of the SFO, Lo Wan, being spouse of Cheung Siu Lam, is deemed to be interested in 1,720,044,240 ordinary shares and 1,000,000 underlying shares held by Cheung Siu Lam.
3. Arbalice Holdings Limited is beneficially owned as to 60% by Cheung Siu Lam and 40% by Lo Wan. By virtue of the SFO, Cheung Siu Lam and Lo Wan are deemed to be interested in 86,400,000 shares held by Arbalice Holdings Limited.
4. The percentage is calculated based on the total number of issued shares as at 30 June 2020.

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 2004 Scheme and the 2014 Scheme for the Reporting Period:

Director	Date of offer	Exercise price HK\$	Outstanding at 1.1.2020	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2020	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\$
Cheung Siu Lam	22.10.10	0.359	1,000,000	-	-	-	1,000,000	22.10.10 – 21.10.20	0.360	0.216
Chan Yuk Ming	22.10.10	0.359	2,000,000	-	-	-	2,000,000	22.10.10 – 21.10.20	0.360	0.216
Luo Rui	11.04.14	0.660	20,000,000	-	-	-	20,000,000	11.04.14 – 10.04.24	0.630	0.4624
Guan Xue Ling	22.10.10	0.359	2,000,000	-	-	-	2,000,000	22.10.10 – 21.10.20	0.360	0.216
Employees in aggregate	22.10.10	0.359	1,000,000	-	-	-	1,000,000	22.10.10 – 21.10.20	0.360	0.216
Other eligible grantees	11.04.14 26.08.15	0.660 0.546	30,000,000 55,000,000	- -	- -	- -	30,000,000 55,000,000	11.04.14 – 10.04.24 26.08.15 – 25.08.25	0.630 0.490	0.4623 0.289

## SHARE AWARD SCHEME

On 14 January 2019 (the “Adoption Date”), the Company adopted the share award scheme (the “Share Award Scheme”) in which any employees, directors, consultants or advisors of any member of the Group (the “Grantee”) will be entitled to participate.

The purposes of the Share Award Scheme are to recognise the contributions by certain 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.

The Share Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules.

The Share Award Scheme will remain in force for a period of 10 years commencing on its Adoption Date.

The maximum number of awarded shares throughout the duration of the Share Award Scheme is 429,280,734 Shares, being 10% of the issued shares of the Company as at the Adoption Date. The maximum number of shares which may be awarded to a selected Grantee under the Share Award Scheme during any 12-month period is 42,928,073 shares, being 1% of the issued shares of the Company as at the Adoption Date. Details of the Share Award Scheme are set out in the announcement of the Company dated 14 January 2019.

During the Reporting Period, there were 89,754,000 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 granted to selected Grantees.

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

During the Reporting Period, the Company had bought back on the Stock Exchange a total of 47,174,000 shares in which a total of 30,156,000 shares have been cancelled.

Details of the buy-back of the shares of the Company are as follows:

Month of Buy-back	Number of Shares Bought Back	Highest Price Per Share <i>HK\$</i>	Lowest Price Per Share <i>HK\$</i>	Aggregate Purchase Price <i>HK\$</i>
January	3,762,000	0.420	0.390	1,505,720
March	48,000	0.280	0.280	13,440
April	544,000	0.330	0.280	163,080
May	25,802,000	0.202	0.160	4,481,012
June	17,018,000	0.160	0.142	2,619,956

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

## INTERIM DIVIDEND

The Board do not recommend the payment of any interim dividend for the Reporting Period (six months ended 30 June 2019: HK\$ 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.1.1, A.2.1, A.4.1 and A.6.1:

### **Code Provision A.1.1**

Code provision A.1.1 of the CG Code stipulates that regular board meetings should be held at least 4 times a year at approximately quarterly intervals with active participation of majority of directors, either in person or through other electronic means of communication.

The Company does not announce its quarterly results and hence not consider the holding of quarterly meetings as necessary.

### **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 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.

### **Code provision A.4.1**

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. One of the non-executive directors of the Company is not appointed for a specific term but is subject to retirement by rotation at least once every three years according to the articles of association of the Company.

Save for the exception above, all non-executive directors of the Company are appointed for a specific term of 1 year, subject to renewal after the expiry of the current term.

### **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 2020. The Audit Committee considered that the interim financial report 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  
**Chan Yuk Ming**  
*Chairman*

Hong Kong, 28 August 2020