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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 2021

FINANCIAL HIGHLIGHTS	For the six months ended 30 June		
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)	% Change
Revenue	5,141	9,276	(44.6)%
Gross profit	4,838	6,184	(21.8)%
Loss for the period attributable to owners of the Company	(9,023)	(36,458)	(75.3)%
Basic loss per share	<b>HK(1.88) cents</b>	HK(7.60) 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 2021, together with the comparative figures for the corresponding period in 2020. The consolidated interim financial information of the Group for the six months ended 30 June 2021 has not been audited, but has been reviewed by audit committee of the Company.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS***For the six months ended 30 June 2021*

		<b>Six months ended 30 June</b>	
	<i>Notes</i>	<b>2021</b>	<b>2020</b>
		<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>REVENUE</b>	<i>3&amp;4</i>	<b>5,141</b>	9,276
Cost of sales and services rendered		<b>(303)</b>	(3,092)
<b>Gross profit</b>		<b>4,838</b>	6,184
Other income and gains	<i>4</i>	<b>25,064</b>	1,092
Selling expenses		<b>(315)</b>	(760)
Administrative expenses		<b>(24,856)</b>	(32,554)
Other expenses, net		<b>(1,734)</b>	(587)
Finance costs	<i>5</i>	<b>(13,621)</b>	(11,393)
Share of loss of an associate		<b>(921)</b>	(580)
<b>LOSS BEFORE TAX</b>	<i>6</i>	<b>(11,545)</b>	(38,598)
Income tax credit/(expense)	<i>7</i>	<b>142</b>	(135)
<b>LOSS FOR THE PERIOD</b>		<b>(11,403)</b>	(38,733)
<b>Attributable to:</b>			
Owners of the Company		<b>(9,023)</b>	(36,458)
Non-controlling interests		<b>(2,380)</b>	(2,275)
		<b>(11,403)</b>	(38,733)
<b>LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Basic and diluted	<i>8</i>	<b>HK(1.88) cents</b>	HK(7.60) cents

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
<b>LOSS FOR THE PERIOD</b>		<b>(11,403)</b>	<b>(38,733)</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<b>408</b>	(509)
Exchange differences reclassified upon disposal of subsidiaries		<b>335</b>	–
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD</b>		<b>743</b>	<b>(509)</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(10,660)</b>	<b>(39,242)</b>
<b>Attributable to:</b>			
Owners of the Company		<b>(8,375)</b>	(37,004)
Non-controlling interests		<b>(2,285)</b>	(2,238)
		<b>(10,660)</b>	<b>(39,242)</b>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>10</i>	264	1,193
Right-of-use assets		5,326	8,932
Intangible assets		1,683	3,308
Investment in an associate		1,114	2,013
Financial assets at fair value through profit or loss		24,033	12
Deposits and other receivables		3,423	3,423
		<hr/>	<hr/>
<b>Total non-current assets</b>		<b>35,843</b>	18,881
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Accounts receivable	<i>11</i>	–	148
Loans receivable	<i>12</i>	72,913	46,184
Prepayments, deposits and other receivables		42,374	44,146
Cash and cash equivalents		8,513	68,179
		<hr/>	<hr/>
<b>Total current assets</b>		<b>123,800</b>	158,657
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Trade payables	<i>13</i>	–	27
Other payables and accruals		74,267	72,926
Other borrowings		178,572	186,213
Bond payables	<i>14</i>	80,000	80,000
Tax payables		7,832	7,832
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>340,671</b>	346,998
		<hr/>	<hr/>
<b>NET CURRENT LIABILITIES</b>		<b>(216,871)</b>	(188,341)
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>(181,028)</b>	(169,460)
		<hr/>	<hr/>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	As at <b>30 June</b> <b>2021</b> <i>Notes</i> <b>HK\$'000</b> <b>(unaudited)</b>	As at 31 December 2020 <i>HK\$'000</i> <b>(audited)</b>
<b>NON-CURRENT LIABILITIES</b>		
Other payables and accruals	1,703	4,343
Other borrowings	30,000	28,000
Deferred tax liabilities	299	567
	<hr/>	<hr/>
<b>Total non-current liabilities</b>	<b>32,002</b>	<b>32,910</b>
	<hr/>	<hr/>
<b>Net liabilities</b>	<b>(213,030)</b>	<b>(202,370)</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>		
<b>Equity attributable to owners of the Company</b>		
Issued capital	4,800	4,800
Reserves	(218,448)	(210,073)
	<hr/>	<hr/>
	(213,648)	(205,273)
Non-controlling interests	618	2,903
	<hr/>	<hr/>
<b>Total equity</b>	<b>(213,030)</b>	<b>(202,370)</b>
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## 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 include all the information and disclosures required in a full set of financial statements, and should be read in conjunction with the Group’s 2020 annual consolidated financial statements for the year ended 31 December 2020 (“2020 Annual Report”). The accounting policies and methods of computation used in the preparation of the Interim Financial Statements are consistent with those used in 2020 Annual Report.

As at 30 June 2021, the Group incurred loss attributable to owners of the Company of HK\$9,023,000 and HK\$36,458,000 respectively for two consecutive periods of six months ended 30 June 2021 and 2020, and as at 30 June 2021 the Group had net current liabilities of HK\$216,871,000 (as at 31 December 2020: HK\$188,341,000) and net liabilities of HK\$213,030,000 (as at 31 December 2020: HK\$202,370,000). 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\$80,000,000 (31 December 2020: HK\$80,000,000) 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) As regards the bond held by Kapok Spirit, the Company intends to negotiate with Kapok Spirit and SFund International Investment Fund Management Limited (“SFund Investment Fund”) to capitalise the principal amount of the outstanding bond 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 materialized.
- (iii) The Company 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. The fund raising activity is subjected to the approval from The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and market conditions. 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.

The Directors 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.

## **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 2021. 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 consolidated 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 2021 (Unaudited)**

	Apparel trading and related services <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from contracts with customers:					
Recognised at a point in time	-	-	-	-	-
Recognised over time	1,554	1,064	-	-	2,618
	1,554	1,064	-	-	2,618
Revenue from other sources	-	-	2,521	2	2,523
<b>Segment revenue</b>	<b>1,554</b>	<b>1,064</b>	<b>2,521</b>	<b>2</b>	<b>5,141</b>
<b>Segment results</b>	<b>(8,013)</b>	<b>(6,319)</b>	<b>2,077</b>	<b>2</b>	<b>(12,253)</b>
<i>Reconciliation:</i>					
Bank interest income					33
Corporate and other unallocated income (expenses)					14,296
Finance costs					(13,621)
Loss before tax					(11,545)
<b>As at 30 June 2021 (Unaudited)</b>					
<b>Segment assets</b>	<b>3,961</b>	<b>95,938</b>	<b>44,918</b>	<b>1,335</b>	<b>146,152</b>
<i>Reconciliation:</i>					
Corporate and other unallocated assets					13,491
Total assets					159,643
<b>Segment liabilities</b>	<b>19,431</b>	<b>165,388</b>	<b>53,471</b>	<b>7,063</b>	<b>245,353</b>
<i>Reconciliation:</i>					
Elimination of intersegment payables					(128,068)
Corporate and other unallocated liabilities					255,388
Total liabilities					372,673



**For the six months ended 30 June 2020 (Unaudited)**

	Apparel trading and related services <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Money lending <i>HK\$'000</i>	Securities investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
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
<b>Segment revenue</b>	<b>4,382</b>	<b>268</b>	<b>4,633</b>	<b>(7)</b>	<b>9,276</b>
<b>Segment results</b>	<b>(8,721)</b>	<b>(5,994)</b>	<b>2,421</b>	<b>(9)</b>	<b>(12,303)</b>
<i>Reconciliation:</i>					
Bank interest income					6
Corporate and other unallocated expenses					(14,908)
Finance costs					(11,393)
Loss before tax					(38,598)
<b>As at 31 December 2020 (Audited)</b>					
<b>Segment assets</b>	<b>9,086</b>	<b>107,108</b>	<b>49,338</b>	<b>1,319</b>	<b>166,851</b>
<i>Reconciliation:</i>					
Corporate and other unallocated assets					10,687
Total assets					177,538
<b>Segment liabilities</b>	<b>46,797</b>	<b>219,047</b>	<b>57,563</b>	<b>7,063</b>	<b>330,470</b>
<i>Reconciliation:</i>					
Elimination of intersegment payables					(192,485)
Corporate and other unallocated liabilities					241,923
Total liabilities					379,908

## Geographical information

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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Cambodia	1,554	1,221
Mainland China	–	506
Hong Kong, China	–	2,655
	<u>1,554</u>	<u>4,382</u>

Revenue from the financial services segment amounting to HK\$1,064,000 (six months ended 30 June 2020: HK\$268,000), based on the locations of customers, was derived in Mainland China. 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:

	Segment	For the six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Customer A	Money lending	2,400	N/A*
Customer B	Apparel trading and related services	–	2,421
Customer C	Apparel trading and related services	1,554	1,221
Customer D	Money lending	–	4,020
Customer E	Financial services	<u>1,064</u>	<u>–</u>

\* *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:

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Revenue from contracts with customers</b>		
Sales of goods	–	3,161
Service fee income	<b>1,554</b>	1,221
Fund management fee income	–	268
Interest income	<b>1,064</b>	–
<b>Revenue from other sources</b>		
Interest income from the money lending business	<b>2,521</b>	4,633
Fair value gain/(loss) on financial assets at fair value through profit or loss	<b>2</b>	(7)
	<u><b>5,141</b></u>	<u>9,276</u>

#### Revenue from contracts with customers

##### *Disaggregated revenue information*

#### For the six months ended 30 June 2021

Segments	<b>Apparel trading and related services</b>	<b>Financial services</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)
<b>Type of goods or services</b>			
Service fee income	1,554	–	1,554
Interest income	–	1,064	1,064
	<u>1,554</u>	<u>1,064</u>	<u>2,618</u>
<b>Geographical markets</b>			
Mainland China	–	1,064	1,064
Cambodia	1,554	–	1,554
	<u>1,554</u>	<u>1,064</u>	<u>2,618</u>
<b>Timing of revenue recognition</b>			
Goods or services transferred at a point in time	–	–	–
Services transferred over time	1,554	1,064	2,618
	<u>1,554</u>	<u>1,064</u>	<u>2,618</u>

**For the six months ended 30 June 2020**

<b>Segments</b>	Apparel trading and related services <i>HK\$'000</i> (unaudited)	Financial services <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
<b>Type of goods or services</b>			
Sales of goods	3,161	–	3,161
Service fee income	1,221	–	1,221
Fund management fee income	–	268	268
	<u>4,382</u>	<u>268</u>	<u>4,650</u>
<b>Geographical markets</b>			
Mainland China	506	268	774
Hong Kong, China	2,655	–	2,655
Cambodia	1,221	–	1,221
	<u>4,382</u>	<u>268</u>	<u>4,650</u>
<b>Timing of revenue recognition</b>			
Goods or services transferred at a point in time	4,382	–	4,382
Services transferred over time	–	268	268
	<u>4,382</u>	<u>268</u>	<u>4,650</u>

**For the six months ended 30 June**

	<b>2021</b> <i>HK\$'000</i> (unaudited)	<b>2020</b> <i>HK\$'000</i> (unaudited)
<b>Other income</b>		
Bank interest income	33	6
Distribution income	–	2
Government subsidies ( <i>Note</i> )	721	586
Sundry income	–	329
	<u>754</u>	<u>923</u>
<b>Gains</b>		
Gain on foreign exchange differences, net	204	169
Gain on disposal of subsidiaries	24,106	–
	<u>24,310</u>	<u>169</u>
	<u>25,064</u>	<u>1,092</u>

*Note:* During the six months ended 30 June 2021, the government subsidies were received from the relevant PRC government for improvement of working capital and financial assistance to the operating activities. The subsidies were granted on a discretionary basis and the conditions attached thereto were fully complied with. During the six months ended 30 June 2020, the government subsidies represented the gross amount received from Employment Support Scheme provided by the government of Hong Kong Special Administrative Region.

## 5. FINANCE COSTS

	For the six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Interest on bond payables	4,587	7,518
Interest on other borrowings	8,910	3,760
Unwinding of finance costs on lease liability	124	115
	<b>13,621</b>	<b>11,393</b>

## 6. LOSS BEFORE TAX

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

	For the six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Cost of inventories sold	–	2,832
Depreciation of property, plant and equipment	277	622
Depreciation of right-of-use assets	2,515	2,496
Impairment of intangible assets	1,625	–
Provision for expected credit loss (“ECL”) on loans receivable*	99	–
Loss on disposal of investment in an associate	–	587
Foreign exchange differences, net	(204)	(169)
Minimum lease payments under operating leases	409	484
Employee benefit expenses (including directors' emoluments)	18,413	21,846

\* The balances were included in “Other expenses, net” in the condensed consolidated statement of profit or loss.

## 7. INCOME TAX (CREDIT)/EXPENSE

	For the six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Current – Elsewhere		
– Charge for the period	126	135
Deferred tax liability	(268)	–
	<b>(142)</b>	<b>135</b>

## 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\$9,023,000 (six months ended 30 June 2020: HK\$36,458,000), and the weighted average number of ordinary shares of 480,000,000 (six months ended 30 June 2020: 480,000,000) in issue during the period.

Diluted loss per share equals to basic loss per share as the Company had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020.

## 9. DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 June 2021. (six months ended 30 June 2020: Nil).

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group did not purchase property, plant and equipment (six months ended 30 June 2020: purchase at cost of HK\$19,000) and disposed of property, plant and equipment with carrying amount of HK\$668,000 (six months ended 30 June 2020: nil).

## 11. ACCOUNTS RECEIVABLE

	<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
Trade receivables	–	214
Fund management fee receivables	<b>21,366</b>	21,239
	<b>21,366</b>	21,453
Less: Impairment loss	<b>(21,366)</b>	(21,305)
Carrying amount	<b>–</b>	<b>148</b>

### 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 2020: 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:

	<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
Within 1 month	–	36
	<u>–</u>	<u>36</u>

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

	<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
At beginning of period/year	178	178
Disposal of subsidiaries	(178)	–
	<u>–</u>	<u>178</u>

#### **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 2021, the fund management fee receivables net of impairment provision was nil (31 December 2020: HK\$112,000).

An ageing analysis of fund management fees receivables as at the end of the reporting period, based on the period in which services were rendered and net of loss allowance, is as follows:

	<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
Within 1 month	–	28
1 to 2 months	–	21
2 to 3 months	–	63
	<u>–</u>	<u>112</u>

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

	<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
At beginning of period/year	21,127	20,191
Exchange realignment	<u>239</u>	<u>936</u>
Balance at the end of the period/year	<u><u>21,366</u></u>	<u><u>21,127</u></u>

## 12. LOANS RECEIVABLE

	<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
Loans receivable	73,628	46,800
Impairment	<u>(715)</u>	<u>(616)</u>
	<u><u>72,913</u></u>	<u><u>46,184</u></u>

Loans receivable arising from the money lending business and financial services business of the Group bear interest at a rate of 12% (31 December 2020: 10% to 12%) per annum. As at 30 June 2021, the loans receivable with an aggregate carrying amount of HK\$72,913,000 (31 December 2020: HK\$39,384,000) 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:

	<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
Within 1 month	<u>–</u>	<u>27</u>

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



#### 14. BOND PAYABLES

	<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
Unlisted bonds	<b>80,000</b>	80,000
Analysed into:		
Current portion	<u><b>80,000</b></u>	<u>80,000</u>
	<u><b>80,000</b></u>	<u>80,000</u>

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	
				<b>30 June 2021 HK\$'000 (unaudited)</b>	31 December 2020 HK\$'000 (audited)
30 October 2017	23 months	8%	7.93%	<b>80,000*</b>	80,000*

\* *The straight bond was issued by the Company to Kapok Spirit. 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, and from providing apparel supply chain management services for factories.

For the six months ended 30 June 2021, the Group’s revenue from apparel supply chain management services business were HK\$1,554,000, representing a significant decrease of approximately 64.5% when compared to the corresponding period last year of HK\$4,382,000. The segment loss from the respective segment were HK\$8,013,000 as compared to segment loss of HK\$8,721,000 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. Nevertheless, supply chain management services performed for factories recovered part of the lost revenue.

As a result of the intensive competition among the industry, the impact of coronavirus pandemic (“**COVID-19**”) worldwide and an especially another wave in Southeast Asian production-based countries, 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, and has reduced the scale of operations of the apparel supply chain services to reduce the loss.

#### **Financial Services Business**

For the six months ended 30 June 2021, 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**”).

On 13 January 2021, 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) invested RMB20,000,000 through a partnership in 阿克蘇興疆牧歌食品股份有限公司 (Aksu Xingjiang Muge Food Company Limited\*) (“**Xingjiang Muge**”), being a company principally engaged in pig farming and food processing in the PRC.

Further details of this transaction is set out in the Company’s discloseable transaction announcement dated 13 January 2021.

On 12 March 2021, Hunan Huiyin Tianxing provided a loan of RMB28,000,000 to 郴州瑞嶸房地產開發有限公司 (Chenzhou Ruirong Real Estate Development Co., Ltd\*) (“**Ruirong Real Estate**”), which is a company principally engaged in real estate development and operation, sale and leasing of housing and sale of building materials in the PRC.

Pursuant to the loan agreement, Hunan Huiyin Tianxing agreed to grant to Ruirong Real Estate a loan of RMB28,000,000 for a term of 6 months from 12 March 2021, and could be further extended for another 6 months with written consent of Hunan Huiyin Tianxing (or any other date as may be agreed by Hunan Huiyin Tianxing and Ruirong Real Estate in writing). The loan is secured by i) the charge over the land use rights of a land (the “**Land**”) created by Ruirong Real Estate in favour of Hunan Huiyin Tianxing; and ii) an irrevocable joint and several guarantee executed by the guarantors (the “**Guarantors**”), namely Hunan Ruirong Real Estate Group Co., Ltd.\* (湖南瑞榮置業集團有限公司), Li Zhilin (李志林), Li Yijuan (李宜娟) and Li Chengbin (李成彬) in favour of the Ruirong Real Estate. Hunan Huiyin Tianxing will continue to cooperate with financial institutions and industry leaders to explore investment opportunities in equity and debt projects in order to expand the financial business of the Group. Further details of the transaction is set out in the Company’s announcements dated 12 March 2021. The loan is still outstanding as at 30 June 2021 with an aggregate outstanding loan principal of HK\$33,628,000.

For the six months ended 30 June 2021, the revenue and operating loss generated in this segment were HK\$1,064,000 (2020: HK\$268,000) and HK\$6,319,000 (2020: HK\$5,994,000), respectively.

The increase in loss of this segment were due to increase in the impairment expense of intangible assets of the securities dealing CGU of HK\$1,625,000 for the six months ended 30 June 2021. During the period, the Group made the application to the Securities and Futures Commission (the “**SFC**”) to cancel the business licence of Type 1 (Dealing in Securities) in order to reduce the administrative expenses.

### **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 2021, the interest income and operating profit generated in this segment were HK\$2,521,000 (2020: HK\$4,633,000) and HK\$2,077,000 (2020: HK\$2,421,000), respectively.

As at 30 June 2021, there was a transaction of loan advanced to a customer. The loan was still outstanding as at 30 June 2021 with an aggregate outstanding loan principal of HK\$40,000,000.

On 14 February 2018, Capital Strategic entered into a 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 Wide Merit Limited 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 2021.

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 2021, the Group carried out the Group’s investment business in securities investment.

During the six months ended 30 June 2021, the revenue arising from this segment was HK\$2,000 (2020: negative revenue of HK\$7,000). Revenue was attributable to the net realised gain on unlisted equity investment of HK\$2,000 during the six months ended 30 June 2021 (2020: net realised loss on listed securities investment of HK\$7,000).

The overall performance of the securities investment business recorded a profit of HK\$2,000 for the six months ended 30 June 2021 (2020: loss of HK\$9,000), which was primarily attributable to the realized equity investment stated above. As at 30 June 2021 and 31 December 2020, the Group’s did not have any listed securities investment.

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 2021 is as follows:

- Apparel supply chain management services business: HK\$1,554,000, 30.2% of revenue (2020: HK\$4,382,000, 47.3%)
- Financial services business: HK\$1,064,000, 20.7% of revenue (2020: HK\$268,000, 2.9%)
- Money lending business: HK\$2,521,000, 49.0% of revenue (2020: HK\$4,633,000, 49.9%)
- Securities investment: of HK\$2,000, 0.1% of revenue (2020: negative revenue of HK\$7,000, -0.1%)

### ***Revenue by Geographical Segments***

Ratio analysis by geographical segments for the Group's revenue for the six months ended 30 June 2021 is as follows:

- Cambodia: HK\$1,554,000, 30.2% of revenue (2020: HK\$1,221,000, 13.2%)
- Mainland China: HK\$1,066,000, 20.8% of revenue (2020: HK\$774,000, 8.3%)
- Hong Kong, China: HK\$2,521,000, 49.0% of revenue (2020: HK\$7,281,000, 78.5%)

The Group's revenue for the six months ended 30 June 2021 was HK\$5,141,000, being a decrease of HK\$4,135,000 when compared to the corresponding period last year of HK\$9,276,000. The decrease was mainly due to the net effect of (i) a decrease in revenue derived from apparel supply chain management services business to HK\$1,554,000 (2020: HK\$4,382,000) due to the Group continued to face Covid-19 which caused the Group's customers to cease placing new orders. The Group then took remedial action and generated new income by providing supply chain management services for factories. The Group is still exploring other alternatives to develop markets in other geographical regions so as to diversify its customer base; (ii) an increase in revenue derived from financial services business to HK\$1,064,000 (2020: HK\$268,000), which were mainly derived from the Group's fund management services and other consultancy services in Mainland China; (iii) a decrease in interest income from loans advanced to independent third parties to HK\$2,521,000 (2020: HK\$4,633,000); and (iv) realised gain on an investment in unlisted equity investment at fair value through profit or loss of HK\$2,000 (2020: realised loss on listed securities investment of HK\$7,000), 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; and (ii) the direct cost of fund management services mainly consists of fund manager costs.

## **Gross Profit**

The Group's gross profit for the six months ended 30 June 2021 was HK\$4,838,000, representing a decrease of approximately 21.8% from HK\$6,184,000 in the corresponding period last year. The decrease in gross profit was because there were decrease in services income 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 2021 was HK\$25,064,000, representing an increase of approximately 2,195.2% from the corresponding period last year of HK\$1,092,000. The significant increase was mainly due to the gain on disposal of subsidiaries from the apparel supply chain management services business.

## **Selling Expenses**

Selling expenses primarily consist of (i) sample cost; (ii) staff cost; and (iii) other selling and distribution expenses. Selling expenses for the six months ended 30 June 2021 was HK\$315,000, representing a decreased of approximately 58.6% from the corresponding period last year of HK\$760,000. The decrease was mainly due to the decrease in sample cost, staff cost and 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 2021 was HK\$24,856,000, representing a decrease of approximately 23.6% from the corresponding period last year of HK\$32,554,000. The decrease were mainly due to the decrease in salaries, and professional fee.

## **Other Expenses, Net**

Other expenses, net mainly represented the provision for ECL on loans receivable and provision for impairment of intangible assets. Other expenses, net for the six months ended 30 June 2021 was HK\$1,734,000, representing an increase of approximately 195.4% from the corresponding period last year of HK\$587,000. The significant increase was mainly due to increase in provision for impairment of intangible assets of the securities dealing CGU of HK\$1,625,000.

## **Finance Costs**

Finance costs for the six months ended 30 June 2021 was HK\$13,621,000, representing an increase of approximately 19.6% from the corresponding period last year of HK\$11,393,000. The increase was mainly due to the late interest from the other borrowings.

## **Loss for the Period**

The net loss attributed to the owners of the Company for the six months ended 30 June 2021 amounted to HK\$9,023,000 (2020: HK\$36,458,000), resulted in a basic loss per share for the six months ended 30 June 2021 of HK1.88 cents (2020: HK7.60 cents), representing a decrease in loss attributed to the shareholders of the Company (the “Shareholders”) by 75.3%. The decrease in loss was resulted from the effects of (i) decrease in administrative expenses due to cost control; (ii) increase in other income and gains due to gain on disposal of subsidiaries from the apparel supply chain management services business and (iii) increase in other expenses, mainly due to increase in provision for impairment of intangible assets (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 2021 not favorable. Despite recovery signs in the USA, the outbreak of another wave of coronavirus infection in Southeast Asia, including Cambodia and Bangladesh which are the Group’s production bases, has forced factories to temporarily close or reduce the production. This has led to decreasing supply chain management services derived from factories. The management of the Group expects the financial performance of this segment would remain stagnant for a protracted period, and has reduced the scale of operations of the apparel supply chain services to reduce the loss.

### **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 and/or borrowings.

## **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.

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, China stock market experienced significant volatility due to the impact of COVID-19 and economic events in the domestic and international markets. In response to that, the Group will continue to closely monitor market conditions and may consider changing its investment portfolio from time to time. We will also explore other investment opportunities, including but not limited to private equity investments, debt securities, derivative instruments and funds.

## **Conclusion**

Trading in shares of the Company has been suspended with effect from 9:00 a.m. on 8 February 2021. The Company is taking appropriate steps to resolve the issues that led to the suspension and will continue to develop its existing business, in particular its financial services business (including but not limited to money lending, asset management, fund management and financial advisory), further expand the scale of its financial services business and identify potential investment projects on financial services platform so that our financial services business can be more diversified and synergistic. The Group continues to seek for high-quality underlying assets in both domestic and overseas markets and has negotiated with a number of target companies about acquisition proposals. We will continue to identify companies or projects with good potential and prospects to expand the business of the Group, and seek to resume trading in our shares as soon as possible in full compliance with the Listing Rules and in a manner satisfactory to the Stock Exchange.



## **THE STOCK EXCHANGE’S DECISION ON THE COMPANY’S NON-COMPLIANCE WITH LISTING RULE 13.24**

Trading in the shares (the “**Shares**”) of the Company on the Stock Exchange has been suspended since 8 February 2021.

The Company has received a letter dated 24 April 2020 from the Listing Division of the Stock Exchange (the “**Letter**”) notifying the Company of its decision that the Company has failed to carry out a business with a sufficient level of operations and assets of sufficient value to support its operations under Rule 13.24 of the Listing Rules to warrant the continued listing of its shares, and that the trading in the Company’s shares will be suspended under Rule 6.01(3) of the Listing Rules (the “**Decision**”).

Pursuant to the Letter, the Company must re-comply with Rule 13.24 of the Listing Rules, fulfill any resumption guidance that may be set by the Stock Exchange and is in full compliance with the Listing Rules to the Stock Exchange’s satisfaction before the trading of the Company’s shares is allowed to resume. Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of the Company’s shares if trading remains suspended for a continuous period of 18 months.

On 5 May 2020, the Company has submitted a written request to the Listing Committee of the Stock Exchange (the “**Listing Committee**”) for reviewing the Decision. On 9 October 2020, the Listing Committee decided to uphold the Decision to suspend trading in the Shares.

On 19 October 2020, the Company has submitted a written request to the Listing Review Committee of the Stock Exchange (the “**Listing Review Committee**”) for a further and final review of the Decision of the Listing Committee. On 26 January 2021, the Listing Review Committee conducted a review hearing to review the Decision of the Listing Committee set out in its letter dated 9 October 2020 (the “**LC Decision**”). On 5 February 2021, the Company received a letter from the Stock Exchange notifying the Company that the Listing Review Committee, having carefully considered all the facts and evidence, and all submissions presented by the Company and the Listing Division of the Stock Exchange (the “**Listing Division**”), decided to uphold the LC Decision to suspend trading in the Shares under Rule 6.01(3) of the Listing Rules on the ground that the Company had failed to comply with Rule 13.24 of the Listing Rules.

On 8 February 2021, the Company received a letter from the Stock Exchange setting out the following resumption guidance for resumption of trading in Shares (the “**Resumption Guidance**”):

- to demonstrate the Company’s compliance with Rule 13.24 of the Listing Rules.

The Company must remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange’s satisfaction before trading in Shares is allowed to resume. The Company has the primary responsibility to devise its action plan for resumption. The Stock Exchange may modify or supplement the Resumption Guidance if the Company’s situation changes.

Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 7 August 2022. If the Company fails to remedy the issue(s) causing its trading suspension, fulfill the Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in Shares by 7 August 2022, the Listing Division will recommend the Listing Committee to proceed with the cancellation of the Company's listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 8 February 2021. For details, please refer to the announcements of the Company dated 26 April 2020, 27 April 2020, 5 May 2020, 9 October 2020, 19 October 2020, 5 February 2021, 9 February 2021, 7 May 2021 and 6 August 2021.

## **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 view of this, the Group will balance its overall capital structure through the new share issues as well as the issuance of debts and redemption of existing debt. The Group's overall strategy remains unchanged throughout the period.

As at 30 June 2021, the other borrowings were HK\$208,572,000 (31 December 2020: HK\$214,213,000) and bond payables were HK\$80,000,000 (31 December 2020: HK\$80,000,000). As at 30 June 2021 and 31 December 2020, all borrowings are carried at fixed interest rates ranging from 6% to 8.5% per annum and repayable in 2021 to 2025. Default interest was required to pay according to the default terms stated in the loan agreements, if any.

## **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 2021, cash and cash equivalents amounted to HK\$8,513,000, which decreased by approximately 87.5% as compared to HK\$68,179,000 as at 31 December 2020. The decrease were mainly due to the proceeds used in two projects including RMB20,000,000 investment through a partnership in Xingjiang Muge and provision of a loan of RMB28,000,000 advance to Ruirong Real Estate in the financial services business.

As at 30 June 2021, the Group's total borrowings amounted to HK\$288,572,000 (31 December 2020: HK\$294,213,000), mainly consist of other borrowings amounting to HK\$208,572,000 (31 December 2020: HK\$214,213,000) and bond payables amounting to HK\$80,000,000 (31 December 2020: HK\$80,000,000). The other borrowings of the Group as at 30 June 2021 and 31 December 2020 were incurred for operation and business purpose.

The current ratio of the Group as at 30 June 2021 was 0.36 (31 December 2020: 0.46). 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 2021 was approximately 233.4% (31 December 2020: approximately 214.0%).

As at 30 June 2021, the Group had net current liabilities of HK\$216,871,000 (31 December 2020: HK\$188,341,000) and net liabilities of HK\$213,030,000 (31 December 2020: HK\$202,370,000). 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\$80,000,000 (31 December 2020: HK\$80,000,000) and other borrowings of HK\$178,572,000 (31 December 2020: HK\$186,213,000) 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 issued a letter of intent to extend the bond maturity date of a bond payable of HK\$80,000,000.
- (ii) As regards the bond held by Kapok Spirit, the Company intends to negotiate with Kapok Spirit and SFund Investment Fund on 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 materialized.
- (iii) The Company 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. The fund raising activity is subjected to the approval from the Stock Exchange and market conditions. 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.

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.

## **TREASURY POLICIES**

The Group has adopted a prudent treasury policy. 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 were nil (six months ended 30 June 2020: HK\$19,000).

## **CAPITAL COMMITMENT**

As at 30 June 2021 and 31 December 2020, the Group did not have any capital commitment.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2021, the Group had a total of 69 (2020: 163) employees, including the Directors. Total staff costs (including Directors' remuneration) was approximately HK\$18,413,000 for the period, as compared to approximately HK\$21,846,000 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, China 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**

On 13 January 2021, Hunan Huiyin Tianxing invested RMB20,000,000 through a partnership in Xingjiang Muge, being a company principally engaged in pig farming and food processing in the PRC.

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

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

Save as disclosed in this announcement, 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 receivables 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 receivables 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 receivable 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 2021.

## **CHARGE ON THE GROUP'S ASSETS**

No charges on the Group's assets was noted as at 30 June 2021.

## **DIVIDEND**

The Board does not recommend the distribution of any dividends for the six months ended 30 June 2021 (2020: 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 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 2021.

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 via the court frozen the asset held by the Changsanjiao Xuzhou Petroleum Technology Company Limited, and Yancheng Saifu Petroleum & Chemical Company Limited, for three years.

## **Provision of Loan to an Entity Amounting to RMB28,000,000**

On 12 March 2021, Hunan Huiyin Tianxing, as the lender, entered into a loan agreement (the “**Loan Agreement**”) with Ruirong Real Estate, as the borrower, pursuant to which, Hunan Huiyin Tianxing would provide a loan of RMB28,000,000 (the “**Loan**”) to Ruirong Real Estate for a term of 6 months from 12 March 2021, and could be further extended for another 6 months with written consent of Hunan Huiyin Tianxing (or any other date as may be agreed by Hunan Huiyin Tianxing and Ruirong Real Estate in writing). The loan is secured by i) the charge over the land use rights of the Land created by Ruirong Real Estate in favour of Hunan Huiyin Tianxing; and ii) an irrevocable joint and several guarantee executed by the Guarantors in favour of the Ruirong Real Estate. Further details of the transaction is set out in the Company’s announcements dated 12 March 2021. The loan is still outstanding as at 30 June 2021.

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

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the six months ended 30 June 2021 neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 (the “**Model Code**”) to the Listing Rules as its own code of conduct regarding the dealings in securities of the Company by the Directors.

Having made specific enquiry of all Directors, each Director has confirmed that he/she has complied with the required standard set out in the Model Code during the period.

## **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

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Company's directors subsequent to the date of the Annual Report 2020 are set out below:

1. Mr. Lam Kwan Sing From 1 May 2021 the remuneration was adjusted from HK\$110,000 per month to HK\$10,000 per month.
2. Mr. Hon Ming Sang From 1 May 2021 the remuneration was adjusted from HK\$100,000 per month to HK\$95,000 per month.
3. Mr. Fok Ho Yin, Thomas From 1 May 2021 the remuneration was adjusted from HK\$20,000 per month to HK\$10,000 per month for serving as an independent non-executive Director.
4. Mr. Chan Wai Cheung,  
Admiral From 1 May 2021 the remuneration was adjusted from HK\$20,000 per month to HK\$10,000 per month for serving as an independent non-executive Director; and  
  
Resigned as an independent non-executive director and a member of each of the audit committee, nomination committee and remuneration committee of China Oil Gangran Energy Group Holdings Limited (a company listed on the GEM of the Stock Exchange, stock code: 8132) on 4 August 2021.
5. Mr. Lam Ho Pong From 1 May 2021 the remuneration was adjusted from HK\$20,000 per month to HK\$10,000 per month for serving as an independent non-executive Director.

Save as disclosed above, the Company is not aware of other changes in the directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## **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 Group's unaudited condensed consolidated interim financial information for the six months ended 30 June 2021. The Audit Committee was satisfied that the unaudited condensed consolidated interim financial information was prepared in accordance with applicable accounting standards and requirements as well as the Listing Rules and relevant adequate disclosures have been made.

## **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](http://www.hkexnews.hk) and the Company's website at [www.1367.com.hk](http://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 executive Directors are Mr. Li Qing, Mr. Lam Kwan Sing, Mr. Yu Wenhao, Ms. Wang Mengsu, Mr. Lin Qiansheng and Mr. Hon Ming Sang; and the independent non-executive Directors, are 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, 30 August 2021

*The English translation of Chinese names or words in this report, 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.*