



GREEN INTERNATIONAL

Holdings Limited

格林國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2700)



INTERIM
REPORT

2020

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Green International Holdings Limited
Interim Report 2020

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Qigang (*Chairman*)
Mr. Liu Dong
Mr. Yu Xiangjin
(*appointed on 16 July 2020*)

Non-executive Directors

Mr. Chen Hanhong
(*re-designated from an executive
Director to a non-executive Director
on 16 July 2020*)
Mr. Yu Zhoujie
(*appointed on 16 July 2020*)

Independent Non-executive Directors

Mr. Wu Hong
Mr. David Tsoi
Mr. Wang Chunlin

AUDIT COMMITTEE

Mr. David Tsoi (*Chairman*)
Mr. Wu Hong
Mr. Wang Chunlin

REMUNERATION COMMITTEE

Mr. David Tsoi (*Chairman*)
Mr. Yu Qigang
Mr. Wu Hong
Mr. Wang Chunlin

NOMINATION COMMITTEE

Mr. Yu Qigang (*Chairman*)
Mr. David Tsoi
Mr. Wu Hong
Mr. Wang Chunlin

COMPANY SECRETARY

Mr. Tsang Kwok Wai

AUDITOR

HLB Hodgson Impey Cheng Limited
Certified Public Accountants
31st Floor, Gloucester Tower
The Landmark, 11 Pedder Street
Central, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 2102, 21/F
West Tower, Shun Tak Centre
200 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

OCBC Wing Hang Bank Limited

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

2700

WEBSITE

<http://www.irasia.com/listco/hk/greeninternational/>

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2020

| | | For the six months ended 30 June | |
|---|-------|----------------------------------|---------------------------------|
| | Notes | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Revenue | 4 | 29,666 | 40,775 |
| Direct costs and operating expenses | | (13,566) | (15,431) |
| Gross profit | | 16,100 | 25,344 |
| Other income and gains, net | 5 | 1,236 | 997 |
| Selling expenses | | (11,706) | (16,799) |
| Administrative expenses | | (20,885) | (36,355) |
| Gain on disposal of subsidiaries | | 2,789 | - |
| Fair value changes of derivative financial instruments: | | | |
| – Financial assets at fair value through profit or loss | | - | (10,898) |
| – Financial liabilities at fair value through profit or loss | | - | 2,913 |
| – Derivative financial assets | | (3,505) | - |
| Impairment loss of trademark user right and technical know-how | | (21,494) | - |
| Finance costs, net | 6 | (4,027) | (6,090) |
| Loss before income tax | 7 | (41,492) | (40,888) |
| Income tax credit/(expense) | 8 | 1,949 | (188) |
| Loss for the period | | (39,543) | (41,076) |
| Loss for the period attributable to: | | | |
| – Equity holders of the Company | | (38,456) | (40,869) |
| – Non-controlling interests | | (1,087) | (207) |
| | | (39,543) | (41,076) |
| Loss per share for loss for the period attributable to the equity holders of the Company | | | |
| – Basic and diluted (HK\$ cents) | 9 | (2.45) | (3.38) |

The notes on pages 10 to 34 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

| | For the six months ended 30 June | |
|---|---|-------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Loss for the period | (39,543) | (41,076) |
| Other comprehensive income, net of tax | | |
| – Exchange differences arising during the period | 3,638 | 676 |
| Total comprehensive expense for the period | (35,905) | (40,400) |
| Total comprehensive expenses for the period attributable to: | | |
| – Equity holders of the Company | (34,713) | (40,186) |
| – Non-controlling interests | (1,192) | (214) |
| | (35,905) | (40,400) |

The notes on pages 10 to 34 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

| | Notes | 30 June 2020 HK\$'000 (Unaudited) | 31 December 2019 HK\$'000 (Audited) |
|---|-------|--|--|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 29,456 | 32,256 |
| Right-of-use assets | | 67,120 | 56,744 |
| Goodwill | | 10,728 | 10,728 |
| Trademark user right and technical know-how | | 13,250 | 34,744 |
| | | 120,554 | 134,472 |
| Current assets | | | |
| Inventories | | 8,126 | 8,476 |
| Trade receivables | 11 | 10,268 | 6,932 |
| Prepayments, deposits and other receivables | | 11,939 | 16,793 |
| Derivative financial assets | | – | 3,505 |
| Tax recoverable | | 31 | – |
| Bank balances-trust and segregated accounts | 12 | 436 | 175 |
| Bank balances (general accounts) and cash | 12 | 46,224 | 135,028 |
| | | 77,024 | 170,909 |
| Total assets | | 197,578 | 305,381 |
| EQUITY | | | |
| Capital and reserves attributable to the equity holders of the Company | | | |
| Share capital | 17 | 65,989 | 58,931 |
| Reserves | | (10,161) | 31,976 |
| | | 55,828 | 90,907 |
| Non-controlling interests | | 6,577 | 7,769 |
| Total equity | | 62,405 | 98,676 |

The notes on pages 10 to 34 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

| | | 30 June 2020 <i>HK\$'000</i> (Unaudited) | 31 December 2019 <i>HK\$'000</i> (Audited) |
|--|----|---|---|
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Bonds payables | 14 | 11,903 | 10,997 |
| Lease liabilities | | 58,107 | 45,470 |
| Deferred tax liabilities | | 1,325 | 3,592 |
| | | 71,335 | 60,059 |
| Current liabilities | | | |
| Trade payables | 13 | 4,130 | 7,453 |
| Contract liabilities | | – | 5,514 |
| Accruals and other payables | 15 | 48,208 | 60,845 |
| Convertible bonds | 16 | – | 59,107 |
| Lease liabilities | | 11,492 | 13,649 |
| Tax payable | | 8 | 78 |
| | | 63,838 | 146,646 |
| Total liabilities | | 135,173 | 206,705 |
| Total equity and liabilities | | 197,578 | 305,381 |
| Net current assets | | 13,186 | 24,263 |
| Total assets less current liabilities | | 133,740 | 158,735 |

The notes on pages 10 to 34 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

| | Attributable to the equity holders of the Company | | | | | | | | |
|---|---|--|--|--|--|---|----------------------------------|--|---|
| | Share capital HK\$'000 (Unaudited) | Share premium HK\$'000 (Unaudited) | Share-based equity reserve* HK\$'000 (Unaudited) | Convertible bonds – equity component reserve* HK\$'000 (Unaudited) | Exchange reserve* HK\$'000 (Unaudited) | Accumulated losses HK\$'000 (Unaudited) | Total HK\$'000 (Unaudited) | Non-controlling interests HK\$'000 (Unaudited) | Total equity HK\$'000 (Unaudited) |
| As at 1 January 2019 | 28,742 | 627,290 | 2,858 | 162,202 | 6,994 | (741,865) | 86,221 | 12,038 | 98,259 |
| Total comprehensive income/(expense) for the period | | | | | | | | | |
| Loss for the period | - | - | - | - | - | (40,869) | (40,869) | (207) | (41,076) |
| Other comprehensive income/(expense) for the period | - | - | - | - | 683 | - | 683 | (7) | 676 |
| | - | - | - | - | 683 | (40,869) | (40,186) | (214) | (40,400) |
| Transaction with owners | | | | | | | | | |
| Issue of share capital | 30,189 | 129,812 | - | - | - | - | 160,001 | - | 160,001 |
| Lapse of share options | - | - | (2,858) | - | - | 2,858 | - | - | - |
| | 30,189 | 129,812 | (2,858) | - | - | 2,858 | 160,001 | - | 160,001 |
| As at 30 June 2019 | 58,931 | 757,102 | - | 162,202 | 7,677 | (779,876) | 206,036 | 11,824 | 217,860 |
| As at 1 January 2020 | 58,931 | 753,101 | - | 160,967 | 3,672 | (885,764) | 90,907 | 7,769 | 98,676 |
| Total comprehensive income/(expense) for the period | | | | | | | | | |
| Loss for the period | - | - | - | - | - | (38,456) | (38,456) | (1,087) | (39,543) |
| Other comprehensive income/(expense) for the period | - | - | - | - | 3,743 | - | 3,743 | (105) | 3,638 |
| | - | - | - | - | 3,743 | (38,456) | (34,713) | (1,192) | (35,905) |
| Transaction with owners | | | | | | | | | |
| Issue of share capital | 7,058 | 112,941 | - | (119,999) | - | - | - | - | - |
| Disposal of subsidiaries | - | - | - | - | (366) | - | (366) | - | (366) |
| Transfer to accumulated losses upon mature of convertible bonds | - | - | - | (40,968) | - | 40,968 | - | - | - |
| | 7,058 | 112,941 | - | (160,967) | (366) | 40,968 | (366) | - | (366) |
| As at 30 June 2020 | 65,989 | 866,042 | - | - | 7,049 | (883,252) | 55,828 | 6,577 | 62,405 |

* The other reserves as presented in the condensed consolidated statement of financial position are comprised of these reserve accounts.

The notes on pages 10 to 34 form an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

| | Notes | For the six months ended 30 June | |
|--|-------|-------------------------------------|---------------------------------|
| | | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Net cash used in operating activities | | (23,314) | (18,988) |
| Net cash used in investing activities | | (2,194) | (1,992) |
| Net cash (used in)/generated from financing activities | | (67,460) | 128,094 |
| Net (decrease)/increase in cash and cash equivalents | | (92,968) | 107,114 |
| Cash and cash equivalents as at 1 January | | 135,028 | 52,911 |
| Effects of exchange rate changes on balances denominated in foreign currencies | | 4,164 | 84 |
| Cash and cash equivalents as at 30 June | 12 | 46,224 | 160,109 |

The notes on pages 10 to 34 form an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Green International Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 8 March 2006 as an exempted company with limited liability. Its registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in 2006. The Company is a public listed company.

The Company and its subsidiaries (the “**Group**”) was principally engaged in provision of (i) health, medical and related services, (ii) beauty and wellness services, and (iii) integrated financial services comprising securities brokerage, advising on securities and asset management.

These condensed consolidated financial statements are prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”) and Hong Kong Accounting Standard 34 “**Interim Financial Reporting**” as issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

These condensed consolidated financial statements do not include all the information and disclosure required in the annual financial statements, and should be read in conjunction with the Group’s audited consolidated financial statements for the year ended 31 December 2019.

These condensed consolidated financial statements have been prepared on a historical cost convention, except as disclosed in the accounting policies and the explanatory notes.

These condensed consolidated financial statements are presented in Group’s functional currency, Hong Kong dollars (“**HK\$**”), and all values are rounded to the nearest thousand (“**HK\$’000**”), except when otherwise indicated.

Notes to the Condensed Consolidated Interim Financial Statements

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

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

Application of new and amendments to HKFRSs

In the current period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

| | |
|--|-----------------------------------|
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 3 | Definition of a Business |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |
| Amendments to HKFRS 16 | Covid-19-Related Rent Concessions |

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS *(Continued)*

Amendment to HKFRS 16 Covid-19-Related Rent Concessions

The amendment is effective for annual periods beginning on or after 1 January 2020. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 if the changes were not a lease modification. Forgiveness or waiver of lease payment are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

Notes to the Condensed Consolidated Interim Financial Statements

3. FINANCIAL RISKS MANAGEMENT AND FINANCIAL INSTRUMENTS

The Group's activities expose to a variety of financial risks: foreign exchange risk, credit risk, liquidity risk and cash flow and fair value interest rate risk.

These condensed consolidated interim financial statements do not include all financial risks management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2019. There have been no material changes in the risk management policies since the year ended 31 December 2019.

Fair value estimation on a recurring basis

An analysis of financial instruments carried at fair value at the end of each reporting period, by valuation method and at different levels are set out as follows:

- Level 1: Quoted price (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

Notes to the Condensed Consolidated Interim Financial Statements

3. FINANCIAL RISKS MANAGEMENT AND FINANCIAL INSTRUMENTS *(Continued)*

Fair value estimation on a recurring basis *(Continued)*

The Group's assets and liabilities that are measured at fair value as at 30 June 2020 and 31 December 2019 are set out as follows:

| | Level 1 HK\$'000 | Level 2 HK\$'000 | Level 3 HK\$'000 | Total HK\$'000 |
|---|---------------------|---------------------|---------------------|-------------------|
| As at 30 June 2020 | | | | |
| <i>Financial assets</i> | | | | |
| Derivative financial assets <i>(Note 16(ii))</i> | - | - | - | - |
| As at 31 December 2019 | | | | |
| <i>Financial assets</i> | | | | |
| Derivative financial assets <i>(Note 16(ii))</i> | - | - | 3,505 | 3,505 |

There were no transfers between Levels 1, 2 and 3 and changes in valuation techniques during the periods.

Notes to the Condensed Consolidated Interim Financial Statements

4. REVENUE AND SEGMENT INFORMATION

The Group primarily operates in Hong Kong and the People's Republic of China (the "**PRC**"). The Group's operating businesses are structured and managed separately according to the nature of their operations and the products or services they provide. Each of the Group's business units represents a strategic business unit that offers products or services which are subject to risks and returns that are different from those of the other business units. The Group's business units are as follows:

- (a) the health and medical segment engages in the operation of health, medical and related businesses of its clubhouse, hemodialysis center and hospital;
- (b) the beauty and wellness segment engages in the provision of beauty and wellness services; and
- (c) the financial segment engages in securities brokerage, advising on securities and asset management businesses.

Operating segments are identified for financial reporting purposes in a manner consistent with the internal reporting provided to the chief operating decision-maker. The board (the "**Board**") of the directors (the "**Directors**") is identified as the Group's chief operating decision-maker.

Inter-segment revenue is eliminated on consolidation. Inter-segment sales and transfers are transacted according to the relevant prevailing market prices.

Segment results are presented as operating profit or loss.

Notes to the Condensed Consolidated Interim Financial Statements

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

4.1 Revenue of the Group by operating segments, together with analyses of the segment revenue by geographical regions, is as follows:

| | Health and medical business <i>HK\$'000</i> (Unaudited) | Beauty and wellness business <i>HK\$'000</i> (Unaudited) | Financial business <i>HK\$'000</i> (Unaudited) | Consolidated <i>HK\$'000</i> (Unaudited) |
|--|---|--|---|--|
| For the six months ended 30 June 2020 | | | | |
| Hong Kong | | | | |
| – At a point in time | - | - | 33 | 33 |
| The PRC | | | | |
| – At a point in time | 19,270 | 10,363 | - | 29,633 |
| | 19,270 | 10,363 | 33 | 29,666 |
| For the six months ended 30 June 2019 | | | | |
| Hong Kong | | | | |
| – At a point in time | - | - | 13 | 13 |
| The PRC | | | | |
| – At a point in time | 20,936 | 19,826 | - | 40,762 |
| | 20,936 | 19,826 | 13 | 40,775 |

Geographical analysis of revenue is allocated based on the geographical locations in which customers are located and the geographical locations of operations for health and medical business, beauty and wellness business and financial business segments, respectively. There was no revenue from any single customer contributing over 10% of total revenue of the Group for the six months ended 30 June 2020 and 2019.

Notes to the Condensed Consolidated Interim Financial Statements

4. REVENUE AND SEGMENT INFORMATION *(Continued)*

4.2 Results by operating segments are as follows:

| | For the six months ended 30 June | |
|--|-------------------------------------|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Health and medical business | (7,309) | (13,314) |
| Beauty and wellness business | (22,746) | 2,865 |
| Financial business | (1,977) | (2,220) |
| Total operating loss by operating segments | (32,032) | (12,669) |
| Unallocated corporate expenses, net | (4,717) | (14,144) |
| Gain on disposal of subsidiaries | 2,789 | – |
| Fair value changes of derivative financial instruments: | | |
| – Financial assets at fair value through profit or loss | – | (10,898) |
| – Financial liabilities at fair value through profit or loss | – | 2,913 |
| – Derivative financial assets | (3,505) | – |
| Finance costs, net | (4,027) | (6,090) |
| Loss before income tax | (41,492) | (40,888) |
| Income tax credit/(expense) | 1,949 | (188) |
| Loss for the period | (39,543) | (41,076) |

Note: For the six months ended 30 June 2020, impairment loss of trademark user right and technical know-how of approximately HK\$21,494,000 (2019: HK\$Nil) was included within the beauty and wellness business segment.

Notes to the Condensed Consolidated Interim Financial Statements

4. REVENUE AND SEGMENT INFORMATION (Continued)

4.3 Non-current assets of the Group, excluding financial instruments, by operating segments and geographical regions are as follows:

| | Health and medical business HK\$'000 (Unaudited) | Beauty and wellness business HK\$'000 (Unaudited) | Financial business HK\$'000 (Unaudited) | Unallocated corporate assets HK\$'000 (Unaudited) | Consolidated HK\$'000 (Unaudited) |
|---|--|---|--|---|---|
| As at 30 June 2020 | | | | | |
| Hong Kong | - | - | 586 | 1,223 | 1,809 |
| The PRC | 63,830 | 54,915 | - | - | 118,745 |
| Segment total non-current assets (excluding financial instruments) | 63,830 | 54,915 | 586 | 1,223 | 120,554 |
| As at 31 December 2019 | | | | | |
| Hong Kong | - | - | 790 | 1,657 | 2,447 |
| The PRC | 68,655 | 63,370 | - | - | 132,025 |
| Segment total non-current assets (excluding financial instruments) | 68,655 | 63,370 | 790 | 1,657 | 134,472 |

Notes to the Condensed Consolidated Interim Financial Statements

5. OTHER INCOME AND GAINS, NET

| | For the six months ended 30 June | |
|---|----------------------------------|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Sundry income | 1,236 | 873 |
| Reversal of expected credit losses of other receivables | – | 124 |
| | 1,236 | 997 |

6. FINANCE COSTS, NET

| | For the six months ended 30 June | |
|---------------------|----------------------------------|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Interest income: | | |
| – Bank deposits | (121) | (66) |
| Interest expenses: | | |
| – Convertible bonds | 1,958 | 3,352 |
| – Bonds payable | 906 | 880 |
| – Other borrowings | – | 486 |
| – Lease liabilities | 1,284 | 1,438 |
| | 4,027 | 6,090 |

Notes to the Condensed Consolidated Interim Financial Statements

7. LOSS BEFORE INCOME TAX

| | For the six months ended 30 June | |
|---|----------------------------------|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Depreciation of property, plant and equipment | 4,036 | 5,939 |
| Depreciation of right-of-use assets | 6,340 | 10,862 |
| Employee benefit expenses | 17,030 | 17,282 |

8. INCOME TAX CREDIT/(EXPENSE)

Hong Kong profits tax and the PRC enterprise income tax have been provided at the rate of 16.5% and 25% respectively (for six months ended 30 June 2019: 16.5% and 25% respectively), on the estimated assessable profits for the period, based on existing legislation, interpretations and practices in respect thereof.

The amounts of income tax credit/(expense) charged to the condensed consolidated statement of profit or loss are as follows:

| | For the six months ended 30 June | |
|---------------------------|----------------------------------|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Current taxation | | |
| PRC enterprise income tax | | |
| — Current period | (318) | (377) |
| Deferred taxation | 2,267 | 189 |
| | 1,949 | (188) |

Notes to the Condensed Consolidated Interim Financial Statements

9. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

| | For the six months ended 30 June | |
|--|----------------------------------|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Loss | | |
| Loss for the purpose of basic and diluted loss per share | (38,456) | (40,869) |
| | '000 | '000 |
| Number of shares | | |
| Weighted average number of ordinary shares in issue | 1,569,258 | 1,210,575 |
| Loss per share | | |
| Basic loss per share (HK\$ cents) | (2.45) | (3.38) |

10. DIVIDENDS

The Directors do not recommend the payment of any dividend for the six months ended 30 June 2020 (for six months ended 30 June 2019: Nil).

Notes to the Condensed Consolidated Interim Financial Statements

11. TRADE RECEIVABLES

| | 30 June 2020 HK\$'000 (Unaudited) | 31 December 2019 HK\$'000 (Audited) |
|--|--|--|
| Trade receivables arising from the ordinary course of business other than business of dealing in securities transactions | 10,268 | 6,932 |

Trade receivables arising from the business of dealing in securities

The Group maintains tight control over its outstanding trade receivables and has procedures and policies to assess its clients' credit quality and defines credit limits for each client. All client acceptances and credit limit are approved by designated approvers according to the clients' credit worthiness.

The normal settlement terms of trade receivables from clients and clearing house arising from the ordinary course of business of securities brokerage services are two trading days after the trade date.

There were no clients' securities as collateral held by the Group as at 30 June 2020 and 31 December 2019. All trade receivables from clients are neither past due nor impaired as at 30 June 2020 and 31 December 2019.

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of trade receivables from the date the credit was initially granted up to the reporting date and the fair values of the collateral held.

Notes to the Condensed Consolidated Interim Financial Statements

11. TRADE RECEIVABLES *(Continued)*

Trade receivables arising from businesses other than dealing in securities

The Group's trade receivables are generally with credit periods of 90 days. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of the trade receivables. The Group does not hold any collateral as security. The Group has policies in place to ensure that sales of products or services are made to customers with an appropriate credit history to minimise the credit risk.

Ageing analysis

The ageing analysis of trade receivables, based on invoice dates, as at 30 June 2020 and 31 December 2019 are as follows:

| | 30 June 2020 HK\$'000 (Unaudited) | 31 December 2019 HK\$'000 (Audited) |
|----------------|--|--|
| Within 30 days | 4,693 | 4,399 |
| 31 – 60 days | 1,063 | 837 |
| 61 – 90 days | 704 | 389 |
| 91 – 180 days | 3,062 | 866 |
| Over 180 days | 746 | 441 |
| | 10,268 | 6,932 |

Management assessed the credit quality of the trade receivables in the amount of approximately HK\$6,460,000 (31 December 2019: HK\$5,625,000) that are neither past due nor impaired by reference to the repayment history and financial position of those customers.

Notes to the Condensed Consolidated Interim Financial Statements

12. CASH AND BANK BALANCES

| | 30 June 2020 HK\$'000 (Unaudited) | 31 December 2019 HK\$'000 (Audited) |
|---|--|--|
| Bank balances — trust and segregated accounts (<i>Note (i)</i>) | 436 | 175 |
| Bank balances (general accounts) and cash (<i>Note (ii)</i>) | 46,224 | 135,028 |
| | 46,660 | 135,203 |

Notes:

- (i) Trust and segregated accounts

The Group receives and holds clients' monies in respect of the Group's ordinary business of provision of brokerage and related services. These clients' monies are maintained in segregated bank accounts.

- (ii) General accounts

Cash at banks earn interest at floating rates based on daily bank deposit rates.

Cash and bank balances are denominated in the following currencies:

| | 30 June 2020 HK\$'000 (Unaudited) | 31 December 2019 HK'000 (Audited) |
|-------------------|--|--|
| Hong Kong dollars | 43,257 | 122,298 |
| Renminbi | 3,402 | 12,904 |
| US dollars | 1 | 1 |
| | 46,660 | 135,203 |

Notes to the Condensed Consolidated Interim Financial Statements

13. TRADE PAYABLES

| | 30 June 2020 HK\$'000 (Unaudited) | 31 December 2019 HK\$'000 (Audited) |
|---|--|--|
| Trade payables arising from the ordinary course of business of dealing in securities transactions: | | |
| – Cash clients | – | 173 |
| – Clearing house | – | 1 |
| Trade payables from purchase of goods other than ordinary course of business, except for business of dealing in securities transactions | 4,130 | 7,279 |
| Total | 4,130 | 7,453 |

The carrying amounts of trade payables approximate their fair values.

Trade payables arising from the business of dealing in securities

Trade payables arising from the ordinary course of business of securities brokerage services are normally settled in two trading days after the trade date except for the monies held on behalf of clients at the segregated bank accounts which are repayable on demand. No ageing analysis is disclosed as, in the opinion of the Directors, an ageing analysis does not give additional value in view of the nature of this business.

Notes to the Condensed Consolidated Interim Financial Statements

13. TRADE PAYABLES *(Continued)*

Trade payables arising from businesses other than dealing in securities

Trade payables arising from the ordinary course of business other than the securities brokerage services are normally settled in accordance with the credit terms granted by suppliers.

Ageing analysis

The ageing analysis of trade payables, based on invoice dates, as at 30 June 2020 and 31 December 2019 are as follows:

| | 30 June 2020 HK\$'000 (Unaudited) | 31 December 2019 HK\$'000 (Audited) |
|----------------|--|--|
| Within 30 days | 1,807 | 2,481 |
| 31 – 60 days | 944 | 1,316 |
| 61 – 90 days | 1,026 | 331 |
| 91 – 180 days | 35 | 183 |
| Over 180 days | 318 | 2,968 |
| | 4,130 | 7,279 |

Notes to the Condensed Consolidated Interim Financial Statements

14. BONDS PAYABLES

Details on the movements of the bonds payables for the Period and the year ended 31 December 2019 are set out as follows:

| | <i>HK\$'000</i> |
|-------------------------------|-----------------|
| As at 1 January 2019 | 9,733 |
| Interest paid | (500) |
| Interest expense | 1,764 |
| As at 31 December 2019 | 10,997 |
| Interest expense | 906 |
| As at 30 June 2020 | 11,903 |

The details of the bonds payables in issue as at 30 June 2020 in an aggregate principal amount of HK\$14,000,000 are set out as follows:

- (i) On 28 June 2016, the Company entered into a placing agreement with Enhanced Securities Limited (“**Enhanced Securities**”), pursuant to which Enhanced Securities agreed with the Company to place bond up to a principal amount of HK\$10,000,000 to a placee who is an independent third party at 100% of principal amount of the bond. The bond is denominated in Hong Kong dollars, unsecured, bears interest at 5% per annum and will mature on the date falling on the seventh anniversary of the issue of the bond. Interest is payable in arrears annually on each anniversary of the date of the issue.

The bond was successfully placed to the placee on the same date. The effective interest rate of the bond was 10.40% to 11.16% per annum.

Notes to the Condensed Consolidated Interim Financial Statements

14. BONDS PAYABLES *(Continued)*

- (ii) On 24 March 2017, the Company entered into a placing agreement with Green Securities Limited (“**Green Securities**”), pursuant to which Green Securities agreed with the Company to place bonds up to a principal amount of HK\$4,000,000 to a placee who is an independent third party at 100% of the principal amount of the bond. The bond is denominated in Hong Kong dollars, unsecured, bears interest at 7.15% per annum and will mature on the date falling on the seventh anniversary of the issue of the bond. Interest is payable on the maturity date.

The bond was successfully placed to the placee on the same date. The effective interest rate of the bond was 10.55% to 13.24% per annum.

15. ACCRUALS AND OTHER PAYABLES

| | 30 June 2020 HK\$'000 (Unaudited) | 31 December 2019 HK\$'000 (Audited) |
|----------------------------|--|--|
| Accruals | 13,455 | 14,903 |
| Bond payable <i>(Note)</i> | 14,835 | 14,835 |
| Other payables | 19,918 | 31,107 |
| | 48,208 | 60,845 |

Note: Bond payable represents the outstanding principal amount and accrued interest arising from the Qianhai CB, details of which are set out in Note (16)(i) to the condensed consolidated financial statements. After the date of maturity of the Qianhai CB on 15 April 2019, the bond is no longer convertible into shares of the Company.

Notes to the Condensed Consolidated Interim Financial Statements

16. CONVERTIBLE BONDS

For the purpose of this note, references to number of conversion shares and conversion prices refer to the status of affairs prior to the four-to-one share consolidation of the Company which became effective on 4 March 2019. The adjustments to conversion shares and conversion prices as a result of the share consolidation were disclosed in the Company's announcement dated 1 March 2019.

Details on the movements of the convertible bonds for the Period and the year ended 31 December 2019 are set out as follows:

| | Qianhai CB <i>HK'000</i> <i>(Note (i))</i> | Zheyin Tianqin 2018 CB <i>HK'000</i> <i>(Note (ii))</i> | Total <i>HK'000</i> |
|-----------------------------------|---|--|-------------------------------|
| As at 1 January 2019 | 14,379 | 56,807 | 71,186 |
| Effective interest charged | 456 | 5,900 | 6,356 |
| Transferred to other payables | (14,835) | – | (14,835) |
| Interest payable | – | (3,600) | (3,600) |
| As at 31 December 2019 | – | 59,107 | 59,107 |
| Effective interest charged | – | 1,958 | 1,958 |
| Interest payable | – | (1,065) | (1,065) |
| Redemption | – | (60,000) | (60,000) |
| As at 30 June 2020 | – | – | – |

Notes to the Condensed Consolidated Interim Financial Statements

16. CONVERTIBLE BONDS *(Continued)*

(i) Qianhai CB

On 15 April 2016, the Company issued 8% per annum convertible bonds to Hong Kong Qian Hai Financial Group Limited in an aggregate principal amount of HK\$12,000,000 (the “**Qianhai CB**”) carrying conversion right to convert into 40,000,000 shares at the conversion price of HK\$0.30 per share (after adjustment) maturing on 15 April 2019. As disclosed in the Company’s announcement dated 20 December 2019, the Company was capable and willing to honour its contractual obligations under the Qianhai CB but due to conflicting instructions given by Zhang Xuejun and Shenzhen Qianhai Shengzun Hualong Holdings Co., Ltd. as to the recipient of cash payment, the redemption process was delayed without any fault on the part of the Company, pending the resolution of litigation and dispute amongst the various parties. After the date of maturity of Qianhai CB on 15 April 2019, the bond is no longer convertible into shares of the Company. Therefore, the Qianhai CB in an aggregate principal amount of HK\$12,000,000 and accrued interest of approximately HK\$2,835,000 was reclassified as accruals and other payables in the condensed consolidated statement of financial position.

(ii) Zheyin Tianqin 2018 CB

On 19 April 2018, the Company issued 6% per annum convertible bonds to the nominated entity of Zheyin Tianqin, Dogain Capital Limited, in an aggregate principal amount of HK\$60,000,000 (the “**Zheyin Tianqin 2018 CB**”) carrying conversion right to convert into 352,941,176 shares at the conversion price of HK\$0.17 per share and has been matured on 20 April 2020, being the second anniversary of the date of issue of the convertible bonds. The Zheyin Tianqin 2018 CB was fully redeemed by the bond holder in cash on 20 April 2020.

Notes to the Condensed Consolidated Interim Financial Statements

16. CONVERTIBLE BONDS (Continued)

(ii) Zheyin Tianqin 2018 CB (Continued)

Details on the movements of different components of the convertible bonds for the Period and the year ended 31 December 2019 are set out as follows:

| | Liability component <i>HK'000</i> | Equity component <i>HK'000</i> | Redemption option derivative component <i>HK'000</i> | Total <i>HK'000</i> |
|--|---|--------------------------------------|--|------------------------|
| As at 1 January 2019 | 56,807 | 40,967 | (703) | 97,071 |
| Effective interest charged | 5,900 | - | - | 5,900 |
| Interest payable | (3,600) | - | - | (3,600) |
| Change in fair value of derivative financial asset component of convertible bonds | - | - | (2,802) | (2,802) |
| As at 31 December 2019 | 59,107 | 40,967 | (3,505) | 96,569 |
| Effective interest charged | 1,958 | - | - | 1,958 |
| Interest payable | (1,065) | - | - | (1,065) |
| Redemption | (60,000) | (40,967) | - | (100,967) |
| Change in fair value of derivative financial asset component of convertible bonds | - | - | 3,505 | 3,505 |
| As at 30 June 2020 | - | - | - | - |

Notes to the Condensed Consolidated Interim Financial Statements

17. SHARE CAPITAL

Details on the movements of the share capital for the Period and the year ended 31 December 2019 are set out as follows:

| | Number of shares | | Amount | |
|--|---|---|---|---|
| | For the six months ended 30 June 2020 <i>Number</i> (Unaudited) | For the year ended 31 December 2019 <i>Number</i> (Audited) | For the six months ended 30 June 2020 <i>HK'000</i> (Unaudited) | For the year ended 31 December 2019 <i>HK'000</i> (Audited) |
| Authorised capital: | | | | |
| As at 1 January | 5,000,000,000 | 20,000,000,000 | 200,000 | 200,000 |
| Share consolidation (<i>Note (i)</i>) | - | (15,000,000,000) | - | - |
| As at 30 June 2020 (Unaudited)/ 31 December 2019 (Audited) | 5,000,000,000 | 5,000,000,000 | 200,000 | 200,000 |
| Issued and fully paid: | | | | |
| As at 1 January | 1,473,266,145 | 2,874,196,656 | 58,931 | 28,742 |
| Share consolidation (<i>Note (i)</i>) | - | (2,155,647,492) | - | - |
| Issue of new shares for shares subscription (<i>Note (ii)</i>) | - | 754,716,981 | - | 30,189 |
| Issue of new shares upon conversion of convertible bonds (<i>Note (iii)</i>) | 176,470,588 | - | 7,058 | - |
| As at 30 June 2020 (Unaudited)/ 31 December 2019 (Audited) | 1,649,736,733 | 1,473,266,145 | 65,989 | 58,931 |

Notes to the Condensed Consolidated Interim Financial Statements

17. SHARE CAPITAL *(Continued)*

Notes:

- (i) The share consolidation became effective on 4 March 2019 on the basis of every four issued and unissued ordinary shares of par value HK\$0.01 each in the share capital of the Company being consolidated into one consolidated share of par value HK\$0.04 each.
- (ii) On 3 April 2019, the Company issued and allotted 754,716,981 ordinary shares to Jumbo Faith International Limited at the price of HK\$0.212 per consolidated share for a total amount of HK\$160,000,000.
- (iii) On 23 March 2020, the Company issued and allotted 176,470,588 ordinary shares to the nominated entity of Hong Kong Sheen Smile International Investment Limited (“**HK Yinger**”), Fluent Robust Limited upon conversion of the two-year 3% per annum convertible bonds in the principal amount of HK\$120,000,000 (the “**HK Yinger CB**”) at its maturity date on 23 March 2020.

18. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) Key management compensation

| | For the six months ended 30 June | |
|--|-------------------------------------|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Wages, salaries and other short-term employee benefits | 1,920 | 1,920 |
| Pension costs — defined contribution plans | 14 | 14 |
| | 1,934 | 1,934 |

Notes to the Condensed Consolidated Interim Financial Statements

18. SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

(b) Transaction

In addition to the transactions and the balances detailed elsewhere in the condensed consolidated financial statements, the Group has the following transactions with related parties:

| | For the six months ended 30 June | |
|-------------------------------|---|--------------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Interest expense to HK Yinger | - | 483 |

Management Discussions and Analysis

BUSINESS REVIEW

Business of the Group

During the six months ended 30 June 2020 (the “**Period**”), the Group continued to be principally engaged in the provision of (i) health, medical and related services, (ii) beauty and wellness services, and (iii) integrated financial services comprising securities brokerage, advising on securities and asset management.

The revenue of the health and medical business segment (the “**Health and Medical Business**”) includes revenue from the hospital business (the “**Hospital Business**”) and the club house business (the “**Club House Business**”). The Group operates its Hospital Business in Hunan Province, China through Li County Phoenix Hospital Company Limited (“**Phoenix Opco**”) and Yiyang Zizhong Kidney Disease Hospital Company Limited (“**Zizhong Opco**”) having the medical organization operating license granted by the local bureau of the National Health Commission to carry out, amongst other permitted medical treatments, hemodialysis treatment. The management of the Group keeps exploring business opportunities and strategies to expand the Hospital Business in other cities and provinces in China. The Club House Business represents a club house business operated in Shenzhen, China providing health and related services.

The revenue of the beauty and wellness business segment (the “**Beauty and Wellness Business**”) includes revenue from the Marsa group. Marsa group provides beauty products and wellness services under brand name of “**瑪莎**” through beauty centers and shops in Shenzhen, China, selling beauty and cosmetics products and providing beauty and wellness services to customers.

The revenue of the financial business segment (the “**Integrated Financial Business**”) includes revenue from the integrated financial services carried out through Green Securities Limited, a licensed corporation licensed to carry out type-1 (dealing in securities) and type-4 (advising on securities) regulated activities in Hong Kong and Green Asset Management Limited, a licensed corporation licensed to carry out type-9 (asset management) regulated activities in Hong Kong.

Management Discussions and Analysis

Impact of Novel Coronavirus Epidemic

The Group's production facilities are principally situated in Hunan Province and Shenzhen City. Since late of January 2020, travel restrictions and other public health measures (the “**Public Health Measures**”) including the extension of Chinese new year holiday and quarantine requirements of travelers were imposed in various areas in China in an attempt to contain the novel coronavirus epidemic (the “**Epidemic**”), as a result of which some staff of the Group were restricted from travelling or otherwise returning to work after holiday. The prolonged effect of the Epidemic and the Public Health Measures has adversely affected the Group's Club House Business and Beauty and Wellness Business in Shenzhen.

The performance of the Club House Business and the Beauty and Wellness Business continued to be sluggish in January 2020 due to the traditionally low season for these industries around the time of Chinese new year, and further deteriorated in the first quarter of 2020 due to the abrupt downturn of the service industry and weakened consumer market due to change of consumption pattern during the Epidemic.

In light of the global outbreak of the COVID-19, the weakened consumer market in China, and the unsatisfactory business performance of the Club House Business, the Group disposed of the Club House Business for a cash consideration of HK\$100,000 during the Period and recorded a gain on disposal of subsidiaries in the amount of approximately HK\$2,789,000. Through the disposal, the Group can cut the operating loss arising from the Club House Business.

Going forward, the Group will closely take note of the development of the COVID-19 epidemic and its impact on the Group's businesses, and will proactively take preventive measures to mitigate the impact of the COVID-19 on its businesses. The COVID-19 outbreak this year greatly increased the public awareness of the importance of health and hygiene. The Group's medical business had demonstrated capability to maintain normal operation and stable performance notwithstanding the challenges posed by COVID-19 to medical operators. The Company will leverage on our experience in the health and medical industry and continue to explore suitable investment and acquisition opportunities which are in line or may create synergy with our existing businesses.

Management Discussions and Analysis

Events with Impact to the Financial Position and the Business Operations

The following events, which have impact to the financial position and the business operations of the Group, occurred during the Period:

- (i) On 23 March 2020, the Company allotted and issued 176,470,588 ordinary shares to the nominated entity of HK Yinger, Fluent Robust Limited upon conversion of the HK Yinger CB at its maturity date on 23 March 2020. The conversion price of the HK Yinger CB is HK\$0.68 per share (as adjusted by the four-to-one share consolidation of the Company which took place on 4 March 2019).
- (ii) On 20 April 2020, the Zheyin Tianqin 2018 CB was fully redeemed by the bond holder in cash.
- (iii) In May 2020, the Group disposed of the Club House Business for a cash consideration of HK\$100,000 and recorded a gain on disposal of subsidiaries in the amount of approximately HK\$2,789,000.

FINANCIAL REVIEW

Revenue

The Group reported total revenue of approximately HK\$29,666,000 for the Period (2019: HK\$40,775,000), representing a decrease of approximately 27.24% as compared to the Group's revenue for the six months ended 30 June 2019.

Health and Medical Business

The Group reported revenue and operating loss from the Health and Medical Business for the Period in the amounts of approximately HK\$19,270,000 and HK\$7,309,000 respectively (2019: HK\$20,936,000 and HK\$13,314,000 respectively). The revenue and operation loss of the Hospital Business for the Period were approximately HK\$18,966,000 and HK\$1,430,000 respectively (2019: HK\$19,198,000 and HK\$1,846,000 respectively). The decrease in the operating loss from the Health and Medical Business for the Period were mainly attributable to the cost-saving from down-size operation of the Club House Business in addressing the impact of the Epidemic and the disposal of the Club House Business during the Period.

Management Discussions and Analysis

Beauty and Wellness Business

The revenue and operating loss from the Beauty and Wellness Business for the Period were approximately HK\$10,363,000 and HK\$22,746,000 respectively (2019: revenue of HK\$19,826,000 and operating profit of HK\$2,865,000 respectively). The operating loss from the Beauty and Wellness Business for the Period were mainly attributable to the impairment loss of trademark user right and technical know-how in the amount of approximately HK\$21,949,000 (2019: HK\$Nil) and the downturn of the service industry and weakened consumer market due to change of consumption pattern during the Epidemic.

Integrated Financial Business

The revenue and operating loss of the Integrated Financial Business for the Period was approximately HK\$33,000 and HK\$1,977,000 respectively (2019: HK\$13,000 and HK\$2,220,000 respectively).

Administrative Expenses

The Group reported administrative expenses of approximately HK\$20,885,000 for the Period (2019: HK\$36,355,000), representing a decrease of approximately 42.55%. The decrease in the administrative expenses were mainly attributable to (i) the cost-saving from down-size operation of the Club House Business and the Beauty and Wellness Business in addressing the impact of the Epidemic and (ii) implementation of other cost control measures.

Impairment Testing on Trademark User Right and Technical Know-How

The management performed an impairment assessment on the trademark user right and technical know-how in respect of Marsa Group at the end of the reporting period by reference to the valuation report issued by an independent valuer. The valuation was based on (a) the five years cash flow projections which are discounted using the discount rate of 13.12%; (b) a terminal value calculated using a discount rate of 3% and (c) the latest operation figures and business plans provided by the management of Marsa Group. The carrying amount of the trademark user right and technical know-how as at 30 June 2020 was assessed at approximately HK\$13,250,000 (As at 31 December 2019: HK\$34,744,000), resulting in an impairment loss of the trademark user right and technical know-how of approximately HK\$21,494,000 (2019: HK\$Nil) being recognised in the condensed consolidated statement of profit or loss for the Period.

Management Discussions and Analysis

Fair Value Changes of Derivative Financial Assets

As a result of the redemption of the Zheyin Tianqin 2018 CB in the principal amount of HK\$60,000,000 in full in cash by the bond holder on 20 April 2020, the Group recognised a decrease in the fair value of derivative financial assets in the amount of approximately HK\$3,505,000 (2019: HK\$Nil) in the condensed consolidated statement of profit or loss for the Period.

Finance Costs

The Group reported finance costs, net of approximately HK\$4,027,000 for the Period (2019: HK\$6,090,000). Details of finance costs, net for the Period are set out in Note (6) to the condensed consolidated financial statements.

Loss for the Period

The Group reported net loss for the Period of approximately HK\$39,543,000 (2019: HK\$41,076,000).

CONNECTED TRANSACTIONS

The Group had no connected transactions for the Period.

EQUITY FUND RAISING ACTIVITIES

The Group had no equity fund raising activities for the Period.

During the reporting period, the Group's cash and bank balances (excluding trust and segregated accounts) dropped by approximately 65.8% from HK\$135,028,000 as at 31 December 2019 to HK\$46,224,000 as at 30 June 2020, mainly due to the cash redemption of the Zheyin Tianqin 2018 CB and cash outflow of the continual operating loss. The Company is exploring different funding proposals, whether by debt or equity, to reinforce the Company's financial position and negotiations are ongoing with various financial institutions and potential investors, although no binding offer or agreement has been reached so far. Further announcement(s) will be made by the Company if and when any of these funding proposals materialize which triggers a disclosure obligation.

Management Discussions and Analysis

USE OF PROCEEDS FROM EQUITY FUND RAISING ACTIVITIES

On 25 January 2019 (after trading hours), the Company and Jumbo Faith International Limited (“**Jumbo Faith**”) entered into the subscription agreement, pursuant to which Jumbo Faith conditionally agreed to subscribe, and the Company conditionally agreed to allot and issue, 754,716,981 Shares as adjusted by the four-to-one share consolidation of par value of HK\$0.04 each in the share capital of the Company at the subscription price of HK\$0.212 per Share. At the extraordinary general meeting of the Company held on 18 March 2019, the issuance of 754,716,981 Shares was approved by the independent shareholders of the Company. The subscription was completed on 3 April 2019, raising net proceeds of approximately HK\$156,000,000 which are utilized as follows:

Intended use of proceeds

The net proceeds were originally intended to be utilized as to:

- (a) approximately HK\$31 million to repay, by way of offsetting, the principal and interest of the Hong Kong Sheen Smile International Investment Limited (“**HK Yinger**”) Loan Facility up to 12 February 2019;
- (b) approximately HK\$15 million being set aside for the cash redemption of the Qianhai 2016 CB maturing in April 2019;
- (c) approximately HK\$64 million being set aside for meeting repayment obligations of debts and liabilities of the Group;

Actual use of proceeds

Up to the latest practicable date prior to the printing of this report, amongst the net proceeds of HK\$156 million:

- (a) HK\$31 million was fully utilized for the intended use before the beginning of the reporting period;
- (b) HK\$15 million continues to be set aside for the intended use at the beginning and the end of the reporting period, pending the resolution of the dispute of various parties as disclosed in the section headed “Litigation” of this report;
- (c) HK\$64 million was fully utilized for the intended use up to the latest practicable date prior to the printing of this report;

Management Discussions and Analysis

Intended use of proceeds

(d) approximately HK\$8 million for replenishing the capital requirements of the financial services companies of the Group; and

(e) approximately HK\$38 million for the Group's general corporate expenses (such as salaries, rental expenses and professional fees) for the next twelve months.

Actual use of proceeds

(d) HK\$8 million was fully utilized for the intended use up to the latest practicable date prior to the printing of this report; and

(e) HK\$30 million was utilized for the Group's general corporate expenses (such as salaries, rental expenses, professional fees and interest expenses) up to the latest practicable date prior to the printing of this report, with the remaining HK\$8 million continues to be set aside for the intended use and is currently expected to be fully utilized by the end of 2020.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2020, the Group had total assets of approximately HK\$197,578,000 (31 December 2019: HK\$305,381,000) and debts of approximately HK\$81,502,000 (31 December 2019: HK\$90,907,000), giving rise to a leverage ratio (defined as debt to total assets) of approximately 41.3% (31 December 2019: 29.8%).

As at 30 June 2020, the Group had net current assets of approximately HK\$13,186,000 (31 December 2019: HK\$24,263,000), being the surplus of current assets of approximately HK\$77,024,000 (31 December 2019: HK\$170,909,000) over the current liabilities of approximately HK\$60,838,000 (31 December 2019: HK\$146,646,000), giving rise to a current ratio of approximately 1.21 (31 December 2019: 1.17).

As at 30 June 2020, the Group had cash and bank balances (including trust and segregated accounts) of approximately HK\$46,660,000 (31 December 2019: HK\$135,203,000). As at 30 June 2020, the Group had cash and bank balances (excluding trust and segregated accounts) of approximately HK\$46,224,000 (31 December 2019: HK\$135,028,000).

Management Discussions and Analysis

GEARING RATIO

The gearing ratio of the Group (defined as debt to equity) was approximately 146% (31 December 2019: 142%). Debt includes bonds payable, lease liabilities and convertible bonds.

SIGNIFICANT INVESTMENT HELD

The Group had no significant investment held as at 30 June 2020.

ACQUISITION AND DISPOSAL OF SUBSIDIARIES

The Group disposed of the Club House Business for a cash consideration of HK\$100,000 and recorded a gain on disposal of subsidiaries in the amount of approximately HK\$2,789,000 in May 2020. Save as disclosed above, the Group had no acquisition and no other disposal of subsidiaries for the Period.

CHARGES ON ASSETS

None of the Group's assets was pledged to secure any facilities and borrowings granted to the Group as at 30 June 2020.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 30 June 2020.

FOREIGN EXCHANGE EXPOSURE

The Group's business transactions were mainly carried out in Hong Kong Dollars and Renminbi. The Group was not engaged in any hedging measures during the Period. The Group will regularly review its position and will use forward contracts to hedge its foreign currency exposure if it considers the risk to be significant.

Management Discussions and Analysis

CAPITAL STRUCTURE

Save as the disclosure herein, there were no changes in the capital structure of the Company during the Period.

(A) Share Capital

Details on the movements of the share capital for the Period and the year ended 31 December 2019 are set out in Note (17) to the condensed consolidated financial statements.

(B) Share Options

Old Share Option Scheme

On 2 September 2006, a share option scheme (the “**Old Share Option Scheme**”) was approved by the shareholders of the Company, under which the Company may grant options to any eligible participants to subscribe for shares of the Company subject to the terms and conditions stipulated in the Share Option Scheme. The Old Share Option Scheme has a lifespan of 10 years. On 2 September 2016, the Old Share Option Scheme lapsed pursuant to its term. No share options can be granted under the Share Option Scheme after the scheme lapsed in September 2016. As disclosed in the Company’s announcement dated 2 May 2019, 3,500,000 outstanding share options granted under the Old Share Option Scheme lapsed at the close of the general offer on 2 May 2019. As at the beginning and the end of the Period up to the date of this report, no option remained outstanding under the Old Share Option Scheme. No option under the Old Share Option Scheme was granted, exercised, cancelled or lapsed during the Period.

Management Discussions and Analysis

New Share Option Scheme

At the annual general meeting of the Company held on 26 June 2019, a new share option scheme (the “**New Share Option Scheme**”) was approved by the shareholders of the Company. The New Share Option Scheme has a lifespan of 10 years. At the annual general meeting of the Company held on 26 June 2019, the Scheme Mandate Limit was approved to allow the Company to grant up to the maximum of 147,326,614 options, representing 10% of the shares in issue on the date of approval of the scheme. No share options were granted under the New Share Option Scheme for the Period. As at the date of this report, the number of options which can be granted under the New Share Option Scheme was 147,326,614 Shares, representing 8.93% of the existing issued share capital of the Company.

Details of the New Share Option Scheme are set out in the circular of the Company dated 24 May 2019. As at the beginning and the end of the Period up to the date of this report, no option was outstanding under the New Share Option Scheme. No option under the New Share Option Scheme was granted, exercised, cancelled or lapsed during the Period.

(C) Convertible Bonds

Details on the movements of the convertible bonds for the Period and the year ended 31 December 2019 and the outstanding convertible bonds as at 30 June 2020 are set out in Note (16) to the condensed consolidated financial statements.

DIVIDENDS

The Directors do not recommend the payment of any dividend for the Period.

Management Discussions and Analysis

HUMAN RESOURCES

As at 30 June 2020, the Group has 232 employees in Hong Kong and China. Employees' remuneration, promotion and salary increments are assessed based on both individuals' and the Group's performance, professional and working experiences and by reference to prevailing market practices and standards. Apart from the general remuneration package, the Group also granted share options and discretionary bonus to the eligible staffs based on their performance and contribution to the Group. The Group regards high-caliber staff as one of the key factors to corporate success.

LITIGATION

Save as disclosed below, as at the date of this report, neither the Company nor any other member of the Group was engaged in any litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group:

The Company issued 8% per annum convertible bonds to Hong Kong Qian Hai Financial Group Limited (“**HK Qianhai Financial**”) in an aggregate principal amount of HK\$12,000,000 (the “**Qianhai 2016 CB**”) carrying conversion right to convert into the shares of the Company. The Qianhai 2016 CB matured on 15 April 2019 without conversion. At or around the maturity date of the Qianhai 2016 CB, the Company received conflicting instructions from Mr. Zhang Xuejun (張學軍) (“**Mr. Zhang**”) and another entity named 深圳市前海盛尊華龍控股有限公司 (Shenzhen Qianhai Shengzun Hualong Holdings Co., Ltd.) (“**Shengzun Hualong**”), both purporting to have the authority from the holder of the Qianhai 2016 CB and each purporting to give different payment instructions to the Company regarding the recipient of the cash redemption amount. The Company was notified that Shengzun Hualong has commenced legal action against Mr. Zhang, HK Qianhai Financial and the Company (the “**Litigation**”) seeking to recover the cash redemption amount of the Qianhai 2016 CB. As the Company is capable and willing to honour its contractual obligations under the Qianhai 2016 CB and the delay, if any, on the redemption was the sole responsibilities of other parties who failed to provide consistent instructions to the Company, the Directors are of the view that the litigation shall not have any significant impact on the financial position of the Company. The Company has instructed its legal advisers to uphold its own lawful right in the litigation.

Other Information

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2020, the interests or short positions of the Directors and chief executives and their associates in the shares, underlying shares and debenture of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the “SFO”), or as otherwise notified to the Company and the Stock Exchange of pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), were as follows:

Long positions in shares of the Company and its associated corporations

| Name of Director | Capacity in which the shares are held | Long positions in shares | Approximate percentage of total issued shares (Note 3) |
|------------------|--|---------------------------|---|
| Mr. Yu Qigang | Interest of controlled corporations and family interests | 1,172,103,735 (Note 1) | 71.05% |
| Mr. Liu Dong | Beneficial owner and interest of controlled corporation | 62,865,000 (Note 2) | 3.81% |

Notes:

1. Mr. Yu Qigang (“**Mr. Yu**”) is an executive Director and the chairman of the Board. According to the disclosure of interest filings, these 1,172,103,735 shares deemed to be interested by Mr. Yu comprised:
 - (a) 169,117,647 shares beneficially owned by Fluent Robust Limited (“**Fluent Robust**”), which is a controlled corporation wholly-owned by Hong Kong Sheen Smile International Investment Limited (“**HK Yinger**”), which is in turn wholly-owned by Mr. Yu;

Other Information

- (b) 246,924,406 shares beneficially owned by Gold Bless International Invest Limited (“**Gold Bless**”), a company whose issued shares were registered, according to the disclosure of interest filings made on behalf of Mr. Yang Wang Jian (“**Mr. Yang**”), an ex-director of Gold Bless and an ex-director of the Company, as to: (a) 65% (the “**Disputed Gold Bless Shareholding**”) in the name of Mr. Yang; (b) 20% in the name of Mr. Yu; and (c) 15% in the name of Winning Top Investments Limited (“**Winning Top**”), a company which is wholly-owned by Mr. Yu; and
- (c) 756,061,682 shares beneficially owned by Jumbo Faith International Limited (“**Jumbo Faith**”), a controlled corporation wholly-owned by Ms. Zhou Cuiqiong (“**Ms. Zhou**”). Ms. Zhou and Jumbo Faith’s deemed interests in 756,061,682 shares duplicates with each other. Mr. Yu, as the spouse of Ms. Zhou, is taken to be interested in the 756,061,682 shares held by Ms. Zhou and Jumbo Faith by virtue of Part XV of the SFO.

Gold Bless is deemed to be a controlled corporation of Mr. Yu pursuant to Part XV of the SFO because of the 20% and 15% registered shareholding of Mr. Yu and Winning Top in Gold Bless. In addition, based on the information provided by Mr. Yu, (i) he has an alleged claim over the Disputed Gold Bless Shareholding; (ii) he has commenced legal action (the “**Gold Bless Litigation**”) against Mr. Yang which may, subject to the outcome of the litigation, affect the ownership of the Disputed Gold Bless Shareholding; and (iii) pursuant to the order of the High Court of Hong Kong, Mr. Yang cannot deal with the Disputed Gold Bless Shareholding and with the 246,924,406 Shares held by Gold Bless until further order or the conclusion of the Gold Bless Litigation.

The deemed interest of Mr. Yu regarding the 169,117,647 shares held by Fluent Robust duplicates with those of HK Yinger and Fluent Robust as described in Note 1(a) in the section headed “Substantial Shareholders’ Interests in Shares” below. The deemed interest of Mr. Yu regarding the 246,924,406 shares held by Gold Bless duplicates with those of Gold Bless and Mr. Yang as described in Note 1(b) in the section headed “Substantial Shareholders’ Interests in Shares” below. The deemed interest of Mr. Yu regarding the 756,061,682 shares held by Ms. Zhou and Jumbo Faith duplicates with those of Ms. Zhou and Jumbo Faith as described in Note 1(c) in the section headed “Substantial Shareholders’ Interests in Shares” below.

2. Mr. Liu Dong (“**Mr. Liu**”) is an executive Director. These 62,865,000 shares deemed to be interested by Mr. Liu comprised (a) 22,865,000 shares held by Mr. Liu personally; and (b) 40,000,000 shares held by Smoothly Good Investment Development Limited (“**Smoothly Good**”), a controlled corporation wholly-owned by Mr. Liu. Mr. Liu and Smoothly Good’s deemed interests in 40,000,000 shares here duplicates with each other.
3. The percentages are calculated based on the total number of 1,649,736,733 issued shares as at 30 June 2020.

Other Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2020, the following persons (other than a director or chief executive of the Company) had an interest or short position in the shares and underlying shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in shares of the Company

| Name of substantial shareholder | Capacity in which the shares are held | Long positions in shares | Approximate percentage of total issued shares <i>(Note 2)</i> |
|--|--|-----------------------------------|---|
| Ms. Zhou | Interest of controlled corporations and family interests | 1,172,103,735 <i>(Note 1)</i> | 71.05% |
| Jumbo Faith | Beneficial owner | 756,061,682 <i>(Note 1(c))</i> | 45.83% |
| HK Yinger | Interest of controlled corporation | 169,117,647 <i>(Note 1(a))</i> | 10.25% |
| Fluent Robust | Beneficial owner | 169,117,647 <i>(Note 1(a))</i> | 10.25% |
| Gold Bless | Beneficial owner | 246,924,406 <i>(Note 1(b))</i> | 14.97% |
| Mr. Yang | Interest of controlled corporation | 246,924,406 <i>(Note 1(b))</i> | 14.97% |
| Mr. Cai Weidong | Security interest | 246,924,406 <i>(Note 1(b))</i> | 14.97% |

Other Information

Notes:

1. According to the disclosure of interest filings, these 1,172,103,735 shares deemed to be interested by Ms. Zhou comprised:
 - (a) 169,117,647 shares beneficially owned by Fluent Robust, which is a controlled corporation wholly-owned by HK Yinger, which is in turn wholly-owned by Mr. Yu. Ms. Zhou, as the spouse of Mr. Yu, is taken to be interested in the 176,470,588 shares held by Fluent Robust by virtue of Part XV of the SFO, which duplicates with the deemed interest of Mr. Yu as described in Note 1(a) in the section headed “Directors’ Interests in Shares” above;
 - (b) 246,924,406 shares beneficially owned by Gold Bless, a company whose issued shares were registered, according to the disclosure of interest filings made on behalf of Mr. Yang, an ex-director of Gold Bless and an ex-director of the Company, as to: (a) 65% in the name of Mr. Yang; (b) 20% in the name of Mr. Yu; and (c) 15% in the name of Winning Top, a company which is wholly-owned by Mr. Yu. Ms. Zhou, as the spouse of Mr. Yu, is taken to be interested in the 246,924,406 shares held by Mr. Yu by virtue of Part XV of the SFO, which duplicates with those of Mr. Yu as described in Note 1(b) in the section headed “Directors’ Interests in Shares” above. According to the disclosure of interest filings, Mr. Cai Weidong had a security interest in these 246,924,406 shares; and
 - (c) 756,061,682 shares beneficially owned by Jumbo Faith, a controlled corporation wholly-owned by Ms. Zhou. Ms. Zhou and Jumbo Faith’s deemed interests in 756,061,682 shares duplicated with each other. The deemed interest of Ms. Zhou and Jumbo Faith here duplicates with those of Mr. Yu as described in Note 1(c) in the section headed “Directors’ Interests in Shares” above.
2. The percentages are calculated based on the total number of 1,649,736,733 issued shares as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Other Information

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the Period was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the Period.

CHANGES IN INFORMATION OF DIRECTORS

With effect from 16 July 2020, Mr. Chen Hanhong was re-designated from an executive Director to a non-executive Director, Mr. Yu Xiangjin was appointed as an executive Director and Mr. Yu Zhoujie was appointed as a non-executive Director.

CORPORATE GOVERNANCE

The Company and the Directors confirm, to the best of their knowledge, that the Company complied with the code provisions set out in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules during the Period, except the deviation disclosed in the following paragraph:

With respect to Code Provision C.2.5, an issuer should have an internal audit function and issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report. Due to the size and scale of operations, the Group did not have internal audit function during the Period. To facilitate the Group's internal control function, the Company has engaged Crowe (HK) Risk Advisory Limited to carry out internal control review and provide recommendation to the Company.

MODEL CODE ON SECURITIES TRANSACTION BY DIRECTORS

The Company follows the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the “**Model Code**”) as the code of conduct for Directors in their dealings in the company’s securities. The Company does not aware of any non-compliance with the Model Code on securities transaction by the Directors during the Period.

AUDIT COMMITTEE

As at the date of this report, the audit committee comprises three independent non-executive Directors, namely Mr. David Tsoi (Chairman), Mr. Wu Hong and Mr. Wang Chunlin. The primary function of the audit committee is to review the financial reporting process, the risk management and internal control systems of the Group, oversee the audit process and make recommendations to the Board regarding the appointment, resignation and removal of auditors and improvement on the financial reporting system, risk management and internal control systems of the Group.

The Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2020 have been reviewed by the audit committee of the Company.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2020 and up to the date of this report.

Other Information

APPRECIATION

On behalf of the Board, I wish to thank all our shareholders, customers, suppliers and bankers for their continual support. I would also like to extend my appreciation to all the staff for their dedicated work and their contribution throughout the Period.

By order of the Board
Green International Holdings Limited
Yu Qigang
Chairman