CEFC Hong Kong Financial Investment Company Limited
香港華信金融投資有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1520)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHT

- Revenue for the six months ended 30 June 2020 was approximately HK$15,545,000 (2019: HK$31,673,000), representing a decrease of approximately HK$16,128,000 or 50.9% in comparison to the corresponding period in 2019.

- Gross loss for the six months ended 30 June 2020 was approximately HK$33,000 (2019: gross profit HK$4,386,000). Apparel operation recorded gross loss of approximately HK$5,642,000 (2019: HK$1,185,000) while money lending operation earned gross profit of approximately HK$5,609,000 (2019: HK$5,571,000).

- Loss attributable to the owners of the Company for six months ended 30 June 2020 was approximately HK$28,586,000 (2019: HK$29,839,000), decreased by approximately HK$1,253,000 or 4.2%.

- Loss per share of the Company for the six months ended 30 June 2020 was approximately HK$1.69 cents (2019: HK$1.77 cents).

- The Board of Directors did not recommend the payment of any interim dividend for the six months ended 30 June 2020 (2019: nil).

SUMMARY

For the six months ended 30 June 2020:

- affected by rapid global spread of COVID-19 pandemic in the first half of 2020, revenue of the Group for the reporting period decreased by approximately 50.9% or HK$16,128,000 to approximately HK$15,545,000 (2019: HK$31,673,000). Revenue from apparel operation was HK$9,936,000 (2019: HK$26,102,000) for the reporting period, representing a decrease of approximately HK$16,166,000 or 61.9% in comparison to the corresponding period in 2019. Revenue from money lending operation was approximately HK$5,609,000 (2019: HK$5,571,000) for the reporting period, representing a slight increase of approximately HK$38,000 or 0.7% as compared to the corresponding period in 2019;

- gross loss for the six months ended 30 June 2020 was approximately HK$33,000 (2019: gross profit HK$4,386,000). Apparel operation recorded gross loss of approximately HK$5,642,000 (2019: HK$1,185,000) while money lending operation earned gross profit of approximately HK$5,609,000 (2019: HK$5,571,000);

- the loss for the period attributable to owners of the Company was approximately HK$28,586,000 (2019: HK$29,839,000), decreased by approximately HK$1,253,000 or 4.2%. Although there was decline in revenue of approximately HK$16,128,000 for the period, this was offset by decrease in selling and distribution expenses of approximately HK$2,438,000 and decrease in administrative expenses of approximately HK$1,725,000 respectively;

- the Group's inventories increased by approximately 112.9%, from approximately HK$14,987,000 as at 31 December 2019 to approximately HK$31,908,000 as at 30 June 2020. The increase in inventories was primarily because (i) starting from second quarter of each year, the Group's customers generally start placing orders with the Group for the peak seasons' winter clothing; (ii) for the production of such peak season orders, the Group generally needs to purchase more new raw materials, resulting in significant amount of raw materials inventory as at 30 June 2020 compared to 31 December 2019;

- the Board of directors of the Company (the "Board") did not recommend the payment of any interim dividend.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June 2020 HK$'000	2019 HK$'000
Revenue	4	**15,545**	31,673
Cost of sales		**(15,578)**	(27,287)
Gross (loss)/profit		**(33)**	4,386
Other income and gains	5	**3,989**	2,895
Selling and distribution expenses		**(5,354)**	(7,792)
Administrative expenses		**(27,004)**	(28,729)
Finance costs		**(184)**	(507)
Loss before income tax	6	**(28,586)**	(29,747)
Income tax expense	7	**–**	(92)
Loss for the period attributable to the owners of the Company		**(28,586)**	(29,839)
Other comprehensive income, net of tax attributable to the owners of the Company			
Item that may be reclassified subsequently to profit or loss:			
Exchange (loss)/gain on translation of financial statements of foreign operations		**(389)**	25
Total comprehensive income for the period attributable to the owners of the Company		**(28,975)**	(29,814)
Loss per share attributable to the owners of the Company			
Basic and diluted loss per share (HK cents)	9	**(1.69)**	(1.77)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	Unaudited As at 30 June 2020 HK$'000	Audited As at 31 December 2019 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	*10*	**10,159**	11,535
Right-of-use assets	*11*	**7,004**	9,822
Goodwill		**57,366**	57,366
Intangible assets		**800**	800
Loans and interest receivables		**4,000**	1,472
Deferred tax assets		**1,589**	1,591
		80,918	82,586
Current assets			
Inventories	*12*	**31,908**	14,987
Trade and bill receivables	*13*	**3,946**	24,099
Loans and interest receivables	*14*	**115,156**	111,029
Deposits, prepayments and other receivables		**11,050**	13,630
Tax recoverable		**1**	–
Pledged bank deposits		**119**	3,726
Cash and cash equivalents		**74,823**	100,997
		237,003	268,468
Current liabilities			
Trade and bill payables	*15*	**22,358**	22,900
Accruals, other payables and receipts in advance		**10,256**	11,680
Contract liabilities		**2,497**	2,089
Lease liabilities	*16*	**5,795**	5,568
Provision for taxation		**–**	641
		40,906	42,878
Net current assets		**196,097**	225,590
Total assets less current liabilities		**277,015**	308,176

	Notes	Unaudited As at 30 June 2020 *HK$'000*	Audited As at 31 December 2019 *HK$'000*
Non-current liabilities			
Lease liabilities	*16*	**793**	2,979
Net assets		**276,222**	305,197
EQUITY			
Equity attributable to the owners of the Company			
Share capital	*17*	**16,900**	16,900
Reserves		**259,322**	288,297
Total equity		**276,222**	305,197

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Share capital	Share premium	Merger reserve	Statutory reserve	Translation reserve	Retained earnings	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2019	16,900	375,963	2,988	3,344	142	(94,140)	305,197
Loss for the period	–	–	–	–	–	(28,586)	(28,586)
Other comprehensive income							
– Exchange loss on translation of financial statements of foreign operations	–	–	–	–	(389)	–	(389)
Total comprehensive income for the period	–	–	–	–	(389)	(28,586)	(28,975)
At 30 June 2020	16,900	375,963	2,988	3,344	(247)	(122,726)	276,222
At 31 December 2018	16,900	375,963	2,988	3,344	683	(17,460)	382,418
Loss for the period	–	–	–	–	–	(29,839)	(29,839)
Other comprehensive income							
– Exchange gain on translation of financial statements of foreign operations	–	–	–	–	25	–	25
Total comprehensive income for the period	–	–	–	–	25	(29,839)	(29,814)
At 30 June 2019	16,900	375,963	2,988	3,344	708	(47,299)	352,604

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Net cash used in operating activities	**(27,996)**	(43,370)
Net cash generated from investing activities	**4,178**	1,008
Net cash used in financing activities	**(2,143)**	(3,292)
Net decrease in cash and cash equivalents	**(25,961)**	(45,654)
Cash and cash equivalents at beginning of the period		
Cash and bank balances	**100,997**	152,597
Effect of foreign exchange rates, net	**(213)**	(250)
Cash and cash equivalents at end of the period	**74,823**	106,693

NOTES

For the six months ended 30 June 2020

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 19 June 2013. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and Room 706, 7/F, Capital Centre, 151 Gloucester Road, Wanchai Hong Kong respectively. The Company's shares are listed on the Main Board of the Stock Exchange of Hong Kong Limited.

The parent of the Company is New Seres CEFC Investment Fund LP ("New Seres"), an exempted limited liability partnership registered in Cayman Islands. To the best of the directors' knowledge, information and belief, the ultimate controlling party of the Company is Shanghai Zhong'an United Investment Fund Co., Ltd.

On 3 June 2020, Shanghai Huaxin Group (Hong Kong) Limited (In Liquidation) filed a petition at the Grand Courts of the Cayman Islands ("Grand Court") for winding up of New Seres. On 10 August 2020, the Grand Court ordered, among other things, the winding up of New Seres and the appointment of Mr. Jess Shakespeare of PwC Corporate Finance & Recovery (Cayman) Limited, Mr. Yat Kit Jong and Mr. Man Chun So, both of PricewaterhouseCoopers Limited, as the joint official liquidators of New Seres. For details, please refer to the announcements of the Company dated 15 June 2020 and 12 August 2020.

The Company is an investment holding company and its subsidiaries (together the "Group") are principally engaged in manufacturing and trading of apparels and provision of money lending services. There were no significant changes in the Group's business operation during the period.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

(a) The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"), which collective terms include all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The unaudited condensed consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinances and Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The accounting policies used in the preparation of the unaudited consolidated financial statements are consistent with those used in the preparation of the Group's annual financial statements for the year ended 31 December 2019 except for the adoption of the standards, amendments and interpretations issued by the HKICPA mandatory for annual periods beginning on 1 January 2020.

The financial statements are presented in Hong Kong dollar ("HK$") which is also the functional currency of the Company. All values are rounded to the nearest thousand unless otherwise indicated.

(b) In the current period, the Group has applied the new/revised HKFRSs issued by the HKICPA that are first effective and relevant for the Group's financial statements for the annual period beginning on 1 January 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS39, HKFRS 7 and HKFRS 9	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material

The adoption of the new and amended standards and interpretations did not have any material impact on the interim condensed consolidated financial statements of the Group.

3. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's chief operating decision maker in order to allocate resources and assess performance of the segment. During the reporting period, the Company has identified design, manufacture and trading of apparels and provision of money lending services as the reportable operating segments.

Each of these operating segments is managed separately as each of them requires different business strategies.

The segment information provided to the executive directors for the reportable segments during the reporting period is as follows:

Six months ended 30 June 2020 (Unaudited)	**Design, manufacture and trading of apparels** *HK$'000*	**Money lending services** *HK$'000*	**Total** *HK$'000*
Revenue from external customers	**9,936**	**5,609**	**15,545**
Segment loss	**(17,962)**	**(4,837)**	**(22,799)**
Reconciliation			
Bank interest income			**571**
Unallocated corporate expenses			**(6,174)**
Finance costs			**(184)**
Loss before tax			**(28,586)**
As at 30 June 2020 (Unaudited)			
Segment assets	**64,260**	**184,319**	**248,579**
Other corporate assets			**69,342**
Total assets			**317,921**
Segment liabilities	**39,800**	**891**	**40,691**
Other corporate liabilities			**1,008**
Total liabilities			**41,699**
Other segment information			
Six months ended 30 June 2020 (Unaudited)			
Depreciation	**2,399**	**1,079**	**3,478**
Reversal of expected credit loss ("ECL") on trade receivables	**436**	**–**	**436**
Provision for ECL on loans and interest receivables	**–**	**7,087**	**7,087**

Six months ended 30 June 2019 (Unaudited)	Design, manufacture and trading of apparels *HK$'000*	Money lending services *HK$'000*	Total *HK$'000*
Revenue from external customers	26,102	5,571	31,673
Segment (loss)/profit	(18,649)	2,088	(16,561)
Reconciliation			
Bank interest income			297
Unallocated corporate expenses			(12,976)
Finance costs			(507)
Loss before tax			(29,747)
As at 31 December 2019 (Audited)			
Segment assets	83,915	190,802	274,717
Other corporate assets			76,337
Total assets			351,054
Segment liabilities	41,008	2,507	43,515
Other corporate liabilities			2,342
Total liabilities			45,857
Other segment information			
Six months ended 30 June 2019 (Unaudited)			
Depreciation	2,558	726	3,284
Capital expenditure	–	2,120	2,120
Provision for ECL on trade receivables	52	–	52
Reversal of ECL on loans and interest receivables	–	33	–

The Company is an investment holding company and the principal places of the Group's operations are in the PRC and Hong Kong. Management determines that the Group is domiciled in Hong Kong, which is the Group's principal operating location.

The Group's revenue from external customers is divided into the following geographical areas:

	Unaudited For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
United States	**6,581**	19,325
Hong Kong	**8,950**	11,179
Others	**14**	1,169
	15,545	31,673

Geographical location of external customers is based on the location at which the customers are domiciled.

The Group's customer base is diversified and includes only the following customers with whom transactions have exceeded 10% of the Group's revenue. During the reporting period, revenue derived from these customers are as follows:

	Unaudited For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Customer A	**3,239**	5,389
Customer B	**2,364**	12,546
Customer C	**N/A***	7,319

* Accounted for less than 10% of the Group's revenue

4. REVENUE

Revenue represents the interest income from loans receivable, sales of apparels, net of returns, discounts, rebates and sales related taxes, during the period.

5. OTHER INCOME AND GAINS

	Unaudited For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Interest income	**571**	297
Subcontracting income	**2,223**	1,934
Others	**1,195**	664
	3,989	2,895

6. LOSS BEFORE TAX

Loss before income tax is arrived at after charging/(crediting):

	Unaudited For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Auditor's remuneration	**–**	–
Cost of inventories recognised as expense	**15,578**	27,287
Depreciation of property, plant and equipment	**1,229**	2,569
Depreciation of right-of-use assets	**2,789**	4,901
Foreign exchange loss/(gain), net	**20**	(104)
(Reversal of)/Provision for ECL on trade receivables	**(436)**	52
Provision for/(Reversal of) ECL on loans and receivables	**7,087**	(33)
Short term lease expenses	**466**	822
Employee benefit expenses (including directors' emoluments)	**17,829**	25,574

7. INCOME TAX EXPENSE

	Unaudited For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Current income tax charged for the period:		
Hong Kong profits tax	–	294
The People's Republic of China (the "PRC") enterprise income tax ("EIT")	–	(208)
United States Federal corporate income tax	–	6
	–	92

(i) British Virgin Islands ("BVI") and the Cayman Islands income tax

Pursuant to the rules and regulations of the BVI and the Cayman Islands, the Group is not subject to any taxation under these jurisdictions during the six months ended 30 June 2020 (2019: nil).

(ii) Hong Kong profits tax

Hong Kong profits tax is calculated at 16.5% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong, except for the first HK$2,000,000 of qualified entity's assessable profit is calculated at 8.25% (2019: 8.25%), which is in accordance with the new two tiered profits tax rates regime with effect from the year of assessment 2018/19.

(iii) PRC EIT

PRC EIT is provided at 25% (2019: 25%) on the estimated assessable profits for the period for a subsidiary in the PRC.

(iv) **PRC withholding income tax**

Pursuant to the Detailed Implementation Regulations for implementation of the new Corporate Income Tax Law issued on 6 December 2007, a 10% withholding income tax is levied on the dividends remitted by the companies established in the PRC to their foreign investors starting from 1 January 2008. Dividends coming from the profits generated by the PRC companies after 1 January 2008 are subject to this withholding income tax. The withholding income tax rate applicable to the Group is 5% (six months ended 30 June 2019: 5%).

(v) **United States corporate income tax**

The United Stated corporate income tax comprises federal income tax calculated at 15% (2019: 15%) and state and local income tax calculated at various rates on the estimated assessable profits of the Group's subsidiary in the United States.

8. DIVIDENDS

No dividend was paid or proposed to the owners of the Company during the six months ended 30 June 2020 (2019: nil), nor has any dividend been proposed since the end of reporting period and up to the date of this announcement.

9. LOSS PER SHARE

The calculations of basic loss per share are based on the loss attributable to the owners of the Company for the six months ended 30 June 2020 of approximately HK$28,586,000 (2019: HK$29,839,000) and on the weighted average of 1,690,000,000 ordinary shares issued throughout the six months ended 30 June 2020 (2019: 1,690,000,000 shares).

Diluted loss per share was same as the basic loss per share as there were no dilutive potential ordinary shares in existence during the six months ended 30 June 2020 and six months ended 30 June 2019.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020 under review, the Group did not incur any capital expenditures for acquisition of property, plant and equipment (2019: nil).

11. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2020 under review, the Group did not incur any capital expenditures for acquisition of right-of-use assets (2019: HK$2,120,000).

12. INVENTORIES

	Unaudited As at 30 June 2020 *HK$'000*	Audited As at 31 December 2019 *HK$'000*
Raw materials and consumables	**18,070**	2,778
Work in progress	**3,183**	623
Finished goods	**10,655**	11,586
	31,908	14,987

13. TRADE AND BILLS RECEIVABLES

	Unaudited As at 30 June 2020 *HK$'000*	Audited As at 31 December 2019 *HK$'000*
Trade receivables, gross	**4,163**	21,727
Less: written off trade receivables	**–**	–
Less: provision for ECL	**(217)**	(653)
Trade receivables, net	**3,946**	21,074
Bill receivables	**–**	3,025
	3,946	24,099

Trade receivables are recognised at their original invoice amounts which represented their fair values at initial recognition. The Group's trade receivables are attributable to a number of independent customers with credit terms. Bill receivables are received from independent customers under the ordinary course of business. The Group normally allows a credit period of 10 to 180 days (2019: 10 to 180 days) to its customers.

Trade and bill receivables are non-interest bearing. The directors of the Company consider that the fair values of trade and bill receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods at their inception.

Ageing analysis of trade receivables based on invoice date is as follows:

	Unaudited As at 30 June 2020	Audited As at 31 December 2019
	HK$'000	*HK$'000*
0 to 30 days	**876**	5,290
31 to 60 days	**44**	2,659
61 to 90 days	**42**	5,034
91 to 180 days	**269**	3,466
Over 180 days	**2,715**	4,625
	3,946	21,074

14. LOANS AND INTEREST RECEIVABLES

	Unaudited As at 30 June 2020	Audited As at 31 December 2019
	HK$'000	*HK$'000*
Non-current		
Loans receivables	**4,000**	1,472
Current		
Loans receivables	**120,234**	111,068
Interest receivables	**4,797**	2,749
Less: provision for ECL	**(9,875)**	(2,788)
	115,156	111,029
	119,156	112,501

The Group's loans and interest receivables, which arise from the money lending business of providing corporate loans, personal loans and property mortgage loans in Hong Kong, are denominated in Hong Kong dollars.

15. TRADE AND BILLS PAYABLES

	Unaudited **As at** **30 June** **2020** ***HK$'000***	Audited As at 31 December 2019 *HK$'000*
Trade payables	**21,960**	10,481
Bills payables	**398**	12,419
	22,358	22,900

Credit periods of trade payables normally granted by the Group's suppliers were ranging from 15 to 120 days (2019: from 15 to 120 days).

Ageing analysis of trade payables based on invoice date is as follows:

	Unaudited **As at** **30 June** **2020** ***HK$'000***	Audited As at 31 December 2019 *HK$'000*
0 to 30 days	**12,849**	6,077
31 to 60 days	**4,010**	171
61 to 90 days	**1,974**	851
91 to 180 days	**705**	2,337
Over 180 days	**2,422**	1,045
	21,960	10,481

Bill payables are normally settled on 180 days (2019: 180 days) credit terms.

16. LEASE LIABILITIES

	Unaudited As at 30 June 2020 *HK$'000*	Audited As at 31 December 2019 *HK$'000*
Current portion:		
Lease liabilities	**5,795**	5,568
Non-current portion:		
Lease liabilities	**793**	2,979
	6,588	8,547

17. SHARE CAPITAL

	Number of shares	*HK$'000*
Authorised:		
Ordinary shares at HK$0.01 each, at 31 December 2019 and 30 June 2020	**10,000,000,000**	**100,000**
Issued and fully paid:		
Ordinary shares at HK$0.01 each, at 31 December 2019 and 30 June 2020	**1,690,000,000**	**16,900**

18. RELATED PARTY TRANSACTION

The Group entered into the following significant related party transactions during the period:

Key management personnel remuneration

	Unaudited For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Directors' emoluments	**3,531**	3,151

19. EVENT AFTER REPORTING PERIOD

The COVID-19 pandemic outbreak since early of 2020 has caused negative impacts on the Group's business performance. The Group expects the event may continue to affect our business performance in the second half of 2020. In light of the uncertainty in the global economy and the current pandemic, the Group will continue to closely monitor the market conditions, stay alert to formulate strategies to pursue steady development.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group principally engages in (i) design, manufacture and trading of apparel, namely apparel operation; and (ii) provision of money lending business, namely money lending operation.

REVENUE

Difficult business environment had an adverse impact on our revenue for the first half of 2020. Affected by rapid global spread of COVID-19 pandemic in the first half of 2020, revenue of the Group for the reporting period decreased by approximately 50.9% or HK$16,128,000 to approximately HK$15,545,000 (2019: HK$31,673,000).

APPAREL OPERATION

Revenue from apparel operation is principally derived from the sales of apparel products. The Group's products can be classified into two categories, namely, private label products and own brand products. Private label products are those designed and manufactured under the private labels owned or specified by the Group's customers, while own brand products are those designed and manufactured under the Group's proprietary labels.

Since the outbreak of COVID-19, the United States is one of the regions mostly affected by the pandemic. The economy of the United States slowed down significantly in the first half of 2020, and in certain period its economy drew to a near total halt. Some major U.S. customers reduced their orders to us under grim economic environment. As U.S. market is the principal market for our apparel operation, the revenue from our apparel operation tumbled in the reporting period. Revenue from apparel operation was HK$9,936,000 (2019: HK $26,102,000) for the reporting period, representing a decrease of approximately HK$16,166,000 or 61.9% in comparison to the corresponding period in 2019.

We are not optimistic about the U.S. economic environment in the second half of 2020. Development of COVID-19 pandemic in the second half of 2020 is expected to bring continued disruption to people's livelihood as well as commercial activity, reduce consumers' spending appetite. Under sluggish economy, we expect full year revenue from our apparel operation will decrease significantly compared to 2019 full year revenue from our apparel operation.

MONEY LENDING OPERATION

Our money lending business primarily offers loans to individual customers and small businesses in Hong Kong. Revenue from money lending operation was approximately HK$5,609,000 (2019: HK$5,571,000) for the reporting period, representing a slight increase of approximately HK$38,000 or 0.7% as compared to the corresponding period in 2019. Provision for ECL on our loans and interest receivables as at 30 June 2020 was approximately HK$9,875,000, increased by approximately HK$7,087,000 from provision for ECL on our loans and interest receivables of approximately HK$2,788,000 as at 31 December 2019. The significant increase in provision for ECL was resulted from updates in our credit risk assessment which reflected the expected future impact of continuing uncertainties and challenges over COVID-19 pandemic.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross loss for the six months ended 30 June 2020 was approximately HK$33,000 (2019: gross profit HK$4,386,000). Apparel operation recorded gross loss of approximately HK$5,642,000 (2019: HK$1,185,000) while money lending operation earned gross profit of approximately HK$5,609,000 (2019: HK$5,571,000).

For our apparel operation, materials costs and sub-contracting costs decreased significantly due to huge drop in revenue from apparel operation. On the other hand, although the revenue tumbled for the reporting period, labour wages and production overheads declined in lesser extent compared to revenue drop, which widened our gross loss in 2020 compared to the corresponding period in 2019.

The gross profit earned from our money lending operation was approximately HK$5,609,000 (2019: HK$5,571,000). The gross profit margin was 100% for money lending operation for the period (2019:100%), as there was no direct cost incurred in generating revenue in the money lending operation.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses mainly consist of (i) staff cost for the sales representative; (ii) depreciation on showroom tenancy as right-of use assets; and (iii) transportation costs for delivery of products. The selling and distribution expenses incurred in the reporting period were approximately HK$5,354,000 (2019: HK$7,792,000), decreased by approximately 31.3% or HK$2,438,000. In the first half of 2020, we adopted certain cost-cutting measures to reduce our operation costs. Most of the selling and distribution expenses recorded declines for the period, in particular staff travelling expenses and staff costs.

ADMINISTRATIVE EXPENSES

Administrative expenses primarily consist of (i) staff costs; (ii) increase in provision for ECL on loans and interest receivables; (iii) depreciation of right-of-use assets; and (iv) professional fees. The administrative expenses for the six months ended 30 June 2020 were approximately HK$27,004,000 (2019: HK$28,729,000), decreased by approximately 6.0% or HK$1,725,000. In the first half of 2020, we adopted certain cost-cutting measures to reduce our operation costs. Most of the administrative expenses registered decreases for the period, in particular depreciation of right-of-use assets and staff costs. On the other hand, significant increase in provision for ECL of approximately HK$7,087,000 (2019: reversal of provision HK$33,000) was resulted from updates in our credit risk assessment which reflected the expected future impact of continuing uncertainties and challenges over COVID-19 pandemic.

LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY

The loss for the period attributable to owners of the Company was approximately HK$28,586,000 (2019: HK$29,839,000), decreased by approximately HK$1,253,000 or 4.2%. Although there was decline in revenue of approximately HK$16,128,000 for the period, this was offset by decrease in selling and distribution expenses of approximately HK$2,438,000 and decrease in administrative expenses of approximately HK$1,725,000 respectively, as discussed above.

LIQUIDITY AND FINANCIAL RESOURCES

During the reporting period, the Group maintained a healthy liquidity position, with working capital financed by internal resources. As at 30 June 2020, pledged bank deposits and cash and bank balances amounted to approximately HK$74,942,000 (31 December 2019: HK$104,723,000). Total lease liabilities of the Group as at 30 June 2020 was approximately HK$6,588,000 (31 December 2019: HK$8,547,000) of which approximately HK$5,795,000 (31 December 2019: HK$5,568,000) would be repayable within one year and all remaining lease liabilities of approximately HK$793,000 (31 December 2019: HK$2,979,000) would be repayable after one year. The current liquidity ratio of the Group was approximately 5.79 (31 December 2019: 6.26).

CHARGE ON ASSETS

As at 30 June 2020, the Group's time deposits of approximately HK$119,000 (31 December 2019: HK$3,726,000) were pledged as securities for the Group's bills payables. No buildings and land of the Group (31 December 2019: HK$5,317,000) were pledged as securities for the Group's bills payables.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group did not have any material contingent liability (31 December 2019: nil).

GEARING RATIO

The gearing ratio of the Group, calculated as total lease liabilities over total equity, was approximately 2.4% as at 30 June 2020 (31 December 2019: 2.8%).

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the reporting period. The Group strives to reduce exposure to 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.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 30 June 2020.

FOREIGN EXCHANGE EXPOSURE

The Group derives the majority of its revenue in US$ while substantial portion of our costs are denominated in Renminbi ("RMB"). Appreciation of RMB against US$ will therefore directly decrease the profit margin of the Group if the Group is unable to increase the selling prices of its products accordingly. If the Group increases the selling prices of its products as a result of the appreciation of RMB, it may in turn affect the Group's competitiveness against other competitors. To the extent that the Company needs to convert future financing into RMB for the Group's operations, appreciation of the RMB against the relevant foreign currencies would have an adverse effect on the purchasing power of the RMB amount that the Company would receive from the conversion.

The exchange rates between RMB and US$ are subject to changes in the PRC Government's policies and international political and economic conditions.

CAPITAL COMMITMENTS

As at 30 June 2020, the Group did not have any significant capital commitment (31 December 2019: nil).

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had a total of 241 employees (31 December 2019: 293 employees). Total staff costs (including directors' emoluments) were approximately HK$17,829,000 for the six months ended 30 June 2020, as compared to approximately HK$25,574,000 for the six months ended 30 June 2019. Remuneration is determined with reference to market norms as well as individual employees' performance, qualification and experience.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2020 (31 December 2019: nil).

THE SUBSCRIPTION AND THE USE OF PROCEEDS

As disclosed in the joint announcement issued by the Company and New Seres CEFC Investment Fund LP ("New Seres") dated 15 February 2017 (the "Joint Announcement") and the circular of the Company dated 10 April 2017 (the "Circular"), the Company entered into an agreement with New Seres on 26 January 2017 in relation to the subscription of 860,000,000 new shares in the Company by New Seres (the "Subscription"). The Subscription was completed on 2 May 2017, raising net proceeds of approximately HK$195,720,000. Set out below are the details of the utilisation of the net proceeds from the Subscription up to 30 June 2020:

	Intended use of the net proceeds as disclosed in the Joint Announcement and the Circular	Actual use of the net proceeds up to 30 June 2020	Unutilised net proceeds as at 30 June 2020
	HK$'000	*HK$'000*	*HK$'000*
(i) for the development of the loan financing business of the Group including but not limited to:			
– the provision of loans of larger principal amount and longer term (e.g. mortgage loans)	103,432	158,240	Over-utilised of HK$54,808 *(Note 1)*
– the expansion of sales and customer service team and the overheads for the loan financing business	9,000	4,922	4,078 *(Note 1)*
– the marketing campaign for the loan financing business	5,000	1,165	3,835 *(Note 1)*
(ii) for the development of the securities and asset management business of the Group including but not limited to:			
– the settlement of the outstanding consideration for the Acquisition	28,900	3,000 *(Note 3)*	25,900 *(Note 2)*
– the business development of Prior Securities and Prior Asset	11,388	–	11,388 *(Note 3)*
– the grant of securities margin financing loans	38,000	–	38,000 *(Note 2)*
	195,720	167,327	28,393

Notes:

1. As the development of the financing business has exceeded expectation, no significant additional expenses were expected to be incurred on expansion of sales and customer service team and marketing campaign, the unutilised proceeds as at 30 June 2020 had accordingly been used principally towards provision of loans to clients.

2. On 25 January 2017, the Group entered into two sale and purchase agreements (as supplemented and amended thereof) (the "Agreements") with a vendor in relation to the acquisition (the "Acquisition") of the entire share capital of Prior Securities Limited ("Prior Securities") and Prior Asset Management Limited ("Prior Asset"). The conditions precedent pursuant to the Agreements were not fulfilled or satisfied by 31 July 2018, being the long stop date of the Agreements, therefore the Acquisition was not completed and the Agreements were automatically terminated.

   The amount of HK$5,000,000 which represented payments of non-refundable deposit for the Acquisition was forfeited after the termination of the Agreements. The forfeiture of the non-refundable deposit was reflected in the annual results for the year ended 31 December 2018.

   The unutilised proceeds, amounting to HK$75,288,000, which were originally allocated for the development of the securities and asset management business (including the Acquisition), have been retained by the Group for its future acquisition(s), and business development and/or working capital purposes. As there was no suitable merger and acquisition opportunity arising in the meantime to deploy the unutilised proceeds, the unutilised proceeds were re-allocated to working capital purposes after 31 December 2019 of which (i) approximately HK$45,000,000 is for purchase of raw materials and/or garments for the apparel operation of the Group; (ii) approximately HK$20,000,000 is for staff costs; (iii) approximately HK$5,000,000 is for rental and lease payments and; (iv) approximately HK$5,288,000 is for other operating expenses.

   Up to 30 June 2020, of the unutilised proceeds of HK$75,288,000, (i) approximately HK$4,879,000 was spent in purchasing of raw materials and/or garments for the apparel operation of the Group; (ii) approximately HK$17,829,000 was spent in staff costs; (iii) approximately HK$2,425,000 was spent in rental and lease payments and; (iv) approximately HK$5,288,000 was spent in other operating expenses.

3. Up to 30 June 2020, the amount of HK$3,000,000 was utilised which represented payment of the second non-refundable deposit for the Acquisition in accordance with the terms of the Agreements.

INTERIM DIVIDEND

The Board did not recommend any payment of an interim dividend for the six month ended 30 June 2020.

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or were required to be recorded in the register pursuant to Section 352 of the SFO, or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules, were as follows:

Long positions in Shares of the Company

Name	Capacity/nature of interest	Number of ordinary shares held	Approximate percentage of interests
Mr. Guo Lin	Interest in controlled corporation *(Note 1)*	860,120,000	50.89%
Mr. Jiang Tianqing	Interest in controlled corporation *(Note 2)*	860,120,000	50.89%
Ms. Tin Yat Yu Carol	Beneficial owner and interest in controlled corporation *(Note 3)*	114,362,000	6.77%
Mr. Tang Shu Pui Simon	Beneficial owner	5,000,000	0.30%

Notes:

1. By virtue of the SFO, Mr. Guo Lin ("Mr. Guo") is deemed to be interested in 860,120,000 shares of the Company, representing approximately 50.89% of the total number of issued shares of the Company, which are directly held by New Seres CEFC Investment Fund LP, which in turn is owned as to 50% by its general partner, New Seres International Asset Management (Cayman) Limited, and is in turn owned as to 50% by Aurora Capital Co., LTD.* (上海至輝投資有限公司), formerly known as New Seres Investment Co., Ltd.* (新絲綢之路投資有限公司). Aurora Capital Co., LTD.* (上海至輝投資有限公司) is owned as to 40% by Mr. Guo and 60% by Shanghai Chengyi Corporate Management Partnership (Limited Partnership)* (上海承羿企業管理合夥企業(有限合夥)). Shanghai Chengyi Corporate Management Partnership (Limited Partnership)* (上海承羿企業管理合夥企業(有限合夥)) is 45% directly owned by Mr. Guo (as its limited partner) and is 1% owned by Shanghai Chengyi Business Consulting Company Limited* (上海承羿商務諮詢有限公司) as its general partner, which is in turn directly owned as to 80% by Mr. Guo.

2. By virtue of the SFO, Mr. Jiang Tianqing ("Mr. Jiang TQ") is deemed to be interested in 860,120,000 shares of the Company, representing approximately 50.89% of the total number of issued shares of the Company, which are directly held by New Seres CEFC Investment Fund LP, which in turn is owned as to 50% by its general partner, New Seres International Asset Management (Cayman) Limited, and is in turn owned as to 50% by Aurora Capital Co., LTD.* (上海至輝投資有限公司), formerly known as New Seres Investment Co., Ltd.* (新絲綢之路投資有限公司). Aurora Capital Co., LTD.* (上海至輝投資有限公司) is owned as to 60% by its limited partner Shanghai Chengyi Corporate Management Partnership (Limited Partnership)* (上海承羿企業管理合夥企業(有限合夥)), which in turn is owned directly as to 22% by Mr. Jiang TQ (as its limited partner) and is owned as to 1% by Shanghai Chengyi Business Consulting Company Limited* (上海承羿商務諮詢有限公司) as its general partner, which is in turn directly owned as to 20% by Mr. Jiang TQ.

3. By virtue of the SFO, Ms. Tin Yat Yu Carol ("Ms. Tin") is deemed to be interested in 114,362,000 shares of the Company, as to (i) 4,362,000 shares beneficially owned by Ms. Tin; and (ii) 110,000,000 shares through Favor Way Investments Limited, a company wholly-owned by Ms. Tin.

Save as disclosed above, as at 30 June 2020, none of the directors or chief executive of the Company have or are deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which were notifiable to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or recorded in the register required to be maintained by the Company under Section 352 of the SFO, or as otherwise notifiable to the Company and the Stock Exchange pursuant to the Model Code.

* *For identification purpose only*

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2020, so far as it was known by or otherwise notified to any directors or the chief executive of the Company, the particulars of the corporations or persons (other than the directors and the chief executive of the Company) which had 5% or more interests in shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in Shares of the Company

Name	Capacity/nature of interest	Number of ordinary shares held	Approximate percentage of interests
New Seres CEFC Investment Fund LP	Beneficial owner *(Note 1)*	860,120,000	50.89%
New Seres International Asset Management (Cayman) Limited	Interest in controlled corporation *(Note 2)*	860,120,000	50.89%
Aurora Capital Co., LTD.* (formerly known as New Seres Investment Co., Ltd.*)	Interest in controlled corporation *(Note 3)*	860,120,000	50.89%
Shanghai Chengyi Corporate Management Partnership (Limited Partnership)*	Interest in controlled corporation *(Note 4)*	860,120,000	50.89%
Shanghai Chengyi Business Consulting Company Limited*	Interest in controlled corporation *(Note 5)*	860,120,000	50.89%
CEFC Shanghai Financial Services Co., Ltd.*	Interest in controlled corporation *(Note 6)*	860,120,000	50.89%
Shanghai CEFC International Group Co. Ltd.*	Interest in controlled corporation *(Note 7)*	860,120,000	50.89%

Name	Capacity/nature of interest	Number of ordinary shares held	Approximate percentage of interests
Shanghai CEFC Financial Holding Co., Ltd.*	Interest in controlled corporation *(Note 8)*	860,120,000	50.89%
CEFC China Energy Company Limited*	Interest in controlled corporation *(Note 9)*	860,120,000	50.89%
CEFC China Energy Investment Fund Co., Ltd*	Interest in controlled corporation *(Note 10)*	860,120,000	50.89%
China CEFC International Equity Investment Co., Ltd.*	Interest in controlled corporation *(Note 11)*	860,120,000	50.89%
Shanghai Zhong'an United Investment Fund Co., Ltd.*	Interest in controlled corporation *(Note 12)*	860,120,000	50.89%
Wisely Inc Limited	Interest in controlled corporation *(Note 13)*	860,120,000	50.89%
Shanghai Huaxin Group (Hongkong) Limited	Interest in controlled corporation *(Note 14)*	860,120,000	50.89%
Mr. Su Weizhong	Interest in controlled corporation *(Note 15)*	860,120,000	50.89%
Ms. Yi Qianru	Deemed interest of spouse and interest in controlled corporation *(Note 16)*	860,120,000	50.89%
Ms. Han Wenjing	Deemed interest of spouse and interest in controlled corporation *(Note 17)*	860,120,000	50.89%
Mr. Li Yong	Interest in controlled corporation *(Note 18)*	860,120,000	50.89%

Name	Capacity/nature of interest	Number of ordinary shares held	Approximate percentage of interests
Ms. Feng Qiuling	Deemed interest of spouse and interest in controlled corporation *(Note 19)*	860,120,000	50.89%
Favor Way Investments Limited	Beneficial owner *(Note 20)*	110,000,000	6.51%
Hua Zhen	Beneficial owner	87,000,000	5.15%

Notes:

1. New Seres CEFC Investment Fund LP is an exempted limited liability partnership registered in the Cayman Islands on 20 January 2017.

2. New Seres International Asset Management (Cayman) Limited is the general partner of New Seres CEFC Investment Fund LP, and is owned as to 50% by Aurora Capital Co., LTD.* (上海至輝投資有限公司), formerly known as New Seres Investment Co., Ltd* (新絲綢之路投資有限公司) and 50% by CEFC Shanghai Financial Services Co. Ltd.* (上海華信金融服務有限公司).

3. Aurora Capital Co., LTD.* (上海至輝投資有限公司), formerly known as New Seres Investment Co., Ltd* (新絲綢之路投資有限公司) is owned as to 40% by Mr. Guo and 60% by Shanghai Chengyi Corporate Management Partnership (Limited Partnership)* (上海承羿企業管理合夥企業(有限合夥)).

4. Shanghai Chengyi Corporate Management Partnership (Limited Partnership)* (上海承羿企業管理合夥企業(有限合夥)) is owned, amongst others, as to 1% by Shanghai Chengyi Business Consulting Company Limited* (上海承羿商務諮詢有限公司), 45% by Mr. Guo and 22% by Mr. Jiang TQ.

5. Shanghai Chengyi Business Consulting Company Limited* (上海承羿商務諮詢有限公司) is owned as to 80% by Mr. Guo and 20% by Mr. Jiang TQ, and is the general partner of Shanghai Chengyi Corporate Management Partnership (Limited Partnership)* (上海承羿企業管理合夥企業(有限合夥)).

6. After making specific enquiries and conducting public searches by reasonable effort of the Company, it has come to the Company's attention that CEFC Shanghai Financial Services Co., Ltd* (上海華信金融服務有限公司) is owned as to 100% by Shanghai CEFC International Group Co. Ltd.* (上海華信國際集團有限公司) .

7. Shanghai CEFC International Group Co. Ltd.* (上海華信國際集團有限公司) is owned as to 54.14% by CEFC China Energy Company Limited* (中國華信能源有限公司), as to 32.41% by Shanghai CEFC Financial Holding Co., Ltd.* (上海市華信金融控股有限公司) and as to 13.45% by China CEFC International Equity Investment Co., Ltd.* (中國華信國際股權投資有限公司).

8. Shanghai CEFC Financial Holdings Co., Ltd* (上海市華信金融控股有限公司) is owned as to approximately 87.67% by CEFC China Energy Company Limited* (中國華信能源有限公司), approximately 6.17% by Mr. Su Weizhong, approximately 4.93% by Mr. Zheng Xiongbin and approximately 1.23% by Shanghai Zhong'an United Investment Fund Co., Ltd.* (上海中安聯合投資基金股份有限公司).

9. CEFC China Energy Company Limited* (中國華信能源有限公司) is owned as to 99.05% by CEFC China Energy Investment Fund Co., Ltd* (上海能源基金投資有限公司).

10. CEFC China Energy Investment Fund Co., Ltd* (上海能源基金投資有限公司) is owned as to 100% by China CEFC International Equity Investment Co., Ltd.* (中國華信國際股權投資有限公司).

11. China CEFC International Equity Investment Co., Ltd.* (中國華信國際股權投資有限公司) is owned as to 80% by Shanghai Zhong'an United Investment Fund Co., Ltd.* (上海中安聯合投資基金股份有限公司).

12. The beneficial shareholders of Shanghai Zhong'an United Investment Fund Co., Ltd.* (上海中安聯合投資基金股份有限公司) are Mr. Su Weizhong (owned as to approximately 50%), Mr. Li Yong (owned as to approximately 49%) and Mr. Zheng Xiongbin (owned as to approximately 1%).

13. Wisely Inc Limited 永事利有限公司 is the limited partner of New Seres CEFC Investment Fund LP and is owned as to 100% by Shanghai Huaxin Group (Hongkong) Limited (上海華信集團(香港)有限公司).

14. Shanghai Huaxin Group (Hongkong) Limited 上海華信集團(香港)有限公司 is owned as to 85.74% by Shanghai CEFC International Group Co. Ltd.* (上海華信國際集團有限公司) and as to 14.26% by Gain Sun Ventures Limited.

15. Mr. Su Weizhong holds 50% shares in Shanghai Zhong'an United Investment Fund Co., Ltd.* (上海中安聯合投資基金股份有限公司).

16. Ms. Yi Qianru is the spouse of Mr. Guo, the Chairman of the Board and an executive director of the Company and is therefore deemed to be interested in the shares of the Company held by Mr. Guo.

17 Ms. Han Wenjing is the spouse of Mr. Jiang TQ and is therefore deemed to be interested in the shares of the Company held by Mr. Jiang TQ.

18. Mr. Li Yong holds 49% shares in Shanghai Zhong'an United Investment Fund Co., Ltd.* (上海中安聯合投資基金股份有限公司).

19. Ms. Feng Qiuling is the spouse of Mr. Li Yong and is therefore deemed to be interested in the shares of the Company held by Mr. Li Yong.

20. Favor Way Investments Limited is wholly-owned by Ms. Tin.

* *For identification purpose only*

Save as disclosed above, as at 30 June 2020, the directors of the Company were not aware of any other persons/entities (other than the directors and chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company, its Group members or associated corporations which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO; or as otherwise notified to the Company and the Stock Exchange.

SHARE OPTION SCHEME

The share option scheme enables the Company to grant options to any full-time or part-time employee of the Company or any member of the Group (the "Eligible Participant") as incentives or rewards for their contributions to the Group, the Company conditionally adopted a share option scheme (the "Scheme") on 22 November 2013 whereby the Board was authorised, at its absolute discretion and subject to the terms of the Scheme, to grant options to subscribe for the shares of the Company to the Eligible Participant. The Scheme will be valid and effective for a period of ten years commencing from the listing date of the Company.

As at the date of this announcement, the total number of shares available for issue under the Scheme is 60,000,000 shares, representing 3.55% of the enlarged issued share capital of the Company.

Since the adoption of the Scheme and during the six months ended 30 June 2020, no share option has been granted, exercised, lapsed or cancelled, and as at 30 June 2020, no share options under the Scheme were outstanding.

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

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

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 to the Listing Rules.

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

DIRECTORS' SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE

The Company's audit committee has reviewed the accounting principles and practices adopted by the Company and discussed auditing, internal control and financial reporting matters. The unaudited consolidated financial statements of the Group for the six months ended 30 June 2020 have been reviewed by the audit committee members who have provided advice and comments thereon.

CHANGE OF DIRECTORS' AND CHIEF EXECUTIVE'S 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 2019 are set out below:

On 5 May 2020, Ms. Tin Yat Yu Carol has been appointed as an executive director of Finsoft Financial Investment Holdings Limited, a company whose shares are listed on the GEM of the Stock Exchange (stock code: 8018), and she has become the chairperson of that company since 19 May 2020.

On 24 June 2020, Mr. Hon Ming Sang has been appointed as an independent non-executive director of Finsoft Financial Investment Holdings Limited, a company whose shares are listed on the GEM of the Stock Exchange (stock code: 8018).

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.

By order of the Board
CEFC Hong Kong Financial Investment Company Limited
Guo Lin
Chairman

Hong Kong, 27 August 2020

As at the date of this announcement, the Board is comprised of 9 directors:

Executive directors:	Mr. Guo Lin Mr. Jiang Mingsheng Mr. Jiang Tianqing Ms. Tin Yat Yu Carol Mr. Cheung Ka Lung
Independent non-executive directors:	Mr. Lyu Hongbing Mr. Tang Shu Pui Simon Mr. Hon Ming Sang Professor Wu Fei