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SFUND INTERNATIONAL HOLDINGS LIMITED
廣 州 基 金 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1367)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2020	2019	% Change
	HK$'000	*HK$'000*	
	(Unaudited)	(Unaudited)	
Revenue	**9,276**	16,339	(43.2)%
Gross profit	**6,184**	10,326	(40.1)%
Loss for the period and attributable to owners of the Company	**(36,458)**	(61,461)	(40.7)%
Basic loss per share	**HK(7.60) cents**	HK(12.80) cents	

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of SFund International Holdings Limited (the "**Company**") hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 30 June 2020, together with the comparative figures for the corresponding period in 2019. The consolidated interim financial information of the Group for the six months ended 30 June 2020 has not been audited, but has been reviewed by audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2020

	Notes	Six months ended 30 June 2020 HK$'000 (Unaudited)	2019 HK$'000 (Unaudited)
REVENUE	*3 & 4*	**9,276**	16,339
Cost of sales and services rendered		**(3,092)**	(6,013)
Gross profit		**6,184**	10,326
Other income and gains	*4*	**1,092**	757
Selling expenses		**(760)**	(1,625)
Administrative expenses		**(32,554)**	(43,953)
Other expenses, net		**(587)**	(29,508)
Finance costs	*5*	**(11,393)**	(9,225)
Share of (loss)/profit of an associate		**(580)**	263
LOSS BEFORE TAX	*6*	**(38,598)**	(72,965)
Income tax expense	*7*	**(135)**	(21)
LOSS FOR THE PERIOD		**(38,733)**	(72,986)
Other comprehensive (loss)/income, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(509)**	275
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(39,242)**	(72,711)
LOSS THE PERIOD ATTRIBUTABLE TO:			
Owners of the Company		**(36,458)**	(61,461)
Non-controlling interests		**(2,275)**	(11,525)
		(38,733)	(72,986)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO			
Owners of the Company		**(37,004)**	(61,351)
Non-controlling interests		**(2,238)**	(11,360)
		(39,242)	(72,711)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted (HK cents)	*8*	**(7.60)**	(12.80)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	**As at 30 June 2020 HK$'000 (unaudited)**	As at 31 December 2019 HK$'000 (audited)
Non-Current Assets			
Property, plant and equipment	*10*	**1,623**	2,244
Right-of-use assets		**5,038**	6,432
Intangible assets		**4,000**	4,000
Investment in an associate		**2,815**	2,219
Financial assets at fair value through profit or loss		**13**	1,102
Deposits and other receivables		**205**	205
Total non-current assets		**13,694**	16,202
Current assets			
Accounts receivable	*11*	**110**	4,229
Loans receivable	*12*	**63,272**	113,772
Prepayments, deposits and other receivables		**47,241**	47,551
Cash and cash equivalents		**14,909**	23,104
Total current assets		**125,532**	188,656
Current liabilities			
Trade payables	*13*	**86**	4,596
Other payables and accruals		**60,281**	56,707
Other borrowings		**114,586**	24,060
Bond payables	*14*	**92,063**	219,229
Tax payables		**8,155**	8,487
Total current liabilities		**275,171**	313,079
Net current liabilities		**(149,639)**	(124,423)
Total assets less current liabilities		**(135,945)**	(108,221)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. PRESENTATION AND BASIS OF PREPARATION

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

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

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

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

(i) Kapok Spirit Investment Limited ("Kapok Spirit"), an entity indirectly wholly owned by a substantial shareholder of the Company, issued a letter of intent to extend the bond maturity date of a bond payable of HK$80,000,000.

(ii) A shareholder of the Company has undertaken to provide continuous financial support to the Group to meet its liabilities and obligations as and when they fall due.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

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

3. OPERATING SEGMENT INFORMATION

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

(a) the apparel trading and related services segment engages in the trading of apparel products and provision of the apparel supply chain management services;

(b) the financial services segment engages in the securities dealing business, provision of asset management services, corporate finance and related advisory services;

(c) the money lending segment engages in the provision of loan financing; and

(d) the securities investment segment engages in investment in listed and unlisted investments.

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

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

(a) all assets are allocated to operating segments other than unallocated assets, cash and cash equivalents and tax recoverable; and

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

For the six months ended 30 June 2020 (Unaudited)

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

For the six months ended 30 June 2019 (Unaudited)

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

Geographical information

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

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

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

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

Information about major customers

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

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

* *Less than 10% of revenue*

4. REVENUE, OTHER INCOME AND GAINS

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

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

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

5. FINANCE COSTS

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

6. LOSS BEFORE TAX

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

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

7. INCOME TAX EXPENSE

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

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

Basic and diluted loss per share

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

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

9. DIVIDEND

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

10. PROPERTY, PLANT AND EQUIPMENT

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

11. ACCOUNTS RECEIVABLE

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

Trade receivables

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

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

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

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

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

Fund management fees receivables

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

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

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

12. LOANS RECEIVABLE

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

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

13. TRADE PAYABLES

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

	30 June 2020 HK$'000 (unaudited)	31 December 2019 HK$'000 (audited)
Within 1 month	**86**	4,596

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

14. BOND PAYABLES

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Apparel Supply Chain Management Services Business

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

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

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

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

Financial Services Business

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

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

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

Money Lending Business

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

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

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

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

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

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

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

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

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

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

Securities Investment

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

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

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

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

FINANCIAL REVIEW

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

(a) Apparel supply chain management services;

(b) Financial services;

(c) Money lending; and

(d) Securities investment.

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

Revenue

Revenue by Business Segments

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

- Apparel supply chain management services business: HK$4,382,000, 47.3% of revenue (2019: HK$7,114,000, 43.5%)

- Financial services business: HK$268,000, 2.9% of revenue (2019: HK$641,000, 3.9%)

- Money lending business: HK$4,633,000, 49.9% of revenue (2019: HK$9,054,000, 55.4%)

- Securities investment: negative revenue of HK$7,000, -0.1% of revenue (2019: negative revenue of HK$470,000, -2.8%)

Revenue by Geographical Segments

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

- USA: nil, 0% of revenue (2019: HK$5,600,000, 34.3%)

- Mainland China: HK$774,000, 8.3% of revenue (2019: HK$735,000, 4.5%)

- Hong Kong (China): HK$7,281,000, 78.5% of revenue (2019: HK$8,586,000, 52.5%)

- Other countries: HK$1,221,000, 13.2% of revenue (2019: HK$1,418,000, 8.7%)

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

Cost of Sales and Services Rendered

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

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

Gross Profit

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

Other Income and Gains

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

Selling Expenses

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

Administrative Expenses

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

Other Expenses, Net

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

Finance Costs

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

Loss for the Period

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

PROSPECTS

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

Apparel Supply Chain Management Services Business

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

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

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

Money Lending Businesses

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

Financial Services Businesses

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

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

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

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

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

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

Securities Investment

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

CAPITAL STRUCTURE

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

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

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

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

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

(i) Kapok Spirit Investment Limited ("Kapok Spirit"), an entity indirectly wholly owned by a substantial shareholder of the Company, issued a letter of intent to extend the bond maturity date of a bond payable of HK$80,000,000.

(ii) A shareholder of the Company is intended to provide continuous financial support to the Group to meet its liabilities and obligations as and when they fall due.

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

DISCLAIMER OF CONCLUSION

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

"As discussed in note 1 to the interim financial statements concerning the adoption of the going concern basis on which the interim financial statements have been prepared, the Group incurred loss attributable to owners of the Company of HK$36,458,000 and HK$61,461,000 respectively for two consecutive period of six months ended 30 June 2020 and 2019, and the Group had net current liabilities of HK$149,639,000 and net liabilities of HK$159,606,000 as at 30 June 2020. These conditions indicate the existence of a material uncertainty that casts a significant doubt on the Group's ability to continue as a going concern. The directors of the Company are undertaking certain measures to improve the Group's liquidity and financial position which are set out in note 1 to the interim financial statements. The interim financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to uncertainties, including (i) the ultimate success of the formulation of the fund raising exercises conducted by the Group, and (ii) the final outcome of the Group in obtaining the continuous financial support from a shareholder. We were unable to obtain sufficient appropriate evidence as to the likelihood, or otherwise, of these measures being successful. As a result of these multiple uncertainties, the potential interaction of these uncertainties, and, the possible cumulative effects thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate and the related disclosures are sufficient.

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

THE MANAGEMENT'S POSITION, VIEW AND ASSESSMENT ON THE DISCLAIMER OF CONCLUSION

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

(i) The Group has been urging its customers of the money lending segment to settle all overdue loans. In July 2020, the Company received HK$15 million from a customer and has applied such proceeds to settle part of the bond payables. It is expected that the Company will received HK$9.5 million from a customer on or before 31 October 2020. The Company intends to apply such proceeds as working capital of the Group.

(ii) The Company has received a letter of intent from Kapok Spirit Investment Limited ("Kapok Spirit"), an entity indirectly wholly owned by SFund International Investment Fund Management Limited ("SFund International") which is the substantial shareholder of the Company, to extend the maturity date of the outstanding bond payable of HK$80 million.

(iii) A shareholder of the Company is intended to provide continuous financial support to the Group to meet its liabilities and obligations as and when they fall due.

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

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

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

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

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

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

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

(ii) Possible issue of new securities

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

(iii) Financial support

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

(iv) Income-generating and cost-saving measures

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

(a) Expansion on financial services business

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

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

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

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

(b) Cost-saving/reduction

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

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

AUDIT COMMITTEE'S VIEW ON THE DISCLAIMER OF CONCLUSION

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

TREASURY POLICIES

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

FOREIGN EXCHANGE EXPOSURE

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

CAPITAL EXPENDITURES

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

CAPITAL COMMITMENT

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS

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

SIGNIFICANT INVESTMENT

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

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

RISK MANAGEMENT

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

Interest Rate Risk

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

Foreign Currency Risk

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

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

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

Credit Risk

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

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

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

Liquidity Risk

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

Equity Price Risk

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

CONTINGENT LIABILITIES

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

CHARGE ON THE GROUP'S ASSETS

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

DIVIDEND

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

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

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

PROVISION OF FINANCIAL ASSISTANCE AND ADVANCE TO AN ENTITY

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

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

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

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

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

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

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

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

Provision of Financial Assistance Amounting to HK$40,000,000

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

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

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

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

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

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

SUBSEQUENT EVENTS

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

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

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

DIRECTORS' SECURITIES TRANSACTIONS

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

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

CHANGE OF DIRECTORS' INFORMATION

During the period and up to the date of this interim results, the updated information on Directors required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are as follow:

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

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

EXTRACT FROM INDEPENDENT REVIEW REPORT

The following is an extract of the independent review report on the Group's interim financial statements for the six months period ended 30 June 2020:

"Disclaimer of Conclusion

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

Basis for Disclaimer of Conclusion

As discussed in note 1 to the interim financial statements concerning the adoption of the going concern basis on which the interim financial statements have been prepared, the Group incurred loss attributable to owners of the Company of HK$36,458,000 and HK$61,461,000 respectively for two consecutive period of six months ended 30 June 2020 and 2019, and the Group had net current liabilities of HK$149,639,000 and net liabilities of HK$159,606,000 as at 30 June 2020. These conditions indicate the existence of a material uncertainty that casts a significant doubt on the Group's ability to continue as a going concern. The directors of the Company are undertaking certain measures to improve the Group's liquidity and financial position which are set out in note 1 to the interim financial statements. The interim financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to uncertainties, including (i) the ultimate success of the formulation of the fund raising exercises conducted by the Group, and (ii) the final outcome of the Group in obtaining the continuous financial support from a shareholder. We were unable to obtain sufficient appropriate evidence as to the likelihood, or otherwise, of these measures being successful. As a result of these multiple uncertainties, the potential interaction of these uncertainties, and, the possible cumulative effects thereof, we were unable to form an opinion as to whether the going concern basis of preparation is appropriate and the related disclosures are sufficient.

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT ON THE WEBSITE OF THE STOCK EXCHANGE AND THE COMPANY

The interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.1367.com.hk. The printed copy of the interim report will be sent to the Shareholders and the soft copy of the same will be published on the websites of the Stock Exchange and the Company in due course.

BOARD OF DIRECTORS

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

By order of the Board
SFund International Holdings Limited
Li Qing
Chairman

Hong Kong (China), 28 August 2020

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