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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS	For the year ended		% Change
	31 December	2020	
	2021	2020	
	HK\$'000	HK\$'000	
Revenue	10,864	11,757	(7.6)%
Gross profit	10,560	8,308	27.1%
Loss for the year and attributable to owners of the Company	(41,839)	(77,546)	(46.0)%
Basic loss per share	HK(8.72) cents	HK(16.16) cents	

The Directors do not recommend the payment of any final dividend for the year ended 31 December 2021.

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors”) of SFund International Holdings Limited (the “Company”) hereby announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2021, together with the comparative figures for the corresponding period of 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
REVENUE	3&4	10,864	11,757
Cost of sales and services rendered		<u>(304)</u>	<u>(3,449)</u>
Gross profit		10,560	8,308
Other income and gains	4	26,616	1,663
Selling expenses		(315)	(1,353)
Administrative expenses		(43,418)	(67,140)
Other expenses, net		(4,828)	(752)
Finance costs	5	(31,946)	(21,993)
Share of loss of an associate		<u>(1,641)</u>	<u>(1,568)</u>
LOSS BEFORE TAX	6	(44,972)	(82,835)
Income tax credit	7	268	318
LOSS FOR THE YEAR		<u>(44,704)</u>	<u>(82,517)</u>
Attributable to:			
Owners of the Company		(41,839)	(77,546)
Non-controlling interests		<u>(2,865)</u>	<u>(4,971)</u>
		<u>(44,704)</u>	<u>(82,517)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	8	<u>HK(8.72) cents</u>	<u>HK(16.16) cents</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	2021	2020
	HK\$'000	HK\$'000
LOSS FOR THE YEAR	(44,704)	(82,517)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	276	511
Exchange differences reclassified upon disposal of subsidiaries	335	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR	611	511
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	(44,093)	(82,006)
Attributable to:		
Owners of the Company	(41,270)	(77,217)
Non-controlling interests	(2,823)	(4,789)
	(44,093)	(82,006)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipments		238	1,193
Right-of-use assets		–	8,932
Intangible assets		1,683	3,308
Investment in an associate		408	2,013
Financial assets at fair value through profit or loss		25,650	12
Deposits and other receivables		3,373	3,423
Total non-current assets		31,352	18,881
CURRENT ASSETS			
Accounts receivable	10	–	148
Loans receivable	11	73,737	46,184
Prepayments, deposits and other receivables		45,372	44,146
Cash and cash equivalents		3,057	68,179
Total current assets		122,166	158,657
CURRENT LIABILITIES			
Trade payables	12	–	27
Other payables and accruals		85,607	72,926
Other borrowings		186,854	186,213
Bond payables		80,000	80,000
Tax payables		7,832	7,832
Total current liabilities		360,293	346,998
NET CURRENT LIABILITIES		(238,127)	(188,341)
TOTAL ASSETS LESS CURRENT LIABILITIES		(206,775)	(169,460)

	2021	2020
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Other payables and accruals	389	4,343
Other borrowings	30,000	28,000
Bond payables	9,000	–
Deferred tax liabilities	299	567
	<hr/>	<hr/>
Total non-current liabilities	39,688	32,910
	<hr/>	<hr/>
Net liabilities	(246,463)	(202,370)
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the Company		
Issued capital	4,800	4,800
Reserves	(251,344)	(210,073)
	<hr/>	<hr/>
	(246,544)	(205,273)
	<hr/>	<hr/>
Non-controlling interests	81	2,903
	<hr/>	<hr/>
Total equity	(246,463)	(202,370)
	<hr/> <hr/>	<hr/> <hr/>

NOTES

1. PRESENTATION AND BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. These consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand (“HK\$’000”) except when otherwise indicated.

As at 31 December 2021, the Group incurred loss attributable to owners of the Company of HK\$41,839,000 and HK\$77,546,000 respectively for two consecutive years of year ended 31 December 2021 and 2020, and as at 31 December 2021 the Group had net current liabilities of HK\$238,127,000 and net liabilities of HK\$246,463,000. The net current liabilities and the net liabilities position were attributable to material loss for the year as a result of the poor performance of the Group’s businesses and the outstanding bond payable balance of HK\$80 million and other borrowings balance of HK\$187 millions 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 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 and market conditions. The Company intends to use such proceeds for the potential acquisition, expansion of the Group’s business and/or working capital of the Group.
- (iv) 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 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 year, 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 year and prior years.

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 year ended 31 December 2021

	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 over time	2,657	302	–	–	2,959
Revenue from other sources	–	2,982	4,921	2	7,905
	<u>2,657</u>	<u>3,284</u>	<u>4,921</u>	<u>2</u>	<u>10,864</u>
Segment revenue	2,657	3,284	4,921	2	10,864
Segment results	(11,086)	(16,389)	3,972	2	(23,501)
<i>Reconciliation:</i>					
Bank interest income					1
Gain on disposal of subsidiaries					24,106
Corporate and other unallocated expenses					(13,632)
Finance costs					(31,946)
					<u>(44,972)</u>
Loss before tax					<u>(44,972)</u>
As at 31 December 2021					
Segment assets	4,092	97,789	46,353	1,364	149,598
<i>Reconciliation:</i>					
Corporate and other unallocated assets					3,920
					<u>153,518</u>
Total assets					<u>153,518</u>
Segment liabilities	29,277	224,825	56,691	7,063	317,856
<i>Reconciliation:</i>					
Elimination of intersegment payables					(200,204)
Corporate and other unallocated liabilities					282,329
					<u>399,981</u>
Total liabilities					<u>399,981</u>
Other segment information					
Capital expenditure *	49	–	–	–	49
Reversal of impairment of accounts receivable	–	(482)	–	–	(482)
Impairment of intangible assets	–	1,625	–	–	1,625
Depreciation of property, plant and equipment #	237	87	–	–	324
Depreciation of right-of-use assets #	426	1,161	–	–	1,587
Investment in an associate	–	408	–	–	408
Share of loss of an associate	–	1,641	–	–	1,641

Depreciation of property, plant and equipment and depreciation of right-of-use assets amounting to HK\$17,000 and HK\$3,091,000, were included under corporate and other unallocated expenses.

* *Capital expenditure consists of additions to property, plant and equipment.*

For the year ended 31 December 2020

	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	3,146	–	–	–	3,146
Recognised over time	2,457	533	–	–	2,990
	5,603	533	–	–	6,136
Revenue from other sources	–	–	5,618	3	5,621
Segment revenue	5,603	533	5,618	3	11,757
Segment results	(18,292)	(27,857)	3,298	(13)	(42,864)
<i>Reconciliation:</i>					
Bank interest income					6
Corporate and other unallocated expenses					(17,984)
Finance costs					(21,993)
Loss before tax					(82,835)
As at 31 December 2020					
Segment assets	9,086	107,108	49,338	1,319	166,851
<i>Reconciliation:</i>					
Corporate and other unallocated assets					10,687
Total assets					177,538
Segment liabilities	46,797	219,047	57,563	7,063	330,470
<i>Reconciliation:</i>					
Elimination of intersegment payables					(192,485)
Corporate and other unallocated liabilities					241,923
Total liabilities					379,908
Other segment information					
Capital expenditure *	34	20	–	–	54
Reversal of impairment of loans receivable	–	–	(612)	–	(612)
Impairment of intangible assets	–	692	–	–	692
Depreciation of property, plant and equipment #	672	435	–	–	1,107
Depreciation of right-of-use assets #	970	1,121	–	–	2,091
Investment in an associate	–	2,013	–	–	2,013
Share of loss of an associate	–	1,568	–	–	1,568

Depreciation of property, plant and equipment and depreciation of right-of-use assets amounting to HK\$37,000 and HK\$2,572,000, were included under corporate and other unallocated expenses.

* Capital expenditure consists of additions to property, plant and equipment.

Geographical information

(a) Revenue from external customers

During the year, approximately 24.5% (2020: 20.9%) 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 Cambodia. 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cambodia	2,657	2,457
USA	–	1,847
Mainland China	–	491
Others	–	808
	<u>2,657</u>	<u>5,603</u>

Revenue from the financial services segment amounting to HK\$3,284,000 (2020: HK\$533,000), 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.

(b) Non-current assets

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong, China	1,757	9,924
Mainland China	472	5,376
Others	100	146
	<u>2,329</u>	<u>15,446</u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments.

Information about major customers

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

		2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Customer A	Money Lending	4,800	N/A*
Customer B	Financial services	2,982	–
Customer C	Apparel trading and related services	2,657	5,112
Customer D	Money lending	–	4,923
		<u>–</u>	<u>4,923</u>

* Less than 10% of total revenue

4. REVENUE, OTHER INCOME AND GAINS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers		
Sales of goods	–	3,146
Service fee income	2,657	2,457
Fund management fee income	302	533
Revenue from other sources		
Interest income from the money lending business	4,921	5,618
Interest income from the financial services business	2,982	–
Fair value gain on financial assets at fair value through profit or loss	2	3
	<u>10,864</u>	<u>11,757</u>

Revenue from contracts with customers

(i) *Disaggregated revenue information*

For the year ended 31 December 2021

Segments	Apparel trading and related services <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Type of goods or services			
Service fee income	2,657	–	2,657
Fund management fee income	–	302	302
	<u>2,657</u>	<u>302</u>	<u>2,959</u>
Geographical markets			
Mainland China	–	302	302
Cambodia	2,657	–	2,657
	<u>2,657</u>	<u>302</u>	<u>2,959</u>
Timing of revenue recognition			
Services transferred over time	<u>2,657</u>	<u>302</u>	<u>2,959</u>

For the year ended 31 December 2020

Segments	Apparel trading and related services <i>HK\$'000</i>	Financial services <i>HK\$'000</i>	Total <i>HK\$'000</i>
Type of goods or services			
Sales of goods	3,146	–	3,146
Service fee income	2,457	–	2,457
Fund management fee income	–	533	533
	<u>5,603</u>	<u>533</u>	<u>6,136</u>
Geographical markets			
USA	1,847	–	1,847
Mainland China	491	533	1,024
Cambodia	2,457	–	2,457
Others	808	–	808
	<u>5,603</u>	<u>533</u>	<u>6,136</u>
Timing of revenue recognition			
Goods or services transferred at a point in time	3,146	–	3,146
Services transferred over time	2,457	533	2,990
	<u>5,603</u>	<u>533</u>	<u>6,136</u>

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other income		
Bank interest income	1	6
Rework and compensation income	–	15
Reversal of impairment of accounts receivables	482	–
Government subsidies (Note)	721	1,721
Sundry income	36	103
	<u>1,240</u>	<u>1,845</u>
Gains		
Gain/(loss) on foreign exchange differences, net	191	(182)
Fair value gain on financial assets at fair value through profit or loss	1,079	–
Gain on disposal of subsidiaries	24,106	–
	<u>25,376</u>	<u>(182)</u>
	<u><u>26,616</u></u>	<u><u>1,663</u></u>

Note: During the year ended 31 December 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 year ended 31 December 2020, government subsidies represented the gross amount received from Employment Support Scheme provided by the government of Hong Kong Special Administrative Region.

5. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bond payables	6,914	10,417
Interest on other borrowings	24,815	11,334
Unwinding of finance costs on lease liability	217	242
	<u>31,946</u>	<u>21,993</u>

6. LOSS BEFORE TAX

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditors' remuneration	1,380	1,450
Cost of inventories sold	–	2,882
Depreciation of property, plant and equipment	341	1,144
Depreciation of right-of-use assets	4,678	4,663
Employee benefit expenses (including directors' remuneration):		
– Wages and salaries, allowances, bonuses, commission and benefits in kind	28,197	42,369
– Pension scheme contributions (defined contribution schemes) [#]	861	1,648
Total employee benefit expenses	<u>29,058</u>	<u>44,017</u>
Reversal of impairment of accounts receivable	(482)	–
Reversal of impairment of loans receivable *	–	(612)
Fair value gain on financial assets at fair value through profit or loss	(1,079)	–
Gain on disposal of subsidiaries	(24,106)	–
Impairment of right-of-use assets *	3,203	–
Impairment of intangible assets *	1,625	692
Loss on disposal of investment in an associate *	–	601
Expenses related to short-term leases	<u>677</u>	<u>880</u>

[#] *At the end of the reporting period, the Group had no forfeited contributions available to reduce its contributions to the pension schemes in future years.*

* *The balances were included in "Other expenses, net" in the consolidated statement of profit or loss.*

7. INCOME TAX CREDIT

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current – Hong Kong		
Overprovision in prior years	–	(437)
Current – Elsewhere		
Charge for the year	–	115
Underprovision in prior years	–	118
Deferred tax liability	<u>(268)</u>	<u>(114)</u>
	<u>(268)</u>	<u>(318)</u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

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

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 16.5%) on the estimated assessable profits arising in Hong Kong, China during the year.

The subsidiary of the Company established in Mainland China is subject to the PRC corporate income tax at a standard rate of 25% (2020: 25%) during the year.

No provision for Macao complementary tax has been made as the Company's subsidiary established in Macao is exempted from Macao complementary tax pursuant to Macao's relevant tax legislations (2020: Nil).

No provision for Cambodian tax has been made on the Company's subsidiary as no assessable profit in Cambodia was generated during the current year. Cambodian tax on profit was provided at the rate of 1% of total revenues arising during the prior year.

No provision for Bangladesh income tax has been made on the liaison office of the Company's subsidiary as no assessment profit in Bangladesh was generated during the year (2020: Nil).

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 year attributable to ordinary equity holders of the parent of HK\$41,839,000 (2020: HK\$77,546,000), and the weighted average number of ordinary shares of 480,000,000 (2020: 480,000,000) in issue during the year.

Diluted loss per share equals to basic loss per share as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

9. DIVIDEND

The board of Directors does not recommend the payment of any dividend for the year ended 31 December 2021. (2020: Nil).

10. ACCOUNTS RECEIVABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	178	214
Fund management fee receivables	<u>21,335</u>	<u>21,239</u>
	21,513	21,453
Less: Impairment loss	<u>(21,513)</u>	<u>(21,305)</u>
Carrying amount	<u><u>–</u></u>	<u><u>148</u></u>

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 (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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	<u><u>–</u></u>	<u><u>36</u></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 fees shall be paid in advance at the beginning of each year.

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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 month	–	28
1 to 2 months	–	21
2 to 3 months	<u>–</u>	<u>63</u>
	<u><u>–</u></u>	<u><u>112</u></u>

11. LOANS RECEIVABLE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loans receivables	74,353	46,800
Impairment	(616)	(616)
	<u>73,737</u>	<u>46,184</u>

Loans receivable arising from the money lending business of the Group bear interest at a rate of 12% (2020: 10% to 12%) per annum. As at 31 December 2021, certain loans receivable with an aggregate carrying amount of HK\$73,737,000 (2020: HK\$39,384,000) were secured by the pledge of collaterals.

The directors reviewed the recoverable amount of the loans receivables with reference to their respective current creditworthiness, repayment records and value of the collaterals to ensure that adequate impairment losses are recognised. The management engaged an external independent valuer to assess the value of the collaterals and expected credit losses for each of the loans receivable by applying the probability of default approach. As at 31 December 2021, accumulated impairment losses of HK\$616,000 (2020: HK\$616,000) has been recognized to reflect recoverable amount of the loans receivables.

12. 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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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 year.

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.

Sales in 2021 to the USA customers declined because of the continued epidemic of the coronavirus (“COVID-19”) and the overall weak consumer spending sentiment. For the year ended 31 December 2021, the Group’s revenue from apparel supply chain management services business were HK\$2,657,000, representing a significant decrease of approximately 53% when compared to the corresponding period last year of HK\$5,603,000. The segment loss from the respective segment were HK\$11,086,000 as compared to segment loss of HK\$18,292,000 for the corresponding period last year.

Due to less competitiveness than the other service providers, the Group lost significant customers in the past years, together with the disposal of two subsidiaries, the Group 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

During the year, 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 31 December 2021 with an aggregate outstanding loan principal of HK\$34,353,000.

Subsequent to the end of the reporting period, Ruirong Real Estate had repaid HK\$22,084,000 of the loan to Hunan Huiyin Tianxing. The remaining outstanding loan balance was HK\$12,269,000.

During the year, the revenue and operating loss generated in this segment were HK\$3,284,000 (2020: HK\$533,000) and HK\$16,389,000 (2020: HK\$27,857,000), respectively.

The decrease in loss of this segment were due to the decrease in salaries, increase in revenue and increase in fair value gain on financial assets at fair value through profit or loss of HK\$1,079,000 regarding the financial assets of investment in Xingjiang Muge for the year ended 31 December 2021. The management engaged on external independent valuer to access the fair of the financial assets at fair values through profit or loss. During the year, 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. Subsequent to the financial year under review, on 24 January 2022, SFC accepted the application and revoked the business licence of Type 1.

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 year, the interest income and operating profit generated in this segment were HK\$4,921,000 (2020: HK\$5,618,000) and HK\$3,972,000 (2020: HK\$3,298,000), respectively.

As at 31 December 2021, there was a transaction of loan advanced to a customer. The loan was still outstanding as at 31 December 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 31 December 2021.

The directors reviewed the recoverable amount of the loans receivables with reference to their respective current creditworthiness, repayment records and value of the collaterals to ensure that adequate impairment losses are recognized. The management engaged an external independent valuer to assess the value of the collaterals and expected credit losses for each of the loans receivable by applying the probability of default approach under HKFRS 9. As at 31 December 2021, accumulated impairment losses of HK\$616,000 (2020: HK\$616,000) has been recognized to reflect recoverable amount of the loans receivables.

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 year, the Group carried out the Group's investment business in securities investment.

During the year, the revenue arising from this segment was HK\$2,000 (2020: HK\$3,000). Revenue was attributable to the net realised gain on unlisted equity investment of HK\$2,000 for the year ended 31 December 2021. (2020: net realised gain on listed securities investment of HK\$3,000).

The overall performance of the securities investment business recorded a profit of HK\$2,000 for the year ended 31 December 2021 (2020: loss of HK\$13,000), which was primarily attributable to the realised equity investment stated above. As at 31 December 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 year 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 year ended 31 December 2021 is as follows:

- Apparel supply chain management services business: HK\$2,657,000, 24.5% of revenue (2020: HK\$5,603,000, 47.7%)
- Financial services business: HK\$3,284,000, 30.2% of revenue (2020: HK\$533,000, 4.5%)
- Money lending business: HK\$4,921,000, 45.2% of revenue (2020: HK\$5,618,000, 47.7%)
- Securities investment: HK\$2,000, 0.1% of revenue (2020: HK\$3,000, 0.1%)

Revenue by Geographical Segments

Ratio analysis by geographical segments for the Group's revenue for the year ended 31 December 2021 is as follows:

- Cambodia: HK\$2,657,000, 24.5% of revenue (2020: HK\$2,457,000, 20.9%)
- USA: HK\$nil, 0% of revenue (2020: HK\$1,847,000, 15.7%)
- Mainland China: HK\$3,286,000, 30.3% of revenue (2020: HK\$1,033,000, 8.8%)
- Hong Kong, China: HK\$4,921,000, 45.2% of revenue (2020: HK\$5,612,000, 47.7%)
- Other countries: HK\$nil, 0% of revenue (2020: HK\$808,000, 6.9%)

The Group's revenue for the year ended 31 December 2021 was HK\$10,864,000, being a decrease of HK\$893,000 when compared to the corresponding period last year of HK\$11,757,000. 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\$2,657,000 (2020: HK\$5,603,000) due to the keen market competition as a result of the global pandemic and overall weak consumer spending sentiment, and the disposal of two subsidiaries engaged in apparel businesses during the year; (ii) an increase in revenue derived from financial services business to HK\$3,284,000 (2020: HK\$533,000), 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 money lending business to HK\$4,921,000 (2020: HK\$5,618,000); and (iv) realised gain on an investment in unlisted equity investment at fair value through profit or loss of HK\$2,000 (2020: realised gain on listed securities investment of HK\$3,000), 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 year ended 31 December 2021 was HK\$10,560,000, representing an increase of approximately 27.1% from HK\$8,308,000 in the corresponding period last year. The increase in gross profit was because there were decrease in cost of sales from the apparel supply chain management services business and increase in revenue from financial services business.

Other Income and Gains

Other income and gains for the year ended 31 December 2021 was HK\$26,616,000, representing an increase of approximately 1,500.5% from the corresponding period last year of HK\$1,663,000. 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 year ended 31 December 2021 was HK\$315,000, representing a decrease of approximately 76.7% from the corresponding period last year of HK\$1,353,000. The decrease was mainly due to the decrease in sample cost and staff cost.

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 year ended 31 December 2021 was HK\$43,418,000, representing a decrease of approximately 35.3% from the corresponding period last year of HK\$67,140,000. The decrease was 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 year ended 31 December 2021 was HK\$4,828,000, representing an increase of approximately 542% from the corresponding period last year of HK\$752,000. 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 and increase in provision for impairment of right-of-use assets of HK\$3,203,000.

Finance Costs

Finance costs for the year ended 31 December 2021 was HK\$31,946,000, representing an increase of approximately 45.3% from the corresponding period last year of HK\$21,993,000. The increase was mainly due to the late interest from the other borrowings.

Loss for the Year

The net loss attributed to the owners of the Company for the year ended 31 December 2021 amounted to HK\$41,839,000 (2020: HK\$77,546,000), resulted in a basic loss per share for the year ended 31 December 2021 of HK8.72 cents (2020: HK16.16 cents), representing a decrease in loss attributed to the shareholders of the Company (the "Shareholders") by 46.0%. 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.

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 remains challenging. The contagious COVID-19 pandemic not only hits the US economy, but also affects the production efficiency in the main production bases of the Group, namely Cambodia and Bangladesh.

Due to less competitiveness than the other service providers, the Group lost significant customers in the past years and thereby recorded substantial losses from this segment. The disposal of the loss-making subsidiaries has helped the Group to reduce the segment loss. It also enables the Group to streamline the operations and explore new customers.

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. The management is considering different options, including the disposal parts of apparel supply chain business, 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 year, 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 Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong (the “Stock Exchange”) 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, 6 August 2021, 5 November 2021 and 7 February 2022.

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 year.

As at 31 December 2021, the other borrowings were HK\$216,854,000 (31 December 2020: HK\$214,213,000) and bond payables were HK\$89,000,000 (31 December 2020: HK\$80,000,000). As at 31 December 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 year, the Group's working capital was financed by both internal resources and other borrowings.

As at 31 December 2021, cash and cash equivalents amounted to HK\$3,057,000, which decreased by approximately 95.5% 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 31 December 2021, the Group's total borrowings amounted to HK\$305,854,000 (31 December 2020: HK\$294,213,000), mainly consist of other borrowings amounting to HK\$216,854,000 (31 December 2020: HK\$214,213,000) and bond payables amounting to HK\$89,000,000 (31 December 2020: HK\$80,000,000). The other borrowings of the Group as at 31 December 2021 and 31 December 2020 were incurred for operation and business purpose.

The current ratio of the Group as at 31 December 2021 was 0.34 (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 31 December 2021 was approximately 260.5% (31 December 2020: approximately 214.0%).

As at 31 December 2021, the Group had net current liabilities of HK\$238,127,000 (31 December 2020: HK\$188,341,000) and net liabilities of HK\$246,463,000 (31 December 2020: HK\$202,370,000). The net current liabilities and the net liabilities position were attributable to material loss for the year 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 balance of HK\$186,854,000 (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 payables 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.
- (iv) 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 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 OPINION

As disclosed in the Independent Auditor's Report, the auditors of the Company, ZHONGHUI ANDA CPA Limited (the "Auditors") issued a disclaimer of opinion (the "Disclaimer of Opinion") on the consolidated financial statements of the Group for the year ended 31 December 2021. Set out below is the paragraph headed "Basis for Disclaimer of Opinion" as disclosed in the Independent Auditor's Report:–

"We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred loss attributable to owners of the Company of HK\$41,839,000 and HK\$77,546,000 respectively for two consecutive years of year ended 31 December 2021 and 2020 and as at 31 December 2021 the Group had net current liabilities and net liabilities of HK\$238,127,000 and HK\$246,463,000 respectively. 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. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the extension of bond, capitalisation of borrowing, fund raising and disposal of subsidiaries. The consolidated financial statements do not include any adjustments that would result from the failure to complete the extension of bond, capitalisation of borrowing, fund raising and disposal of subsidiaries. We consider that the material uncertainties have been adequately disclosed in the consolidated financial statements. However, in view of the extent of the multiple uncertainties relating to the extension of bond, capitalisation of borrowing, fund raising and disposal of subsidiaries, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis."

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

During the course of audit of the consolidated financial statement of the Company for the year ended 31 December 2021, 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 financial services segment to settle the loan. Subsequent to the end of the reporting period, the Company received HK\$22 million from a customer and was used to settle the other borrowings of the Groups.
- (ii) The Company has received a letter of intent from Kapok Spirit to extend the maturity date of the outstanding bond payable of HK\$80 million.

Based on the above, and in preparing the consolidated 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 Opinion as they cast doubt on the capitalisation of borrowing and fund raising. 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 Opinion, 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 payable and shareholder’s loans by way of capitalization

As at 31 December 2021, the bond payable amounted to HK\$80 million which shall be due within twelve months from 31 December 2021 was held by Kapok Spirit.

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 materialised.

(ii) Possible issue of new securities

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.

(iii) 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

On 14 September 2020, Hunan Huiyin Tianxing secured a loan of RMB50 million from major shareholders of the Company for investing in high-quality projects domestically. 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. On 12 March 2021, Hunan Huiyin Tianxing provided a loan of RMB28,000,000 to 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. For details, please refer to the announcements of the Company dated 14 September 2020, 13 January 2021 and 12 March 2021.

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.

The Group will continue to expand its financial services segment by applying for necessary licenses to conduct regulated activities, acquiring licensed corporations engaged in regulated activities, acquiring interests in companies or projects with good potential and prospects or establishing funds to invest in such companies or projects.

(b) *Acquiring high-quality underlying assets*

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 successively. We will continue to identify companies or projects with good potential and prospects to expand the business of the Group.

(c) *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.

In light of the above, the Board is confident that the Disclaimer of Opinion would be removed for the financial year ending 31 December 2022.

AUDIT COMMITTEE’S VIEW ON THE DISCLAIMER OF OPINION

The members of the audit committee of the Company (the “Audit Committee”) had critically reviewed the Disclaimer of Opinion, the Management’s position concerning the Disclaimer of Opinion and measures taken by the Company for addressing the Disclaimer of Opinion. The Audit Committee agreed with the Management’s position based on the reasons above. Moreover, the Audit Committee requested the Management to take all necessary actions to address the effect on the Disclaimer of Opinion that no such Disclaimer of Opinion 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. 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 year, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

LITIGATION AND ARBITRATION

On 31 August 2021, the Group was informed that Hunan Huiyin Tianxing, as a fund manager in 湖南匯垠眾益投資合夥企業(Hunan Huiyin Zhongyi Investment Partnership*), received a petition from China Construction Bank (Guangdong Province). Hunan Huiyin Tianxing is the second defendant and was requested to settle the bank trust fee amounting to around RMB1.5 million for its management fund overdue bank trust fee. The court will be extended to early of the year 2022. Hunan Huiyin Tianxing was still in the process of getting the legal advice for the contract arguments and no provision was made at the reporting date.

CAPITAL EXPENDITURES

During the year, the Group's capital expenditures consisted of additions to property, plant and equipment amounting to HK\$49,000 (2020: HK\$54,000).

CAPITAL COMMITMENT

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, the Group had a total of 69 (2020: 149) employees, including the Directors. Total staff costs (including Directors' remuneration) was approximately HK\$29,058,000 for the year ended 31 December 2021, as compared to approximately HK\$44,017,000 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 year.

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 year.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 December 2021, the Company disposed of its 100% equity interest in a subsidiary, Hanbo Enterprises Limited (“Hanbo Enterprises”), and its subsidiaries to an independent third party at a consideration of HK\$1.00. The principal activity of Hanbo Enterprises is trading of apparel products and provision of apparel supply chain management services. The subsidiaries disposed had no significant impact on the turnover and results of the Group.

Save as disclosed above, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies during the year.

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 31 December 2021.

CHARGE ON THE GROUP'S ASSETS

No charges on the Group's assets was noted as at 31 December 2021.

DIVIDEND

The Board does not recommend the distribution of any dividends for the year ended 31 December 2021 (2020: nil).

FINANCIAL ASSISTANCE FROM SUBSTANTIAL SHAREHOLDER

Loan Agreement with Mr. Lai Leong

As at 31 December 2021, the loan agreements with Mr. Lai Leong (the “Loans”) in totals amount was HK\$23,100,000 and Mr. Lai Leong is deemed to be interested in 36.93% shareholding of the Company as at 31 December 2021, pursuant to which Mr. Lai Leong had agreed to provide the Loans to the Group at interest rate of 8% per annum with a term of 6 months. Mr. Lai Leong through his wholly-owned company, Plus Value International Limited, holds 177,300,000 Shares, representing 36.93% of the issued share capital of the Company and thus Mr. Lai Leong and Plus Value International Limited are the controlling Shareholders as at 31 December 2021 (For details, please refer to the Charged shares held by Plus Value International Limited under the Report of the Directors of the annual report).

Bond Subscription Agreement with Kapok Spirit Investment Limited

On 27 October 2017, the Company, as the issuer (the “Issuer”), entered into a subscription agreement (the “Subscription Agreement”) with a company indirectly wholly-owned by 廣州產業投資基金管理有限公司 (Guangzhou Industrial Investment Fund Management Co., Ltd.*), a substantial Shareholder, as the subscriber (the “Subscriber”), in relation to the subscription of unsecured bond to be issued by the Company (the “Bond”). The issue of Bond constituted an exempt connected transaction of the Company under Rule 14A.90 of the Listing Rules. Pursuant to and subject to the satisfaction (or waiver) of the conditions precedent set out in the Subscription Agreement, the Company agreed to issue, and the Subscriber agreed to subscribe, for the Bond in the principal amount of up to HK\$80,000,000 with a coupon rate of 8% per annum payable quarterly in arrears for a term of 23 months from the date of issue of the Bond. The maturity date of the Bond will be intended to extend upon maturity. The net proceeds from the issuance of the Bond are used by the Group as general working capital of the Group, in particular towards money lending and financial services business and to finance suitable investment opportunities if and when they arise.

Bond Subscription Agreement with SFund International Investment Fund Management Limited

During the year, the Company, as the Issuer, entered into a subscription agreement (the “SFund Subscription Agreement”) with SFund International Investment Fund Management Limited, a substantial Shareholder of the Company, as the subscriber, (the “Subscriber”) in relation to the subscription of unsecured bond to be issued by the Company (the “SFund Bond”). Pursuant to and subject to the satisfaction (or waiver) of the conditions precedent set out in the SFund Subscription Agreement, the Company agreed to issue, and the Subscriber agreed to subscribe, for the SFund Bond in the principal amount of HK\$9,000,000 with a coupon rate of 8% per annum payable at semi-annually in arrears for a term of 2 years from the date of issue of the SFund Bond. SFund International Investment Fund Management Limited holds 139,200,000 shares, representing 29% of the issued share capital of the Company.

Loan Agreement with SFund International Investment Fund Management Limited

As at 31 December 2021, the loan agreements with SFund International Investment Fund Management Limited, a substantial Shareholder of the Company, pursuant to which SFund International Investment Fund Management Limited had agreed to provide the loan to the Company amounting to HK\$30,000,000, at interest rate of 8% per annum with a term of 5 years. SFund International Investment Fund Management Limited holds 139,200,000 shares, representing 29% of the issued share capital of the Company.

Loan Agreement with Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd.

On 14 September 2020, the Group, through its 51% indirectly owned subsidiary, Hunan Huiyin Tianxing as the borrower, entered into a loan agreement with 廣州滙垠天粵股權投資基金管理有限公司 (Guangzhou Huiyin Tianyue Equity Investment Fund Management Co., Ltd.*) as the lender (the “Lender”), pursuant to which the Lender agreed to provide to Hunan Huiyin Tianxing a loan in the principal amount of RMB50,000,000 (the “HT Loan”) for a term of 12 months from the date of drawdown at the interest rate of 6% per annum which will be paid quarterly.

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*) (“Changsanjiao Xuzhou Petroleum Technology”), 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*) (“Yancheng Saifu Petroleum & Chemical”), 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 31 December 2021.

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 31 December 2021.

Subsequent to the end of the reporting period, Ruirong Real Estate had repaid HK\$22,084,000 of the loan to Hunan Huiyin Tianxing. The remaining outstanding loan balance was HK\$12,269,000.

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

EVENTS AFTER THE REPORTING PERIOD

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 the future.

Except as disclosed elsewhere in this announcement, there is no material subsequent event undertaken by the Group after 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving high standards of corporate governance to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. The Company has adopted the code provisions (the “Code Provisions”) as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Listing Rules. The corporate governance principles of the Company emphasise a quality board, sound internal controls, and transparency and accountability to all the Shareholders.

The Company has complied with all the Code Provisions of the CG Code during the year ended 31 December 2021.

Further information on the Company’s corporate governance practices will be detailed in the corporate governance report contained in the annual report of the Company for the year ended 31 December 2021, which shall be sent to the Shareholders in due course.

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 they have complied with the required standard set out in the Model Code throughout the year.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process, risk management and internal controls systems of the Group. The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Fok Ho Yin, Thomas (chairman), Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed the auditing, internal control and risk management and financial reporting matters, including review of the audited consolidated financial statements of the Group for the year ended 31 December 2021 with the management and the Company’s external auditor, ZHONGHUI ANDA CPA Limited.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this preliminary announcement have been agreed by the Group's auditor, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2021. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion or assurance conclusion has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT ON THE COMPANY'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021

DISCLAIMER OF OPINION

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the material uncertainty relating to the going concern basis described in the Basis for Disclaimer of Opinion section of our report, it is not possible for us to form an opinion on these consolidated financial statements. In all other respects, in our opinion, the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR DISCLAIMER OF OPINION

We draw attention to note 2 to the consolidated financial statements which mentions that the Group incurred loss attributable to owners of the Company of HK\$41,839,000 and HK\$77,546,000 respectively for two consecutive years of year ended 31 December 2021 and 2020 and as at 31 December 2021 the Group had net current liabilities and net liabilities of HK\$238,127,000 and HK\$246,463,000 respectively. 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. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the extension of bond, capitalisation of borrowing, fund raising and disposal of subsidiaries. The consolidated financial statements do not include any adjustments that would result from the failure to complete the extension of bond, capitalisation of borrowing, fund raising and disposal of subsidiaries. We consider that the material uncertainties have been adequately disclosed in the consolidated financial statements. However, in view of the extent of the multiple uncertainties relating to the extension of bond, capitalisation of borrowing, fund raising and disposal of subsidiaries, we disclaim our opinion in respect of the material uncertainty relating to the going concern basis.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on Monday, 20 June 2022 (the “AGM”). Details of the AGM are set out in the notice of the AGM which constitutes part of the circular to be sent to the Shareholders together with the annual report. Notice of the AGM and the proxy form will also be available on the websites of the Stock Exchange and the Company.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the Shareholders entitled to attend and vote at the AGM to be held on Monday, 20 June 2022, the register of members of the Company will be closed from Wednesday, 15 June 2022 to Monday, 20 June 2022, both days inclusive, during which period no transfer of shares of the Company will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company’s branch share registrar in Hong Kong, China, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King’s Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 14 June 2022 (Hong Kong, China time).

PUBLICATION OF RESULTS ANNOUNCEMENT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company at www.1367.com.hk.

The printed copy of the annual report will be sent to Shareholders and the soft copy of the same will be published on websites of the Stock Exchange and the Company in due course.

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

Hong Kong, China, 31 March 2022

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.