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website: <http://www.irasia.com/listco/hk/greaterchina/index.htm>

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

SUMMARY OF RESULTS

The board (the “Board”) of directors (the “Directors”) of Greater China Financial Holdings Limited (the “Company”) announces that the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2021 (the “Period”), together with the comparative figures for the corresponding period in 2020 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2021

	NOTES	Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	3	170,691	135,256
Cost of sales		(86,355)	(100,457)
Gross profit		84,336	34,799
Other income, gains and losses	4	39,566	11,441
Administrative and other operating expenses		(69,548)	(54,756)
Finance costs	5	(14,000)	(3,200)
Share-based payment expenses		(2,283)	–
Provision for financial guarantees, net		(54,042)	(29,811)
Impairment loss, net of reversal	6	(64,918)	(115,627)
Impairment loss on goodwill		–	(13,173)
Impairment loss on intangible assets		–	(1,506)
Loss before taxation		(80,889)	(171,833)
Income tax expense	7	(4,801)	(22)
Loss for the period	8	(85,690)	(171,855)

		Six months ended 30 June	
		2021	2020
	<i>NOTE</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Other comprehensive income (expense), net of tax			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of operations outside Hong Kong		4,597	(6,470)
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Change in fair value of financial assets at fair value through other comprehensive income		3,926	(1,727)
<i>Item that has been reclassified to profit or loss:</i>			
Reserves released upon disposal of a subsidiary		25	–
		<hr/>	<hr/>
Other comprehensive income (expense) for the period		8,548	(8,197)
		<hr/>	<hr/>
Total comprehensive expense for the period		(77,142)	(180,052)
		<hr/> <hr/>	<hr/> <hr/>
(Loss) profit for the period attributable to:			
Owners of the Company		(96,520)	(171,855)
Non-controlling interests		10,830	–
		<hr/>	<hr/>
		(85,690)	(171,855)
		<hr/> <hr/>	<hr/> <hr/>
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		(89,979)	(180,052)
Non-controlling interests		12,837	–
		<hr/>	<hr/>
		(77,142)	(180,052)
		<hr/> <hr/>	<hr/> <hr/>
		HK cents	HK cents
Loss per share	<i>10</i>		
– Basic		(1.24)	(2.48)
		<hr/>	<hr/>
– Diluted		(1.24)	(2.48)
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2021

	<i>NOTES</i>	30.6.2021 HK\$'000 (unaudited)	31.12.2020 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		79,583	83,235
Right-of-use assets		34,802	22,515
Goodwill	<i>11</i>	326,582	326,582
Intangible assets		500	500
Interests in associates		–	–
Financial assets at fair value through other comprehensive income		15,204	11,175
Financial assets at fair value through profit or loss		40,613	26,309
Deferred tax assets		17,596	17,402
Deposits	<i>14</i>	1,033	255
		<hr/> 515,913	<hr/> 487,973
Current assets			
Loans and interest receivables	<i>12</i>	319,749	359,938
Trade and other receivables	<i>13</i>	79,276	52,297
Prepayments and deposits	<i>14</i>	84,062	72,496
Loans and interest receivables to a non-controlling interest		124,856	56,550
Loans and interest receivables to an associate		917	7,562
Financial assets at fair value through profit or loss		26,631	35,583
Tax receivables		114	9
Cash held on behalf of clients		641	1,015
Restricted bank deposits		48,205	117,430
Cash and cash equivalents		57,194	90,241
		<hr/> 741,645	<hr/> 793,121
Assets classified as held for sale		766	5,563
		<hr/> 742,411	<hr/> 798,684

	<i>NOTES</i>	30.6.2021 <i>HK\$'000</i> (unaudited)	31.12.2020 <i>HK\$'000</i> (audited)
Current liabilities			
Trade payables, other payables, deposits received and accruals	<i>15</i>	81,237	169,664
Contract liabilities		160	141
Lease liabilities		4,605	7,922
Liabilities from financial guarantees	<i>16</i>	288,218	231,294
Amount due to non-controlling interests		10,100	9,975
Borrowings		146,124	73,046
Tax payables		9,677	6,588
		540,121	498,630
Liabilities associated with assets classified as held for sale		261	4,461
		540,382	503,091
Net current assets		202,029	295,593
Total assets less current liabilities		717,942	783,566
Non-current liabilities			
Lease liabilities		7,873	55
Borrowings		54,108	59,380
Convertible notes		168,302	161,707
		230,283	221,142
Net assets		487,659	562,424
Capital and reserves			
Share capital	<i>17</i>	7,776	7,775
Reserves		253,299	340,902
Equity attributable to owners of the Company		261,075	348,677
Non-controlling interests		226,584	213,747
Total equity		487,659	562,424

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2021

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2020.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than additional in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the 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.

3. SEGMENT INFORMATION

The Group’s operations are organised into securities brokerage, asset management, insurance brokerage, loan financing, industrial property development business and general trading. Information reported to the chief operating decision maker (“CODM”) for the purpose of resources allocation and assessment of segment performance is prepared on such basis. During the six months ended 30 June 2021, management has revisited the reportable segments and the Group’s internal reporting by managing its business. After considering the future strategic plan, the Group has identified the following four reportable segments. The corresponding segment information for the six months ended 30 June 2020 and as at 31 December 2020 have been restated. The securities brokerage segment, asset management segment and insurance brokerage segment as disclosed in the last period/year have been restated into the others segment:

- Industrial property development segment represents the operation of warehouse in the People’s Republic of China (the “PRC”).

- General trading segment represents trading of consumable goods in the PRC.
- Loan financing (I) segment represents the provision of financial guarantees, loan financing, loan referral and consultancy services in Hong Kong and Beijing.
- Loan financing (II) segment represents the provision of micro-financial, loan referral and consultancy services in Ningbo.
- Others segment represents the operation of securities brokerage, margin financing, provision of asset management services and provision of insurance brokerage and agency service in Hong Kong and advertising service in the PRC.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments.

Six months ended 30 June 2021 (unaudited)

	Industrial property development <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Loan financing (I) <i>HK\$'000</i>	Loan financing (II) <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
SEGMENT REVENUE						
Recognised at a point in time	-	-	4,859	183	1,535	6,577
Recognised over time	4,766	-	119,788	36,129	1,504	162,187
Recognised from other source	-	-	-	1,927	-	1,927
	<u>4,766</u>	<u>-</u>	<u>124,647</u>	<u>38,239</u>	<u>3,039</u>	<u>170,691</u>
SEGMENT RESULTS	<u>(4,066)</u>	<u>166</u>	<u>(80,423)</u>	<u>(339)</u>	<u>(3,089)</u>	<u>(87,751)</u>
Unallocated corporate income						12,382
Unallocated corporate expenses						(13,180)
Unallocated finance costs						(6,806)
Unallocated fair value change on financial assets at fair value through profit or loss						16,749
Share-based payment expenses						(2,283)
Loss before taxation						(80,889)
Income tax expense						(4,801)
Loss for the period						<u>(85,690)</u>

Six months ended 30 June 2020 (unaudited)

	Industrial property development <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Loan financing (I) <i>HK\$'000</i>	Loan financing (II) <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
SEGMENT REVENUE						
Recognised at a point in time	–	14,819	17,352	–	3,040	35,211
Recognised over time	4,972	–	94,982	–	–	99,954
Recognised from other source	–	–	85	–	6	91
	<u>4,972</u>	<u>14,819</u>	<u>112,419</u>	<u>–</u>	<u>3,046</u>	<u>135,256</u>
SEGMENT RESULTS						
	<u>(3,442)</u>	<u>(4,337)</u>	<u>(125,418)</u>	<u>–</u>	<u>(1,293)</u>	<u>(134,490)</u>
Impairment loss on goodwill	–	–	(13,173)	–	–	(13,173)
Unallocated corporate income						416
Unallocated corporate expenses						(22,557)
Unallocated finance costs						(588)
Fair value change on contingent consideration receivable						495
Fair value change on financial assets at fair value through profit or loss						(1,936)
Loss before taxation						(171,833)
Income tax expense						(22)
Loss for the period						<u>(171,855)</u>

All of the segment revenue reported above are from external customers.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments.

At 30 June 2021 (unaudited)

	Industrial property development <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Loan financing (I) <i>HK\$'000</i>	Loan financing (II) <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
ASSETS						
Segment assets	111,474	25,856	289,532	404,878	11,371	843,111
Goodwill	–	–	–	326,582	–	326,582
Unallocated cash and cash equivalents						5,138
Unallocated property, plant and equipment						301
Unallocated other receivables, prepayments and deposits						1,936
Unallocated right-of-use assets						7,718
Unallocated financial assets at fair value through other comprehensive income						6,835
Unallocated financial assets at fair value through profit or loss						66,703
						<hr/>
Consolidated total assets						<u>1,258,324</u>
LIABILITIES						
Segment liabilities	68,579	24,251	329,656	156,195	5,157	583,838
Unallocated other payables						583
Unallocated lease liabilities						7,842
Unallocated amount due to non-controlling interests						10,100
Unallocated convertible notes						168,302
						<hr/>
Consolidated total liabilities						<u>770,665</u>

At 31 December 2020 (audited)

	Industrial property development <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Loan financing (I) <i>HK\$'000</i>	Loan financing (II) <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
ASSETS						
Segment assets	104,247	27,703	438,017	293,204	16,573	879,744
Goodwill	–	–	–	326,582	–	326,582
Unallocated cash and cash equivalents						7,299
Unallocated property, plant and equipment						177
Unallocated other receivables, prepayments and deposits						4,428
Unallocated financial assets at fair value through other comprehensive income						2,909
Unallocated financial assets at fair value through profit or loss						59,955
Unallocated assets classified as held for sale						5,563
						<u>1,286,657</u>
Consolidated total assets						<u>1,286,657</u>
LIABILITIES						
Segment liabilities	72,637	6,092	370,972	87,099	3,991	540,791
Unallocated other payables						1,898
Unallocated lease liabilities						5,401
Unallocated amount due to non-controlling interests						9,975
Unallocated convertible notes						161,707
Unallocated liabilities associated with assets classified as held for sale						4,461
						<u>724,233</u>
Consolidated total liabilities						<u>724,233</u>

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Fair value change on:		
Contingent consideration receivables	–	495
Financial assets at fair value through profit or loss	15,573	(1,936)
Interest income from:		
Bank deposits	183	183
Other loans	5,577	8,047
Loans to a non-controlling interest	11,639	–
Loans to an associate	61	–
Investment income	106	–
Realised loss on disposal of financial assets at fair value through profit or loss	(64)	(579)
Gain on disposal of property, plant and equipment	267	–
Loss on write-off of property, plant and equipment	(118)	–
Loss on disposal of a subsidiary	(1,132)	–
Gain on lease modification	640	–
Net foreign exchange gain (loss)	2	(18)
Bad debts recovered	5,447	–
Service fee income	313	2,481
Management service income	26	1,048
Sundry income	450	688
Government subsidy	596	1,032
	39,566	11,441

5. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Effective interest on convertible notes	6,595	–
Imputed interest on deferred consideration	–	147
Interest on lease liabilities	568	542
Interest on bank loans	3,717	2,511
Interest on other loans	3,120	–
	14,000	3,200

6. IMPAIRMENT LOSS, NET OF REVERSAL

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Impairment loss (reversal of impairment loss) recognised on:		
– Trade and other receivables	23,122	8,278
– Loans and interest receivables	44,690	102,903
– Other deposits	(595)	4,446
– Loans and interest receivables to a non-controlling interest	55	–
– Loans and interest receivables to an associate	(2,354)	–
	<u>64,918</u>	<u>115,627</u>

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax	3,253	39
Under (over) provision in prior periods:		
PRC Enterprise Income Tax	1,525	(17)
Deferred tax:		
Current period	23	–
	<u>4,801</u>	<u>22</u>

Under the two-tiered profits tax rates regime of Hong Kong Profits tax, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both six months ended 30 June 2021 and 2020. No provision for Hong Kong Profits Tax has been made as the Group's subsidiaries in Hong Kong have no estimated assessable profits for both the six months ended 30 June 2021 and 2020.

PRC Enterprise Income Tax ("EIT") is calculated at the applicable rates based on estimated taxable income earned by the PRC subsidiaries of the Company with certain tax concession, based on existing legislation, interpretation and practice in respect thereof.

Under the Law of the PRC on Enterprises Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the applicable PRC EIT rate of the Group's PRC subsidiaries is 25% for both the six months ended 30 June 2020 and 2021.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Enterprise Income Tax Policies for Xinjiang Uygur Autonomous Region and Xinjiang Kashgar Autonomous Region (《財政部、國家稅務總局關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知》) promulgated by the State Council on 29 November 2011, if a corporate enterprise is newly established within calendar years 2010 to 2020 in two specific regions with business fallen within the scope of the Catalogue of Preferred Enterprise Income Tax for Key Encouraged Industries in Poor Areas of Xinjiang (《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄》), the corporate enterprise can enjoy a preferential tax treatment, that is 5-year exemption, from the first year when the entity begins to generate revenue.

8. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging the following items:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Amortisation of intangible assets (included in administrative and other operating expenses)	–	130
Depreciation of property, plant and equipment	4,844	5,662
Depreciation of right-of-use assets	1,465	7,419
Legal and professional fee	1,904	6,320
Staff costs (including directors' emoluments)	26,023	19,534

9. DIVIDENDS

No dividends were paid, declared or proposed during the current interim period. The directors of the Company have determined that no dividend will be paid in respect of the current interim period.

10. LOSS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic loss and diluted loss per share	<u>(96,520)</u>	<u>(171,855)</u>
	<i>'000</i>	<i>'000</i>
Number of shares		
Weighted average number of ordinary shares	<u>7,775,587</u>	<u>6,924,077</u>

The calculation of basic loss per share is based on the loss attributable to owners of the Company, and the weighted average number of 7,775,587,000 ordinary shares in issue during the six months ended 30 June 2021 (six months ended 30 June 2020: number of 6,924,077,000 ordinary shares).

Diluted loss per share for the six months period ended 30 June 2021 did not assume the exercise of the outstanding share options during the period since this would result in a decrease in loss per share. No adjustment was made in calculating diluted loss per share for the six months period ended 30 June 2021 as the convertible notes in issue had anti-dilutive effect on the basic loss per share. Accordingly, the diluted loss per share is the same as the basic loss per share.

Diluted loss per share for the six months period ended 30 June 2020 did not assume the exercise of the outstanding share options since this would result in a decrease in loss per share. Accordingly, the diluted loss per share is same as the basic loss per share.

11. GOODWILL

	30.6.2021 <i>HK\$'000</i> (unaudited)	31.12.2020 <i>HK\$'000</i> (audited)
Cost		
Balance at beginning of the period/year	492,354	165,772
Arising on acquisition of subsidiaries	–	326,582
	<hr/>	<hr/>
Balance at end of the period/year	492,354	492,354
Accumulated impairment losses		
Balance at beginning of the period/year	165,772	133,050
Impairment loss recognised for the period/year	–	32,722
	<hr/>	<hr/>
Balance at end of the period/year	165,772	165,772
Carrying amount		
Balance at end of the period/year	326,582	326,582
	<hr/> <hr/>	<hr/> <hr/>

12. LOANS AND INTEREST RECEIVABLES

	30.6.2021 <i>HK\$'000</i> (unaudited)	31.12.2020 <i>HK\$'000</i> (audited)
Other loans	524,396	513,052
Less: Impairment allowance	(204,647)	(153,114)
	<hr/>	<hr/>
	319,749	359,938
	<hr/> <hr/>	<hr/> <hr/>

An ageing analysis of the loans and interest receivables net of impairment allowance as at the end of the reporting period, based on payment due date, is as follows:

	30.6.2021 <i>HK\$'000</i> (unaudited)	31.12.2020 <i>HK\$'000</i> (audited)
No past due	250,856	289,183
Less than 1 month past due	6,672	415
1 to 3 months past due	291	681
3 to 6 months past due	25,692	41,568
6 months to less than 1 year past due	26,613	18,586
More than 1 year past due	9,625	9,505
	<hr/>	<hr/>
	319,749	359,938
	<hr/> <hr/>	<hr/> <hr/>

The movements in impairment allowance of loans and interest receivables are as follows:

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Balance at beginning of the period/year	153,114	19,282
Addition through acquisition of subsidiaries	–	19,050
Amounts recognised during the period/year	53,931	114,101
Amounts reversed during the period/year	(4,306)	(507)
Exchange realignment	1,908	1,188
	<u>204,647</u>	<u>153,114</u>
Balance at end of the period/year	<u>204,647</u>	<u>153,114</u>

13. TRADE AND OTHER RECEIVABLES

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Trade receivables from:		
Loan referral and consultancy services (<i>Note a</i>)	43,657	44,574
Financial guarantee services (<i>Note b</i>)	32,934	21,744
Insurance brokerage commission (<i>Note c</i>)	25	45
Asset management fee (<i>Note d</i>)	2	5
Advertising service fee (<i>Note e</i>)	26	321
	<u>76,644</u>	<u>66,689</u>
Less: Impairment allowance	(45,124)	(26,681)
	<u>31,520</u>	<u>40,008</u>
Other receivables (<i>Note f</i>)	61,969	21,378
Less: Impairment allowance	(14,213)	(9,089)
	<u>47,756</u>	<u>12,289</u>
Total trade and other receivables	<u>79,276</u>	<u>52,297</u>

Notes:

- (a) The normal settlement terms of trade receivables from loan referral and consultancy services are within 30 days upon the contractual obligation being performed.
- (b) The normal settlement terms of trade receivables from financial guarantee services are mainly within 60 to 90 days upon the contractual obligation being performed.
- (c) The normal settlement terms of trade receivables from product issuers arising from the provision of insurance brokerage commission are mainly within 45 to 60 days upon execution of the insurance policies and/or receipt of statements from product issuers.

- (d) Credit terms with customers of asset management fee are within 30 days or a credit period mutually agreed between the contracting parties.
- (e) The normal settlement terms of trade receivables from advertising service fee are mainly within 30 days upon the contractual obligation being performed.
- (f) Included in other receivables were default payment receivables of HK\$55,437,000 (31 December 2020: HK\$16,561,000) in relation to loan financing operations.

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

	30.6.2021 <i>HK\$'000</i> (unaudited)	31.12.2020 <i>HK\$'000</i> (audited)
0 – 30 days	4,644	10,560
31 – 60 days	2,038	2,174
61 – 90 days	1,978	1,477
Over 90 days	22,860	25,797
	<u>31,520</u>	<u>40,008</u>

The movements in impairment allowance on trade receivables are as follows:

	30.6.2021 <i>HK\$'000</i> (unaudited)	31.12.2020 <i>HK\$'000</i> (audited)
Balance at beginning of the period/year	26,681	6,213
Addition through acquisition of subsidiaries	–	378
Amounts recognised during the period/year	19,199	21,160
Amounts reversed during the period/year	(1,088)	(1,479)
Exchange realignment	332	409
	<u>45,124</u>	<u>26,681</u>

The movements in impairment allowance on other receivables are as follows:

	30.6.2021 <i>HK\$'000</i> (unaudited)	31.12.2020 <i>HK\$'000</i> (audited)
Balance at beginning of the period/year	9,089	130
Addition through acquisition of subsidiaries	–	6
Amounts recognised during the period/year	5,297	9,035
Amounts reversed during the period/year	(286)	(90)
Exchange realignment	113	8
	<u>14,213</u>	<u>9,089</u>

14. PREPAYMENTS AND DEPOSITS

	30.6.2021 <i>HK\$'000</i> (unaudited)	31.12.2020 <i>HK\$'000</i> (audited)
Prepayments (<i>Note a</i>)	17,968	3,763
Rental and utilities deposits	1,643	4,492
Statutory deposits	255	255
Other deposits (<i>Note b</i>)	74,389	73,876
	94,255	82,386
Less: Impairment allowance	(9,160)	(9,635)
Total prepayments and deposits	85,095	72,751
Analysed for reporting purposes as:		
Current assets	84,062	72,496
Non-current assets	1,033	255
	85,095	72,751

Notes:

- (a) Included in prepayment, balance of HK\$14,323,000 (31 December 2020: HK\$Nil) represents prepaid consultancy service expenses to an associate.
- (b) As at 30 June 2021, other deposits mainly consist of deposits paid to co-operators in relation to the Group's financial guarantee and general trading business, which amounted to HK\$74,348,000 (31 December 2020: HK\$73,718,000).

The movements in impairment allowance on other deposits are as follows:

	30.6.2021 <i>HK\$'000</i> (unaudited)	31.12.2020 <i>HK\$'000</i> (audited)
Balance at beginning of the period/year	9,635	280
Amounts recognised during the period/year	58	9,346
Amounts reversed during the period/year	(653)	(9)
Exchange realignment	120	18
Balance at end of the period/year	9,160	9,635

15. TRADE PAYABLES, OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 HK\$'000 (audited)
Trade payables from:		
Business of dealing in securities: <i>(Note a)</i>		
– Cash clients	203	432
– Margin clients	434	641
– Clearing house	4	–
Insurance brokerage service <i>(Note b)</i>	213	238
	<hr/>	<hr/>
Total trade payables	854	1,311
	<hr/>	<hr/>
Accrued expenses	14,545	12,510
Deposits received <i>(Note c)</i>	51,072	123,410
Other payables	14,766	32,433
	<hr/>	<hr/>
Total other payables, deposits received and accruals	80,383	168,353
	<hr/>	<hr/>
Total trade payables, other payables, deposits received and accruals	81,237	169,664
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) Trade payables to securities brokerage clients represent the monies received from and repayable to brokerage clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have an enforceable right to offset these payables with the deposits placed.

The majority of the trade payables balance are repayable on demand except for certain balances relating to margin deposits received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

The settlement terms of trade payables, except for margin clients, arising from the securities brokerage business are two business days after trade date.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business.

- (b) Trade payables to consultants arising from provision of insurance brokerage service, are generally settled within 30 days to 120 days upon receipt of payments from product issuers.

An ageing analysis of trade payables from insurance brokerage service at the end of reporting period, is as follows:

	30.6.2021 <i>HK\$'000</i> (unaudited)	31.12.2020 <i>HK\$'000</i> (audited)
0 – 30 days	32	118
31 – 60 days	46	1
61 – 90 days	6	12
Over 90 days	129	107
	<u>213</u>	<u>238</u>

- (c) Included in deposits received was an amount of HK\$36,705,000 (31 December 2020: HK\$110,873,000) which was received from customers or third parties as collateral securities for the financial guarantees issued by the Group. These deposits will be refunded to customers or third parties upon expiry of the corresponding guarantee contracts. According to the contracts, these deposits are expected to be settled within one year.

16. LIABILITIES FROM FINANCIAL GUARANTEES

	30.6.2021 <i>HK\$'000</i> (unaudited)	31.12.2020 <i>HK\$'000</i> (audited)
Deferred income	8	8
Provision for guarantee losses	288,210	231,286
	<u>288,218</u>	<u>231,294</u>

Movement analysis of provision for guarantee losses:

	30.6.2021 <i>HK\$'000</i> (unaudited)	31.12.2020 <i>HK\$'000</i> (audited)
Balance at beginning of the period/year	231,286	94,536
Addition through acquisition of subsidiaries	–	7,835
Amount recognised during the period/year	54,042	122,544
Amount written off during the period/year	–	(541)
Exchange realignment	2,882	6,912
	<u>288,210</u>	<u>231,286</u>

17. SHARE CAPITAL

	Number of shares '000	Nominal amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 each At 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	2,109,890,000	2,109,890
Preference shares of HK\$0.001 each At 1 January 2020, 30 June 2020, 1 January 2021 and 30 June 2021	110,000	110
Issued and fully paid:		
Ordinary shares of HK\$0.001 each At 1 January 2020 and 30 June 2020	6,924,077	6,924
Issuance of shares upon acquisition of subsidiaries (<i>Note a</i>)	850,000	850
Exercise of share options (<i>Note b</i>)	1,280	1
At 31 December 2020 and 1 January 2021	7,775,357	7,775
Exercise of share options (<i>Note b</i>)	500	1
At 30 June 2021	7,775,857	7,776

Notes:

- (a) Pursuant to the agreements in respect of the acquisition of Xin Yunlian Investment Limited (“Xin Yunlian”) and its subsidiaries and associates (“Xin Yunlian Group”), 800,000,000 new shares and 50,000,000 new shares of HK\$0.001 each at an issue price of HK\$0.200 per share were issued and allotted to the vendor and the consultant respectively upon completion of the acquisition on 31 July 2020.

The fair value of shares allotted to the vendor and the consultant of are approximately HK\$146,408,000 and HK\$4,446,000 respectively.

- (b) On 9 December 2020, upon the exercise of the share options at an exercise price of HK\$0.188 per share, the Company allotted and issued 1,280,000 new shares of HK\$0.001 each.

On 9 April 2021, upon the exercise of the share options at an exercise price of HK\$0.188 per share, the Company allotted and issued 500,000 new shares of HK\$0.001 each.

All shares issued during the period/year rank pari passu with the existing shares in all respects.

18. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group:

	30.6.2021 HK\$'000 (unaudited)	31.12.2020 <i>HK\$'000</i> (audited)
Property, plant and equipment	75,687	79,087
Right-of-use assets – leasehold lands in PRC	22,416	22,515
	98,103	101,602

19. GUARANTEE ISSUED

As at 30 June 2021, the total maximum amounts of financial guarantees issued was RMB1,645,535,000 (approximately HK\$1,978,592,000) (31 December 2020: RMB2,305,928,000 (approximately HK\$2,738,521,000)). The total maximum amounts of financial guarantees issued represents the maximum potential loss amount that would be recognised if counterparties failed completely to perform as contracted.

20. CONTINGENT ASSETS AND LIABILITIES

The Group had no significant contingent assets or liabilities as at 30 June 2021 and 31 December 2020 other than those disclosed in Note 19.

21. EVENTS AFTER THE REPORTING PERIOD

There is no significant event affecting the Company that have occurred since the end of the reporting period.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

The Group is principally engaged in investment holding, industrial property development and loan financing operations including the provision of loan financing, financial guarantee services, loan referral and consultancy services.

During the Period the Group's management considered the future strategic plan of the Group and adjusted and identified the following reportable segments. The Group's securities brokerage segment, insurance brokerage segment and the asset management segment as disclosed in the past have been restated into the others segment. The segment revenue and results of the Group for the Period, together with the comparative figures for the corresponding period in 2020, are stated in the table below:

	Six months ended 30 June	
	2021 HK\$'000	2020 HK\$'000
Segment revenue from:		
Industrial property development	4,766	4,972
General trading	–	14,819
Loan financing I (<i>Note 1</i>)	124,647	112,419
Loan financing II (<i>Note 2</i>)	38,239	–
Others	3,039	3,046
	<u>170,691</u>	<u>135,256</u>
Segment (loss) profit from:		
Industrial property development	(4,066)	(3,442)
General trading	166	(4,337)
Loan financing I (<i>Note 1</i>)	(80,423)	(125,418)
Loan financing II (<i>Note 2</i>)	(339)	–
Others	(3,089)	(1,293)
	<u>(87,751)</u>	<u>(134,490)</u>

Note 1: Loan financing I represents the provision of loan financing, financial guarantees, loan referral and consultancy services in Hong Kong and Beijing.

Note 2: Loan financing II represents the provision of micro-financing, loan referral and consultancy services in Ningbo.

Industrial Property Development

Revenue from the segment mainly represents warehouse storage income generated from warehouse operation. The Group's warehouse is located in Taicang, Jiangsu Province, the PRC. It is divided into six units and the total area is approximately 48,600 square meters. Revenue from the warehouse operation recorded a decrease of HK\$206,000 to approximately HK\$4,766,000 for the Period (30 June 2020: approximately HK\$4,972,000) and its segment loss for the Period was approximately HK\$4,066,000 (30 June 2020: segment loss of approximately HK\$3,442,000). The average occupancy rate of the Group's warehouse during the Period was 71% and was primarily used as storage of motor vehicle spare parts, electric power tools and pasteurized milk products.

As the overall plan for the prevention and control of the outbreak of the novel coronavirus disease (the "COVID-19 pandemic") and the economic and social development continue to show positive results, China's economy will maintain a stable recovery in 2021. The Group's warehouse operation had been slowly recovering in the first six months of 2021. As the tenants of the warehouse are confident about the current and future economic conditions, they have signed long-term warehouse lease agreements with the Group. The Group's management are confident that the warehouse occupancy rate will reach 100% in the second half of 2021 and the year of 2022.

General Trading

During the Period, the Group has been realigning its business segment and shifting its focus from low profit margin business segments to the core segment ie. loan financing. As a result, the Group did not record any sales revenue in liquors trading for the Period (30 June 2020: approximately HK\$14,819,000). The segment recorded a profit of approximately HK\$166,000 for the Period (30 June 2020: segment loss of approximately HK\$4,337,000) due to the reversal of impairment loss of deposit.

Loan Financing I

The Group's loan financing I services comprise the provision of loan financing, financial guarantees, loan referral and consultancy services in Hong Kong and Beijing. Revenue from the segment for the Period was approximately HK\$124,647,000 (30 June 2020: approximately HK\$112,419,000), resulted in a segment loss of approximately HK\$80,423,000 (30 June 2020: segment loss of approximately HK\$125,418,000). The increase in segment revenue was mainly due to the new business opportunity with new asset and fund partners including but not limited to individual customers from personal electronic consumer platform. The segment loss was mainly due to the increase in provision against the outstanding guarantees issued and impairment loss on loans and interest receivable as some of the Group's customers were affected by the COVID-19 pandemic.

Loan Financing Business in Beijing

Looking forward in 2021, as more people in China have received COVID-19 vaccine and people's daily life would resume normal, the economy in China should record a substantial boost. Due to the new waves of COVID-19 outbreak in many countries, much international trade and tourism industries have been severely hit. Micro, small and medium-sized enterprises and individuals will be the economic drivers of the recovery for domestic consumption and capital investment. The Group will leverage its strength in the market and the opportunity from the newly acquired loan financing business in Ningbo, which expand our business scope, to provide support for its customers. The Group will continue to seize the opportunities of reshuffle companies in the industry, improved industry supervision, and increasing customer capital demand, continue to optimize iterative products, upgrade risk control strategies and tools, and provide better services for customers.

Loan Financing Business in Hong Kong

The Group's loan financing operation in Hong Kong is mainly the provision of mortgage loan. There were no new loan drawdown during the Period, and no outstanding loan as at 30 June 2021. The Group will continue to implement a prudent strategy with stringent internal loan management system in the loan financing operation in Hong Kong to identify suitable high net worth customers through its business partnership such as loan referral agents.

Loan Financing II

The Group's loan financing II services comprise the provision of micro-financing, loan referral and consultancy services in Ningbo, the PRC. Revenue from the segment for the Period was approximately HK\$38,239,000, resulted in a segment loss of approximately HK\$339,000. The provision for financial guarantees issued was approximately HK\$2,956,000 for the Period.

The acquisition of Xin Yunlian Investment Limited ("Xin Yunlian") and its subsidiaries and associated company (collectively, "Xin Yunlian Group") was completed on 31 July 2020. The major activities of Xin Yunlian Group are the operation of an e-commerce platform and the provision of financial services (including micro-financing and loan referral operations) and advertising business. All operations are targeted to the 5.6 million tobacco retailers in the PRC. As at 30 June 2021, there are approximately 4.7 million tobacco retailers registered on the e-commerce platform of Xin Yunlian Group. The Company's management believes that the above acquisition will achieve synergies, where the Group can leverage its knowledge, know-how, experience in the loan financing business in the PRC and financial resources to lead and empower Xin Yunlian Group in developing the new loan financing business. The combined network of client base and financial institutions covered by the Group is expected to form a stronger platform for cross-selling and achieve growth in the loan referral business and the small and micro enterprises finance business. In addition, the profit guarantee of not less than RMB153 million (equivalent to approximately HK\$168 million) for the five years ending 31 December 2024 will also provide a positive impact on the financial position of the Group as a whole in the years ahead.

Business Model

網新新雲聯金融信息服務(浙江)有限公司 (Wangxin Xin Yunlian Financial Information Service (Zhejiang) Company Limited*, “Xin Yunlian Financial”) is the exclusive financial service provider of 中煙新商盟電子商務有限公司 (Zhongyan Xin Shangmeng E-commerce Limited*, “Zhongyan E-commerce”). Xin Yunlian Financial is a wholly-owned subsidiary of 浙江新雲聯雲科技有限公司 (Zhejiang Xin Yunlian Cloud Technology Company Limited*), which is indirectly controlled as to 51% by Xin Yunlian. Zhongyan E-commerce is owned as to 49% by 浙江新雲聯數字科技有限公司 (Zhejiang Xin Yunlian Digital Technology Company Limited*), which is owned as to 51% by Xin Yunlian. Xin Yunlian Financial offers promotion on e-commerce platform, official accounts and other new media platforms as well as through tobacco monopoly administration at province and city levels. With the authorization of registered users of the e-commerce platform, Xin Yunlian Financial can access the readily available customer database. The Group also provides financial service to qualified tobacco retailer customers in need that are identified through telephone marketing or site visiting.

The services provided by Xin Yunlian Financial include the referral of potential borrowers for loan services to financial institutions with a focus on retailers licensed to distribute tobacco products in the PRC. Considering the financial needs of tobacco retailers in making tobacco orders, store improvement and other operating matters, Xin Yunlian Financial has launched a tobacco credit loan service, through which the tobacco retailers can apply for credit loan on-line with their tobacco retail license. Target clients can directly contact Xin Yunlian Financial through the e-commerce platform, or to inquire about loan services through the Xin Yunlian Financial mobile application.

After a review of the funding needs of potential borrowers and a preliminary assessment of their credit profile, Xin Yunlian Financial will refer the potential borrowers to appropriate banks for suitable financial products. The banks in cooperation with Xin Yunlian Financial will, based on their respective concerns, mitigate credit risks in further by assessing such potential borrowers. For the customers passing risk assessment, those banks will remit loans to the account designated by the borrowers. Since credit risk is the main risk inherent in the financial services business, with the support of the e-commerce platform, Xin Yunlian Financial has the ability to effectively manage and supervise the credit risk of potential borrowers to be referred by Xin Yunlian Financial to financial institutions.

In terms of loan transactions through referral, Xin Yunlian Financial, as an intermediary agency, will charge the banks referral fees.

For the Period, Xin Yunlian Financial continued to cooperate with regional banks in the PRC to provide funding to the potential borrowers. The loan products are mainly one-year credit loan and repayable by instalment. The interest rate ranges from 7.5% to 24% per annum depending on the credit assessment of each individual borrower. A referral fee of approximately 3% is charged by Xin Yunlian Financial depending on the terms of the banks.

From a regional perspective, the top ten provinces with the largest business scale are Guangdong Province, Hunan Province, Guizhou Province, Shaanxi Province, Henan Province, Sichuan Province, Yunnan Province, Shandong Provinc, Hubei Province and Guangxi Zhuang Autonomous Region.

Policy

In 2020, in order to implement the decisions and arrangements of the CPC Central Committee and the State Council for expanding domestic demand, stabilizing employment, and benefiting people's livelihood, strengthen the fundamental role of consumption in economic development, and drive the diversified and innovative development of the economy, seven national departments, including the Ministry of Commerce and the Ministry of Finance jointly issued the "Notice of Launching the Action for Advancing the Small-store Economy" (《關於開展小店經濟推進行動的通知》). It is stressed in "IV. Safeguard Measures" that the current policies to support small and micro enterprises, self-employed individuals, including tax reduction and fee reduction, financial support, and optimization of the business environment, shall be implemented in all localities. Support is offered to financial institutions in their cooperating with core enterprises in the supply chain and e-commerce platforms; financial institutions are also supported in, according to laws and regulations, providing small stores with credit loans and supply chain financial products such as orders, warehouse receipts, and accounts receivable financing, based on the credit relationship between enterprises. Financial institutions are encouraged to optimise the evaluation methods and incentive mechanisms for small stores' credit support, further improve the quality and efficiency of financial services for small stores, reduce their overall finance costs, and develop inclusive financial products for them in line with their asset-light attribute.

Leveraging on this opportunity, Xin Yunlian Financial will continuously commit to the fields of technology and finance, and in the second half of 2021, it will also provide more diversified financial products and services by co-operating with various banks. Xin Yunlian Financial endeavors to build an inclusive financial technology enterprise that provides comprehensive internet financial services covering loans, supply chain finance, insurance, etc., with serving tobacco retailers as its feature.

For the micro-financing operation, as at 30 June 2021, loans and interest receivables of the Group was approximately HK\$319,749,000 (31 December 2020: approximately HK\$359,938,000), with interest rates ranging from 5% to 24% (31 December 2020: 5% to 24%) per annum.

Others

Others segment represents the operation of securities brokerage, margin financing, provision of asset management services and provision of insurance brokerage and agency service in Hong Kong and advertising service in the PRC. Revenue from the segment for the Period was approximately HK\$3,039,000 (30 June 2020: approximately HK\$3,046,000), resulted in segment loss of approximately HK\$3,089,000 (30 June 2020: segment loss of approximately HK\$1,293,000). The main reason for the increase in segment loss for the Period as compared with the corresponding period in 2020 was the inclusion of the operating loss from the advertising services business acquired in the second half of 2020.

SIGNIFICANT IMPAIRMENT

During the Period under review, an impairment loss of approximately HK\$65 million (30 June 2020: approximately HK\$116 million) was resulted in the loan financing operations of the Group.

One of the major operations of the loan financing segment of the Group is to act as a financing arrangement intermediary between the asset partners (the “Asset Partners”) and the fund partners (the “Fund Partners”) to provide financial referral, financial guarantee services and financing service in the PRC. The Group had long established a strategic cooperation with a major Asset Partner which is engaged in the import of parallel import vehicles business (the “Parallel Importer”), through which the Parallel Importer will introduce its customers that are engaged in the trading of parallel import vehicle business (the “Parallel Trader”) to the Group for financing arrangement, and the Parallel Importer has agreed to provide counter-guarantees to the Group for the Parallel Traders introduced by them, and a parcel of land of the pier owned by the Parallel Importer was pledged to the Group as the collateral for such counter-guarantees.

Loan and interest receivables from the Parallel Traders arises when the Group granted the loans to the Parallel Traders and trade and other receivables from the Parallel Traders arises when the Group earn consultancy, financial guarantee and/or other financial services income from the Parallel Traders for financing arrangement services provided to the Parallel Traders.

The breakdown of the impairment loss recognised during the Period is summarised as below:

	Six months ended 30 June 2021 <i>HK\$ million</i>	Six months ended 30 June 2020 <i>HK\$ million</i>
Impairment loss recognised on:		
Loan and interest receivables	45	103
Trade and other receivables	23	8
Others	(3)	5
	<hr/>	<hr/>
Total impairment loss recognised	<u>65</u>	<u>116</u>

Before approving and authorising the relevant loans and/or the provision of financing arrangement services, all potential Asset Partners will undergo an evaluation process with factors considered including:

- (1) corporate and team structure of the Asset Partners (and its referral);
- (2) internal risk management;
- (3) historical financial records;
- (4) position of the Asset Partners in the industry; and
- (5) availability of collaterals.

Only those with satisfactory evaluation results will be accepted as borrowers and granted the loan receivables and/or accepted as the Group's customers for financial referral or financial guarantee services.

The Board has taken into account the severe downward economic trend in the PRC due to the COVID-19 pandemic which has substantially hit the domestic demand in the parallel import vehicles market especially during and after the Chinese New Year in 2020. As a result, the operations of the Parallel Traders are negatively affected and they were under great pressure on their own capital and cash flow chain. At the same time, the Parallel Importer from which the counter-guarantee is provided also adversely affected by the sudden and sharp economic downturn and encountered credit supply shortage combined with cash flow crisis and is involved in certain lawsuits from other parties.

Given the adverse credit risk exposure of both the Parallel Traders and the Parallel Importer and the downturn for the demand of parallel import vehicles which is considered as an overall industry risk, the Board is of the view that the credit risks in loan receivables have significant increased and the debtors are vulnerable to non-payment. Therefore, stage 3 in which a probability of default of approximately 53%, representing a credit rating of CC as sourced from Thomson Reuters starting in 2020 but the situation is not improved in 2021 on their side and thus further impairment is made in the first six months in 2021 with a probability of default of approximately 70% is recognised.

During the Period, the Group has engaged PRC legal advisor to process the legal proceedings to claim for the repayment of the loans and first hearing was completed for one of the cases and court judgement supporting the claims of the Group is received in August 2021. Other legal proceedings will be followed in the meantime.

The Group, together with the PRC legal advisor, are of the view that if the borrowers are unable to confirm a repayment schedule subsequent to the legal proceedings, the Group will take further legal action in order to recover the receivables from the pledged land owned by the Parallel Importer as it will be a lengthy legal proceedings in the PRC. Nevertheless, the Group continued to negotiate with the borrowers actively with the objective to come up with a mutually agreed repayment plan.

A special working team is set up internally to handle and follow up all the long outstanding receivables and the team will have monthly review with the management for the progress. The team also works closely with the PRC legal advisor and will take appropriate legal action if it is considered necessary.

FINANCIAL REVIEW

Administrative and Other Operating Expenses

Administrative expenses include office utilities and administration, legal and professional fee, employee expenses, depreciation of right-of-use assets and property, plant and equipment and amortisation. Other operating expenses mainly consist of operating expenses of industrial property development and loan financing. Administrative and other operating expenses amounted to approximately HK\$69,548,000 during the Period, which is increased by HK\$14,792,000 as compared to the six months ended 30 June 2020. The increase in administrative and other operation expenses were mainly incurred from the newly acquired Xin Yunlian Group. During the Period, the Group continued to optimize and reform related business processes to reduce costs and improve efficiency. The implementation of reform measures, including the relocation of the Group's Hong Kong office to a new office during the Period, based on HKFRS 16, the depreciation of right-of-use assets is expected to reduce by approximately 72%. The Company's management will continue to act on its stringent measures on costs control to maintain the administrative and other operating expenses at a reasonable level.

Finance Costs

Finance costs have increased from approximately HK\$3,200,000 for the six months ended 30 June 2020 to approximately HK\$14,000,000 for the Period. The increase was caused by the increase in effective interest expenses on convertible bonds issued for the acquisition of Xin Yunlian Group in 2020 and loan interest on bank loans and other loans.

Liquidity and Financial Resources

The Group adopts the policy of prudence in managing its working capital. The operation of the Group was primarily financed by internally generated cash flow from operation and external financing. As at 30 June 2021, the shareholders' fund and net current assets of the Group amounted to approximately HK\$261,075,000 (31 December 2020: approximately HK\$348,677,000) and approximately HK\$202,029,000 (31 December 2020: approximately HK\$295,593,000) respectively. On the same date, the Group's cash and cash equivalents amounted to approximately HK\$57,194,000 (31 December 2020: approximately HK\$90,241,000) which were principally denominated in Hong Kong dollars and Renminbi and the current ratio was 1.37 (31 December 2020: 1.59).

As at 30 June 2021, the Group's total borrowings were denominated in RMB and bear fixed interest rates from 4.95% to 10.55% amounted to approximately HK\$200,232,000 (31 December 2020: approximately HK\$132,426,000) of which approximately HK\$146,124,000 is repayable within 1 year, approximately HK\$12,024,000 is repayable between 1 to 2 years, approximately HK\$42,084,000 is repayable between 2 to 5 years. The gearing ratio, measured on the basis of total borrowings over net assets, was 41.1% as at 30 June 2021 (31 December 2020: 23.5%).

There was no capital commitment in respect of the acquisition and construction of property, plant and equipment as at 30 June 2021 (31 December 2020: nil).

The Group does not anticipate any material foreign exchange exposure since its cash, borrowings, revenue and expenses are mainly in Hong Kong dollars and RMB. Therefore, the Group did not use any financial instruments for hedging purposes.

Fund Investments

The Group's investment portfolio is classified according to HKFRS 9. The carrying amounts of the financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss were approximately HK\$15,204,000 and HK\$10,216,000 respectively as at 30 June 2021 (as at 31 December 2020: approximately HK\$11,175,000 and HK\$20,203,000). The investment portfolio includes (i) unlisted investment funds, which primarily invested in listed equity in the PRC and Hong Kong; (ii) listed equity in the PRC and Hong Kong; and (iii) unlisted investment fund, which primarily represent an investment in 20% equity interest in the registered capital of an unlisted company incorporated in the PRC which is engaged in property development project in the PRC.

Contingent Liabilities

There are no significant contingent liabilities noted as at 30 June 2021 other than the financial guarantees issued as disclosed below.

Guarantee Issued

As at 30 June 2021, the Group's total financial guarantees issued was approximately RMB1,645,535,000 (equivalent to approximately HK\$1,978,592,000) (31 December 2020: approximately RMB2,305,928,000 (equivalent to approximately HK\$2,738,521,000)).

Capital Structure

As at 30 June 2021, the total number of issued ordinary shares of the Company were 7,775,857,621 (31 December 2020: 7,775,357,621) at HK\$0.001 each.

Charges on Assets

The Group's warehouse located in Taicang, the PRC with the following carrying amounts have been pledged to secure general banking facilities granted to the Group:

	30.6.2021	31.12.2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	75,687	79,087
Right-of-use assets	22,416	22,515
	98,103	101,602

Save for the above, the Group did not charge other assets to secure its borrowings as at 30 June 2021.

Foreign currency exposure

As confirmed by the Directors, the Group's present operations are mainly carried out in the PRC and Hong Kong, and all of the Group's receipts and payments in relation to the operations are basically denominated in RMB and Hong Kong dollars. The Group does not use derivative financial instruments to hedge its foreign currency risks. The management will continue to monitor its foreign exchange exposure and take appropriate measures if needed.

Employees and Remuneration Policies

As at 30 June 2021, the Group had 164 employees (31 December 2020: 188 employees). Remuneration is determined by reference to their respective qualifications and experiences and according to the prevailing industry practice. In addition to salary payments, the Group's staff benefits include contribution of mandatory provident fund, a discretionary bonus program and a share option scheme. As required by the regulations in the PRC, the Group makes contributions to mandatory social security funds for the benefit of the Group's employees in the PRC, including pension insurance, medical insurance, unemployment insurance, personal injury insurance, maternity insurance and housing funds.

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

During the Period, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

During the Period, the Company has complied with all the code provisions as set out in the Corporate Governance Code (the "CG Code") and Corporate Governance Report contained in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. The Company has made specific enquiry of all Directors whether they have complied with the required standard set out in the Model Code regarding Directors' securities transactions and all Directors confirmed that they have complied with the Model Code throughout the Period.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the CG Code. The Audit Committee currently comprises three independent non-executive Directors, including Mr. Kwan Kei Chor (chairman of the Audit Committee), Dr. Lyu Ziang and Mr. Zhou Liangyu.

The Group's interim results for the Period have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The Audit Committee recommended the Board to adopt the same.

REVIEW OF INTERIM RESULTS

The unaudited consolidated interim results of the Group for the Period were prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have also been reviewed by the Audit Committee. Such financial information has been reviewed by HLM CPA Limited, the independent auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our staff for their dedication, loyalty and integrity towards the Group. I would also like to express my gratitude to our shareholders, customers and other business partners and professional consultants for their support to the Group.

By order of the Board of
Greater China Financial Holdings Limited
Liu Kequan
Chairman

Hong Kong, 24 August 2021

As at the date of this announcement, the Board comprises Mr. Liu Kequan, Mr. Yang Dayong and Mr. Zhang Peidong as executive Directors and Mr. Kwan Kei Chor, Dr. Lyu Ziang and Mr. Zhou Liangyu as independent non-executive Directors.

* *For identification purpose only*