Great Wall Belt & Road Holdings Limited
長城一帶一路控股有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 524)

INTERIM REPORT 2019

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CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Zhao Ruiyong *(Chairman)*
Li Bing *(Chief Executive Officer)*
Cheung Ka Heng Frankie *(Vice-Chairman)*
Chan Chi Yuen

INDEPENDENT NON-EXECUTIVE DIRECTORS

Fung Wai Shing
Zhao Guangming
Huang Tao

COMPANY SECRETARY

Law Hoi Ching

AUDITOR

Mazars CPA Limited
Certified Public Accountants

LEGAL ADVISERS

Conyers Dill & Pearman
King & Wood Mallesons (as to Hong Kong laws)

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Bank of East Asia, Limited
The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

REGISTERED OFFICE

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Hamilton HM11
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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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STOCK CODE

The Stock Exchange of Hong Kong Limited: 524

WEBSITE

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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4th floor North Cedar House
41 Cedar Avenue
Hamilton HM12
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BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Secretaries Limited
Level 54
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Hong Kong

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2019

The board (the "Board") of directors (the "Directors") of Great Wall Belt & Road Holdings Limited (the "Company") herein presents the unaudited interim results (the "Interim Results") of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2019 (the "Period"), together with comparative figures for the corresponding period in 2018. The Interim Results are unaudited but have been reviewed by the audit committee (the "Audit Committee") of the Company.

		Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	Notes	**HK$'000**	HK$'000
Revenue	*2*	**35,304**	30,172
Cost of sales		**(26,110)**	(12,688)
Gross profit		**9,194**	17,484
Other revenue and income	*3*	**1,274**	3,126
		10,468	20,610
Selling and distribution expenses		**(711)**	(1,332)
Business promotion and marketing expenses		**(146)**	(396)
Operating and administrative expenses		**(17,978)**	(27,823)
Other operating expenses		**(9,939)**	(10,750)
Loss from operations		**(18,306)**	(19,691)
Finance costs	*4*	**(71)**	(4)
Impairment loss on goodwill		**(4,485)**	–
Impairment loss on investment in a joint venture		**–**	(337)
Financial assets at FVPL – net (loss) gain on disposal and fair value changes		**(3,337)**	3,318
Financial assets at FVPL held at the end of the period – net (loss) gain on fair value changes		**(110,297)**	70,876
Gain on disposal of property, plant and equipment		**5**	32
Net gain on disposal of a subsidiary		**–**	11,984
Gain on disposal of interest in an associate		**195**	–
Share of results of associates		**–**	(321)
(Loss) Profit before taxation	*4*	**(136,296)**	65,857
Income tax credit (expenses)	*5*	**876**	(1,216)
(Loss) Profit for the period		**(135,420)**	64,641
(Loss) Profit for the period attributable to:			
Equity holders of the Company		**(135,128)**	64,438
Non-controlling interests		**(292)**	203
(Loss) Profit for the period		**(135,420)**	64,641
		HK cents	HK cents
(Loss) Earnings per share	*7*		
Basic and diluted		**(12.9)**	6.5

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
(Loss) Profit for the period	**(135,420)**	64,641
Other comprehensive (loss) income for the period		
Item that will not be subsequently reclassified to profit or loss:		
Designated FVOCI – net movement in investment revaluation reserves	**447**	1,550
Items that are or may be subsequently reclassified to profit or loss:		
Derecognition of exchange reserve upon deregistration/disposal of a subsidiary	**62**	(66)
Exchange differences on translation of foreign subsidiaries	**36**	(1,926)
Share of other comprehensive loss of associates		
– Exchange difference on translation	**–**	(2,750)
Share of other comprehensive loss of a joint venture		
– Exchange difference on translation	**–**	(6)
Total comprehensive (loss) income for the period	**(134,875)**	61,443
Total comprehensive (loss) income for the period attributable to:		
Equity holders of the Company	**(134,579)**	61,339
Non-controlling interests	**(296)**	104
Total comprehensive (loss) income for the period	**(134,875)**	61,443

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	As at 30 June 2019 (Unaudited) HK$'000	As at 31 December 2018 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		893	1,262
Right-of-use assets	1	4,169	–
Interest in associates	8	57,081	57,081
Intangible assets		40,300	47,771
Goodwill		2,856	7,341
Designated FVOCI		3,110	2,663
		108,409	116,118
Current assets			
Financial assets at FVPL		4,817	131,254
Trade and other receivables	9	49,784	43,531
Pledged bank deposits	10	732	885
Bank balances and cash		11,678	13,915
		67,011	189,585
Current liabilities			
Trade and other payables	11	68,973	65,935
Tax payable		388	1,307
Obligation under finance leases		–	50
Lease liabilities	1	3,238	–
		72,599	67,292
Net current (liabilities) assets		(5,588)	122,293
Total assets less current liabilities		102,821	238,411
Non-current liabilities			
Deferred tax liabilities	12	7,975	9,666
Lease liabilities	1	976	–
		8,951	9,666
NET ASSETS		93,870	228,745
Capital and reserves			
Share capital	13	10,503	10,503
Reserves		80,646	215,225
Equity attributable to equity holders of the Company		91,149	225,728
Non-controlling interests		2,721	3,017
TOTAL EQUITY		93,870	228,745

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Equity attributable to equity holders of the Company											
		Reserves										
	Share capital (Unaudited) HK$'000	Share premium (Unaudited) HK$'000	Exchange reserve (Unaudited) HK$'000	Investment revaluation reserves (non-recycling) (Unaudited) HK$'000	Capital redemption reserve (Unaudited) HK$'000	Capital reserve (Unaudited) HK$'000	Contributed surplus (Unaudited) HK$'000	Accumulated losses (Unaudited) HK$'000	Total reserves (Unaudited) HK$'000	Total (Unaudited) HK$'000	Non-controlling interests (Unaudited) HK$'000	Total equity (Unaudited) HK$'000
As at 1 January 2019	**10,503**	**290,303**	**(4,072)**	**(5,223)**	**25**	**(64)**	**83,489**	**(149,233)**	**215,225**	**225,728**	**3,017**	**228,745**
Loss for the period	–	–	–	–	–	–	–	(135,128)	(135,128)	(135,128)	(292)	(135,420)
Other comprehensive income (loss) for the period												
Item that will not be subsequently reclassified to profit or loss:												
Designated FVOCI – net movement in investment revaluation reserves	–	–	–	447	–	–	–	–	447	447	–	447
Items that are or may be subsequently reclassified to profit or loss:												
Derecognition of exchange reserve upon deregistration of a subsidiary	–	–	62	–	–	–	–	–	62	62	–	62
Exchange differences on translation of foreign subsidiaries	–	–	40	–	–	–	–	–	40	40	(4)	36
Total comprehensive income (loss) for the period	–	–	102	447	–	–	–	(135,128)	(134,579)	(134,579)	(296)	(134,875)
As at 30 June 2019	**10,503**	**290,303**	**(3,970)**	**(4,776)**	**25**	**(64)**	**83,489**	**(284,361)**	**80,646**	**91,149**	**2,721**	**93,870**
As at 1 January 2018, as previously reported	8,753	241,329	4,681	–	25	(64)	83,489	(137,506)	191,954	200,707	7,624	208,331
Adjustment on adoption of HKFRS 9	–	–	–	(5,168)	–	–	–	–	(5,168)	(5,168)	–	(5,168)
As at 1 January 2018 (as adjusted)	8,753	241,329	4,681	(5,168)	25	(64)	83,489	(137,506)	186,786	195,539	7,624	203,163
Profit for the period	–	–	–	–	–	–	–	64,438	64,438	64,438	203	64,641
Other comprehensive income for the period												
Item that will not be reclassified to profit or loss:												
Designated FVOCI – net movement in investment revaluation reserve	–	–	–	1,550	–	–	–	–	1,550	1,550	–	1,550
Items that are or may be subsequently reclassified to profit or loss:												
Derecognition of exchange reserve upon disposal of a subsidiary	–	–	(66)	–	–	–	–	–	(66)	(66)	–	(66)
Exchange differences on translation of foreign subsidiaries	–	–	(1,828)	–	–	–	–	–	(1,828)	(1,828)	(98)	(1,926)
Share of other comprehensive loss of associates – exchange differences on translation	–	–	(2,750)	–	–	–	–	–	(2,750)	(2,750)	–	(2,750)
Share of other comprehensive loss of a joint venture – exchange differences on translation	–	–	(5)	–	–	–	–	–	(5)	(5)	(1)	(6)
Total comprehensive income for the period	–	–	(4,649)	1,550	–	–	–	64,438	61,339	61,339	104	61,443
Transactions with equity holders of the Company												
Contributions and distributions												
Shares issued upon placing in March 2018, net of expenses	1,750	48,974	–	–	–	–	–	–	48,974	50,724	–	50,724
Total transactions with equity holders of the Company	1,750	48,974	–	–	–	–	–	–	48,974	50,724	–	50,724
As at 30 June 2018	10,503	290,303	32	(3,618)	25	(64)	83,489	(73,068)	297,099	307,602	7,728	315,330

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Net cash used in operating activities	**(888)**	(52,192)
INVESTING ACTIVITIES		
Capital contribution to an associate	**–**	(62,248)
Purchase of property, plant and equipment	**–**	(443)
Purchase of Designated FVOCI	**–**	(86)
Proceeds from disposal of property, plant and equipment	**5**	32
Proceeds from disposal of a subsidiary	**–**	9,441
Proceeds from disposal of investment in an associate	**195**	–
Release of pledged bank deposits, net	**159**	429
Net cash generated from (used in) investing activities	**359**	(52,875)
FINANCING ACTIVITIES		
Proceeds from shares issued upon placing	**–**	50,724
Repayment of obligations under finance leases	**–**	(39)
Repayment of lease liabilities	**(1,726)**	–
Net cash (used in) generated from financing activities	**(1,726)**	50,685
Net decrease in cash and cash equivalents	**(2,255)**	(54,382)
Cash and cash equivalents as at 1 January	**13,915**	69,409
Exchange gain on cash and cash equivalents	**18**	7
Cash and cash equivalents as at 30 June	**11,678**	15,034

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements (the "Interim Financial Statements") of the Group for the six months ended 30 June 2019 are unaudited and have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and applicable disclosure requirements under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The Interim Financial Statements are unaudited, but have been reviewed by the Audit Committee.

The Group incurred a net loss of approximately HK$135,420,000 for the six months ended 30 June 2019. At 30 June 2019, the current liabilities of the Group exceeded its current assets by approximately HK$5,588,000. The Group maintained bank balances and cash of approximately HK$11,678,000 as at 30 June 2019.

These conditions indicate the existence of uncertainty that might cast significant doubt about the Group's ability to continue as a going concern and therefore the Group entered into loan agreements with the directors on 30 August 2019 with aggregate amount of HK$40,500,000 to mitigate the liquidity and financial pressure and to improve the Group's financial position. Such loans are on normal commercial terms or better, interest-free with no pledge of assets or guarantee provided by the Group, which constitute a fully-exempt connected transaction of the Group under Chapter 14A of the Listing Rules.

The management of the Company is of the opinion that, taking into account the loans from the directors, the Group has sufficient working capital for its current operation used in future twelve months. Hence, the condensed consolidated financial statements have been prepared on a going concern basis. Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the condensed consolidated financial statements.

The Interim Financial Statements should be read in conjunction with the 2018 annual financial statements. The accounting policies adopted in preparing the Interim Financial Statements for the six months ended 30 June 2019 are consistent with those in the preparation of the Group's annual financial statements for the year ended 31 December 2018, except for the adoption of the new/revised standard of Hong Kong Financial Reporting Standards ("HKFRSs") which are relevant to the Group's operation and are effective for the Group's financial year beginning on 1 January 2019 as described below.

Annual Improvements to HKFRSs	2015–2017 Cycle
HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Employee Benefits
Amendments to HKAS 28	Investments in Associates and Joint Ventures
Amendments to HKFRS 9	Prepayment Features with Negative Compensation

Except for HKFRS 16, the adoption of these amendments to HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior years.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

HKFRS 16: Leases

HKFRS 16 significantly changes the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-to-use assets and lease liabilities for the rights and obligations created by all leases unless the exemptions apply. In subsequent measurement, depreciation (and, if applicable, impairment loss) and interest are recognised on the right-of-use assets and the lease liabilities respectively. Besides, among other changes, it requires enhanced disclosures to be provided by lessees and lessors.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

The Group has elected to apply the cumulative effect transition method and recognised the cumulative effect of initial adoption as an adjustment to the opening balance of components of equity at 1 January 2019 (i.e. the date of initial application). Therefore, the comparative information has not been restated for the effect of HKFRS 16. The Group has also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ("short-term leases"), and lease contracts for which the underlying asset is of low value ("leases of low-value assets").

Impact of adoption of HKFRS 16

The Group leases various office premises. Rental contracts are typically made for fixed periods of two to five years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Applicable before 1 January 2019

Before the adoption of HKFRS 16, leases which did not transfer substantially all the risks and rewards of ownership to the lessee were classified as operating leases. Rental payable under operating leases (net of any incentives received from the lessor) was charged to profit or loss on a straight-line basis over the period of the lease. Commitments under operating leases for future periods were not recognised by the Group as liabilities.

Applicable from 1 January 2019

Upon adoption of HKFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases under HKAS 17, except for short-term leases and leases of low-value assets. The right-of-use assets for leases were recognised based on the amount equals to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. Each lease payment is allocated between the lease liabilities and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use assets are amortised over the shorter of the assets' useful lives and the lease terms on a straight-line basis.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

HKFRS 16: Leases *(continued)*

Impact of adoption of HKFRS 16 *(continued)*

Applicable from 1 January 2019 (continued)

The Group also applied the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- accounting for operating leases with remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for measurement of the right-of-use assets at the date of initial application; and
- the use of hindsight in determining the lease term when the contract contains option to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made by applying HKAS 17 and HK(IFRIC)–Int 4 "*Determining whether an Arrangement contains a Lease*".

The following table summarises the impact of transition to HKFRS 16 on the consolidated statement of financial position of the Group as at 1 January 2019:

	Classification and carrying amount under HKAS 17 (Audited) HK$'000	**Reclassification on adoption of HKFRS 16** (Unaudited) HK$'000	**Initial measurement on adoption of HKFRS 16** (Unaudited) HK$'000	**Classification and carrying amount under HKFRS 16** (Unaudited) HK$'000
Assets				
Right-of-use assets	–	–	5,815	5,815
Liabilities				
Obligation under finance leases	(50)	50	–	–
Lease liabilities	–	(50)	(5,815)	(5,865)

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets and lease liabilities of approximately HK$5,815,000 were recognised on initial measurement respectively. Obligation under finance leases of approximately HK$50,000 were classified to lease liabilities.
- There was no adjustment to the opening balance of components of equity as the cumulative effect of initial adoption was insignificant.

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

HKFRS 16: Leases *(continued)*

Impact of adoption of HKFRS 16 *(continued)*

Applicable from 1 January 2019 (continued)

The reconciliation of operating lease commitment to lease liabilities is set out below:

	Hong Kong (Unaudited) HK$'000	**Singapore** (Unaudited) HK$'000	**The PRC** (Unaudited) HK$'000	**Total** (Unaudited) HK$'000
Operating lease commitments as at 31 December 2018	6,274	833	69	7,176
Lease transferred to an associate	(1,034)	–	–	(1,034)
Leases of short-term and low value assets as at 1 January 2019	(116)	–	(69)	(185)
Gross lease liabilities as at 1 January 2019	5,124	833	–	5,957
Weighted average incremental borrowing rates as at 1 January 2019	2.26%	5.33%	N/A	
Discounted operating lease commitments at 1 January 2019	5,015	800	–	5,815
Commitments relating to leases previously classified as finance leases	–	50	–	50
Lease liabilities as at 1 January 2019	5,015	850	–	5,865

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES *(continued)*

HKFRS 16: Leases *(continued)*

Impact of adoption of HKFRS 16 *(continued)*

Applicable from 1 January 2019 (continued)

The movements of right-of-use assets and lease liabilities within HKFRS 16 during the six months ended 30 June 2019 are set out below:

	Right-of-use assets (Unaudited) HK$'000	**Lease liabilities** (Unaudited) HK$'000
As at 1 January 2019	5,815	(5,865)
Amortisation of right-of-use assets	(1,652)	–
Imputed interest expenses on lease liabilities	–	(71)
Lease payments	–	1,726
Exchange realignment	6	(4)
As at 30 June 2019	4,169	(4,214)
Represented by:		
Current	–	(3,238)
Non-current	4,169	(976)
	4,169	(4,214)

The operating lease expenses on short-term leases and leases of low-value assets recognised in profit or loss during the six months ended 30 June 2019 amounted to approximately HK$394,000.

2. REVENUE AND SEGMENTAL INFORMATION

The Group's management, who are the chief operating decision-makers, determine the operating segments for the purposes of resource allocation and performance assessment. The business segments of the Group comprise telecommunication services, financial payment processing solution and software development services, distribution business through e-commerce platform, property development & tourism.

Segment results represent the results before taxation earned by each segment without allocation of central operating and administrative expenses. All assets are allocated to reportable segments other than unallocated assets which are mainly financial assets at FVPL, bank balances and cash. All liabilities are allocated to reportable segments other than corporate liabilities.

Analyses of the Group's segmental information by business and geographical segments during the period are set out below.

(a) By business segments

	Six months ended 30 June 2019			
	Telecom-munication services (Unaudited) HK$'000	Financial payment processing solution and software development services and distribution business# (Unaudited) HK$'000	Property development & tourism (Unaudited) HK$'000	Consolidated (Unaudited) HK$'000
Revenue				
External sales	31,076	4,228	–	35,304
Results				
Segment results	(779)	(3,796)	(5)	(4,580)
Impairment loss on goodwill	–	(4,485)	–	(4,485)
Finance costs	(21)	–	–	(21)
	(800)	(8,281)	(5)	(9,086)
Unallocated other operating income and expenses				(127,210)
Loss before taxation				(136,296)

This segment included revenue from financial payment processing solution and software development services of approximately HK$4,228,000 (30 June 2018: approximately HK$3,416,000) and revenue from distribution services of approximately HK$Nil (30 June 2018: approximately HK$10,290,000).

2. REVENUE AND SEGMENTAL INFORMATION *(continued)*

(a) By business segments *(continued)*

	Six months ended 30 June 2018			
	Telecom-munication services (Unaudited) HK$'000	Financial payment processing solution and software development services and distribution business (Unaudited) HK$'000	Property development & tourism (Unaudited) HK$'000	Consolidated (Unaudited) HK$'000
Revenue				
External sales	16,466	13,706	–	30,172
Results				
Segment results	(3,756)	3,604	152	–
Finance costs	(4)	–	–	(4)
Impairment loss on investment in a joint venture	–	(337)	–	(337)
Net gain on disposal of a subsidiary	11,984	–	–	11,984
Share of results of associates	(249)	–	(72)	(321)
	7,975	3,267	80	11,322
Unallocated other operating income and expenses				54,535
Profit before taxation				65,857

2. REVENUE AND SEGMENTAL INFORMATION *(continued)*

(a) By business segments *(continued)*

	As at 30 June 2019			
	Telecom-munication (Unaudited) HK$'000	Financial payment processing solution and software development services and distribution business (Unaudited) HK$'000	Property development & tourism (Unaudited) HK$'000	Consolidated (Unaudited) HK$'000
Assets				
Assets before following items:	16,634	27,389	108	44,131
Goodwill	–	2,856	–	2,856
Intangible assets	–	40,300	–	40,300
Interests in associates	–	–	57,081	57,081
Segment assets	16,634	70,545	57,189	144,368
Unallocated assets				31,052
				175,420
Liabilities				
Segment liabilities	(11,973)	(9,537)	(177)	(21,687)
Unallocated liabilities				(59,863)
				(81,550)

2. REVENUE AND SEGMENTAL INFORMATION *(continued)*

(a) By business segments *(continued)*

	As at 31 December 2018			
	Telecom-munication services (Audited) HK$'000	Financial payment processing solution and software development services and distribution business (Audited) HK$'000	Property development and tourism (Audited) HK$'000	Total (Audited) HK$'000
Assets				
Assets before following items:	15,415	23,423	106	38,944
Goodwill	–	7,341	–	7,341
Intangible assets	–	47,771	–	47,771
Interests in associates	–	–	57,081	57,081
Segment assets	15,415	78,535	57,187	151,137
Unallocated assets				154,566
				305,703
Liabilities				
Segment liabilities	(10,710)	(12,289)	(177)	(23,176)
Unallocated liabilities				(53,782)
				(76,958)

2. REVENUE AND SEGMENTAL INFORMATION *(continued)*

(b) By geographical information

The Group's operations are principally located in Hong Kong, Singapore and the PRC. The following table provides an analysis of the Group's revenue from external customers by geographical market in which the operations are located:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Hong Kong	**20,576**	3,102
The PRC	**4,228**	13,706
Singapore	**10,500**	13,364
	35,304	30,172

The following is an analysis of the carrying amounts of non-current assets (excluding financial instruments) by geographical area in which the assets are located:

	As at 30 June 2019	As at 31 December 2018
	(Unaudited)	(Audited)
	HK$'000	HK$'000
Hong Kong	**4,539**	1,262
The PRC	**100,237**	112,193
Singapore	**523**	–
	105,299	113,455

3. OTHER REVENUE AND INCOME

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Interest income arising from financial assets at FVPL	**9**	–
Interest income from bank	**76**	83
Interest income from other loan	**257**	–
Management fee income	**–**	2,006
Subleasing income	**704**	–
Others	**228**	1,037
	1,274	3,126

4. (LOSS) PROFIT BEFORE TAXATION

(Loss) Profit before taxation is stated after charging the following:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Finance costs		
Interest expenses on lease liabilities	**71**	4
Other items		
Amortisation of intangible assets	**7,602**	8,461
Amortisation of right-of-use assets	**1,652**	–
Depreciation of property, plant and equipment	**353**	1,509
Impairment loss on investment in a joint venture	**–**	337
Operating lease charges on premises	**–**	12,453

5. TAXATION

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Current tax		
Overseas income taxes	**(844)**	(3,054)
Deferred tax		
Origination and reversal of temporary differences		
– Depreciation allowances	**1,720**	1,838
Total tax credit (expenses)	**876**	(1,216)

Hong Kong Profits Tax has not been provided as the Group incurred a loss for taxation purposes for the six months ended 30 June 2019 and 2018.

Overseas (including the PRC and Singapore) taxation represents income tax provisions in respect of certain subsidiaries, calculated at the tax rates prevailing in the countries in which the subsidiaries operate.

6. INTERIM DIVIDEND

The Board does not recommend payment of a dividend for the six months ended 30 June 2019 and 2018.

7. (LOSS) EARNINGS PER SHARE

The calculation of basic (loss) earnings per share for the six months ended 30 June 2019 is based on the loss for the period attributable to equity holders of the Company of approximately HK$135,128,000 (30 June 2018: profit of approximately HK$64,438,000) and the weighted-average number of 1,050,280,000 ordinary shares (30 June 2018: 988,401,547 ordinary shares) in issue during the period.

The Company has no dilutive potential ordinary shares in issue during the current and prior periods and, therefore, the diluted (loss) earnings per share is the same as the basic (loss) earnings per share for the periods presented.

8. INTEREST IN ASSOCIATES

As at 31 December 2018, the Group held 37.59% issued share capital of Relevant Marketing Group Limited ("RMGL") with share of net liabilities of RMGL limited to zero. On 3 May 2019, the Group disposed of its entire equity interest in RMGL at a consideration of HK$195,000. A gain on disposal of HK$195,000 was recognised to profit or loss during the period ended 30 June 2019.

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2019 (Unaudited) HK$'000	As at 31 December 2018 (Audited) HK$'000
Trade receivables	**12,697**	9,606
Other receivables		
Deposits	**2,086**	2,111
Prepayments	**731**	1,083
Other debtors	**21,418**	16,255
Due from securities brokers	**9**	215
Due from an associate	**1,000**	1,000
Loan receivable from a non-controlling interest of a subsidiary	**11,591**	11,591
Interest receivable from a non-controlling interest of a subsidiary	**252**	–
Consideration receivable from disposal of a subsidiary	**–**	1,670
	37,087	33,925
	49,784	43,531

9. TRADE AND OTHER RECEIVABLES *(continued)*

The Group's credit terms on sales mainly range from 30 to 90 days. Included in trade and other receivables are trade debtors (net of allowances for doubtful debts) with the following ageing analysis by invoice date:

	As at 30 June 2019 (Unaudited) HK$'000	As at 31 December 2018 (Audited) HK$'000
Less than 1 month	**5,534**	5,995
1 to 3 months	**2,186**	328
More than 3 months but less than 12 months	**4,913**	2,976
More than 12 months	**64**	307
	12,697	9,606

10. PLEDGED BANK DEPOSITS

As at 30 June 2019, the Group had pledged bank deposits amounting to approximately HK$732,000 (31 December 2018: approximately HK$885,000). At the end of the reporting period, bank guarantees of approximately HK$732,000 (31 December 2018: approximately HK$815,000) were issued to suppliers for operational requirements. The directors do not consider it is probable that a claim will be made against the Group under these guarantees.

11. TRADE AND OTHER PAYABLES

	As at 30 June 2019 (Unaudited) HK$'000	As at 31 December 2018 (Audited) HK$'000
Trade payables	6,351	5,893
Other payables		
Accrued charges and other creditors	12,361	9,684
Cash consideration payable for acquisition of a subsidiary *(note a)*	37,172	37,172
Due to a former director *(note b)*	12,393	12,393
Due to associates	696	793
	62,622	60,042
	68,973	65,935

Included in trade payables are trade creditors with the following ageing analysis by invoice date:

	As at 30 June 2019 (Unaudited) HK$'000	As at 31 December 2018 (Audited) HK$'000
Less than 1 month	3,621	3,892
1 to 3 months	1,311	789
More than 3 months but less than 12 months	334	127
More than 12 months	1,085	1,085
	6,351	5,893

(a) The cash consideration payable for a business combination in 2016 is unsecured, interest-free and payable on demand.

(b) The amount due to former director, Mr. Yeung Chun Wai Anthony ("Mr. Yeung"), represented the remaining balance of consideration received from the disposal of 5,700,000 ordinary shares of SingAsia Holdings Limited (Stock Code: 8293) (the "SingAsia Shares") on 9 June 2017, which was finally not approved at the special general meeting of the Company held on 29 December 2017 ("SingAsia Disposal").

As at 31 December 2017, the total amount of approximately HK$41,552,000 received from Mr. Yeung was accounted for as "other payables" and the 5,700,000 SingAsia Shares held by Mr. Yeung on behalf of the Group carried at a fair value approximately of HK$101,802,000 are classified as "financial assets at FVPL".

In March 2018, the 5,700,000 SingAsia Shares were sub-divided into 28,500,000 shares after sub-division of the issued share capital of SingAsia Holdings Limited ("Sub-divided SingAsia Shares"), of which 20,000,000 Sub-divided SingAsia Shares were returned to the Group by Mr. Yeung in exchange of consideration of approximately HK$29,159,000 previously received by the Group.

As at 30 June 2019 and 31 December 2018, 8,500,000 Sub-divided SingAsia Shares were held by Mr. Yeung and the related balance of consideration received of approximately HK$12,393,000 was accounted for as "due to a former director". As disclosed in the announcement of the Company dated 12 March 2019, in view of the prolonged period of delay in the settlement of the remaining SingAsia Shares by Mr. Yeung, the Company had, through its solicitors, issued the Writ of Summons to commence legal proceedings against Mr. Yeung on 12 March 2019 to request for specific performance by Mr. Yeung of its obligations under the settlement agreement for the transfer of the remaining SingAsia Shares and damages for breach of contract, which may include the fair value losses in the SingAsia Shares in view of the recent drop in the price of SingAsia Shares. As at the date of this interim report, the Group and Mr. Yeung are in the process of preparation and exchange of statement of claims and defences for the legal proceedings.

12. DEFERRED TAXATION

The movements for the period/year in the Group's deferred tax liabilities are as follows:

	As at 30 June 2019 (Unaudited) HK$'000	As at 31 December 2018 (Audited) HK$'000
At the beginning of the period/year	**(9,666)**	(13,782)
Credit to profit or loss	**1,720**	3,558
Exchange adjustments	**(29)**	558
At the end of the period/year	**(7,975)**	(9,666)

Recognised deferred tax liabilities at the end of the period/year represent the following:

	As at 30 June 2019 (Unaudited) HK$'000	As at 31 December 2018 (Audited) HK$'000
Depreciation allowances	**(7,975)**	(9,666)

13. SHARE CAPITAL

	Number of shares		**Amount**	
	30 June 2019 (Unaudited)	31 December 2018 (Audited)	**30 June 2019 (Unaudited) HK$'000**	31 December 2018 (Audited) HK$'000
Ordinary share of HK$0.01 each				
Authorised:				
At the beginning and at end of the period/year	**12,000,000,000**	12,000,000,000	**120,000**	120,000
Issued and fully paid:				
At the beginning of the period/year	**1,050,280,000**	875,280,000	**10,503**	8,753
Shares issued upon placing in March 2018	**–**	175,000,000	**–**	1,750
At the end of the period/year	**1,050,280,000**	1,050,280,000	**10,503**	10,503

14. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in these condensed consolidated financial statements, during the period, the Group had the following transactions with related parties:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	HK$'000
Nature of transactions		
Sundry income from an associate	**5**	2
Management fee expense to an associate	**960**	1,343
IT Supporting fee expense to an associate	**72**	72

15. LITIGATION

The Company is involved in a dispute on certain of the proceeds from the disposal of a subsidiary in previous year. Management believes that the claim is without merit and the possibility of a significant loss arising from the dispute is remote and therefore no provision for the claims was considered necessary.

16. FAIR VALUE MEASUREMENTS

The following presents the Group's financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy as defined in HKFRS 13, Fair Value Measurement, with the fair value measurement categorised in its entirety based on the lowest level input that is significant to the entire measurement. The levels of inputs are defined as follows:

- Level 1 (highest level): quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3 (lowest level): unobservable inputs for the asset or liability.

16. FAIR VALUE MEASUREMENTS *(continued)*

(i) ASSETS MEASURED AT FAIR VALUE

	Level 1 (Unaudited) HK$'000	Level 2 (Unaudited) HK$'000	Level 3 (Unaudited) HK$'000	Total (Unaudited) HK$'000
As at 30 June 2019				
Designated FVOCI				
Unlisted equity securities	**–**	**–**	**3,110**	**3,110**
Financial assets at FVPL				
Equity investments listed in Hong Kong	**3,917**	**–**	**–**	**3,917**
Unlisted principal non-guaranteed fund	**–**	**–**	**900**	**900**

	Level 1 (Audited) HK$'000	Level 2 (Audited) HK$'000	Level 3 (Audited) HK$'000	Total (Audited) HK$'000
As at 31 December 2018				
Designated FVOCI				
Unlisted equity securities	–	–	2,663	2,663
Financial assets at FVPL				
Equity investments listed in Hong Kong	129,806	–	–	129,806
Unlisted principal non-guaranteed fund	–	–	1,448	1,448

During the period ended 30 June 2019 and the year ended 31 December 2018, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

16. FAIR VALUE MEASUREMENTS *(continued)*

(i) ASSETS MEASURED AT FAIR VALUE *(continued)*

Movements in Level 3 fair value measurements

	Designated FVOCI		Financial assets at FVPL			
	Unlisted equity securities		Unlisted principal non-guaranteed fund		Total	
	As at 30 June 2019 (Unaudited) HK$'000	As at 31 December 2018 (Audited) HK$'000	**As at 30 June 2019 (Unaudited) HK$'000**	As at 31 December 2018 (Audited) HK$'000	**As at 30 June 2019 (Unaudited) HK$'000**	As at 31 December 2018 (Audited) HK$'000
At the beginning of the reporting period	**2,663**	–	**1,448**	–	**4,111**	–
Transfer from available-for-sale financial assets to Designated FVOCI at initial application of HKFRS 9	**–**	2,632	**–**	–	**–**	2,632
Purchases	**–**	86	**3,067**	16,564	**3,067**	16,650
Redemption	**–**	–	**(3,624)**	(15,262)	**(3,624)**	(15,262)
Total gains (losses)						
– in profit or loss	**–**	–	**9**	146	**9**	146
– in other comprehensive income	**447**	(55)	**–**	–	**447**	(55)
At the end of the reporting period	**3,110**	2,663	**900**	1,448	**4,010**	4,111
Change in unrealised gains or losses for the period included in						
– profit or loss for assets held at the end of the reporting period	**–**	–	**9**	146	**9**	146
– other comprehensive income	**447**	(55)	**–**	–	**447**	(55)

16. FAIR VALUE MEASUREMENTS *(continued)*

(i) ASSETS MEASURED AT FAIR VALUE *(continued)*

Quantitative information of the significant unobservable inputs and description of valuation techniques used in Level 3 fair value measurement

The quantitative information of the significant unobservable input and description of valuation techniques used in Level 3 fair value measurement, including the description of the sensitivity to changes in unobservable inputs for recurring Level 3 fair value measurements, are as follows:

Description	Fair value at 30 June 2019 (Unaudited) HK$'000	Valuation techniques	Unobservable input	Range (weighted average, if applicable)	Sensitivity of fair value to changes in unobservable inputs
Assets					
Financial assets at FVPL					
– unlisted principal non-guaranteed fund	900	Discounted cash flow	Interest rate	3.8%	Increasing/decreasing interest rate by 100 basis points would increase/decrease fair value by approximately HK$9,000.
Designated FVOCI					
– unlisted equity securities	3,110	Net asset values as reported by management of investee companies	n/a	n/a	n/a

Valuation processes of the Group

The fair values of assets and liabilities traded in active markets (such as equity investments at FVPL) are based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price quoted by source of market prices e.g. stock exchanges.

The fair values of assets and liabilities that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows and net asset value, are used to determine fair value for other assets and liabilities.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

16. FAIR VALUE MEASUREMENTS *(continued)*

(ii) FINANCIAL ASSETS AND LIABILITIES NOT MEASURED AT FAIR VALUE

The carrying amounts of the financial assets and liabilities of the Group carried at amounts other than their fair values are not materially different from their fair values as at 30 June 2019 and 31 December 2018.

17. CAPITAL EXPENDITURE COMMITMENTS

In April 2018, the Group entered into an agreement with a third party to develop and operate a characteristic cultural town in Yibin City of Sichuan Province in the PRC. In April 2018, Yibin Xianyuan Lake Small Towns Cultural Tourism Company Limited（宜賓仙源湖小鎮文旅有限公司）(“Yibin Company”) was incorporated in the PRC with registered capital of RMB200,000,000, for which the Group has committed to contribute RMB70,000,000 before 3 April 2028, representing 35% equity interest of Yibin Company. As at 30 June 2019 and up to the date of this report, no contribution has been made by the Group. Upon its incorporation, Yibin Company becomes an associate of the Group and is accounted for using equity method of accounting.

The principal activities of Yibin Company would be development and operation of the characteristic town, real estate and cultural tourism in Yibin City. As at 30 June 2019, Yibin Company remained inactive since its incorporation.

18. EVENT AFTER THE REPORTING PERIOD

On 30 August 2019, the Group entered into loan agreements with Mr. Zhao Ruiyong (“Mr. Zhao”), Ms. Li Bing (“Ms. Li”) and Mr. Cheung Ka Heng Frankie (“Mr. Cheung”), directors of the Company, pursuant to which the Group agreed to borrow principal amounts of HK$38,000,000, HK$500,000 and HK$2,000,000 from Mr. Zhao, Ms. Li and Mr. Cheung respectively. The loans from Mr. Zhao, Ms. Li and Mr. Cheung are unsecured, interest-free and repayable on 31 March 2021, 31 December 2019 and 31 December 2019 respectively.

BUSINESS REVIEW AND OUTLOOK

OVERVIEW

During the Period, the Group's revenue increased by approximately 16.9% to approximately HK$35.3 million compared to approximately HK$30.2 million for the prior period. Due to more efficient management of cost control, loss from operations for the Period was approximately HK$18.3 million, compared to loss of approximately HK$19.7 million for the previous period.

Loss attributable to equity holders of the Company of approximately HK$135.1 million was recorded for the Period compared to profit of approximately HK$64.4 million for the previous period. Huge loss was mainly due to an unrealised net loss on fair value changes of approximately HK$110.3 million on financial assets at FVPL.

TELECOMMUNICATION AND INFORMATION TECHNOLOGY BUSINESS ("TELECOM BUSINESS")

Total revenue recorded by the Telecom Business, which comprises the telecommunications and information technology businesses in Singapore and Hong Kong, and remains as the Group's major revenue contributor in the Period, was approximately HK$31.1 million, representing a 88.5% increase compared to approximately HK$16.5 million for the prior period. Such increase was mainly attributable to the expansion of the Group's wholesale voice telecommunications segment of the Telecom Business during the Period. Such segment contributed insignificant revenue in the previous period. In view of the expanded wholesale voice telecommunication business, the Group anticipates that, barring unforeseen circumstances, the level of business activities of the Telecom Business for the year 2019 will be comparable to that in the past year.

The Group is advancing its progress in building its infrastructure and team in servicing the wholesale voice telecommunications segment, while diligent in rationalising its cost structure for the Telecom Business. At the same time, the Group is also pursuing different opportunities that may expand the business portfolio of the Group in the Telecommunications, Media & Technology (TMT) sector.

FINANCIAL PAYMENT PROCESSING SOLUTION AND SOFTWARE DEVELOPMENT SERVICES, AND DISTRIBUTION BUSINESS ("IT AND DISTRIBUTION BUSINESS")

During the Period, total revenue from the IT and Distribution Business was approximately HK$4.2 million and recorded a decrease of 69.3% compared to approximately HK$13.7 million for the previous period. Such decrease was mainly due to the significant decline of revenue from distribution services affected by unstable global economy and weakened consumption market.

As we expect that the IT and Distribution Business will keep on facing increasingly challenging and uncertain business environment in the second half of 2019, and as disclosed in the Company's announcement dated 30 May 2019, the Company will continue to negotiate with the potential buyer in relation to potential disposal of entire equity interest in Stage Charm Limited (the holding company of IT and Distribution Business).

The Company has engaged a PRC legal advisor on 11 April 2019 to take legal actions to recover the advances to Zhejiang Hong Lan Investment Company Limited*（浙江宏瀾投資有限公司）and Hangzhou Kangyuan Information Technology Company Limited*（杭州康圓信息科技有限公司）. For details of aforesaid advances, please refer to the announcement of the Company dated 28 April 2019. As at the date of this interim report, the legal representative and the board of directors of Hangzhou Susong Technology Company Limited*（杭州蘇頌科技有限公司）("Hangzhou Susong") have not yet provided with the relevant authorization documents to the Company for the purpose of commencing the legal actions. The Company is currently liaising with its PRC legal advisor on the solutions, which may include mandatory change of the legal representative and directors of Hangzhou Susong and mandatory delivery of the Hangzhou Susong's company chops to the Company.

* *For identification purpose only*

PROPERTY DEVELOPMENT AND TOURISM BUSINESS

Due to safety consideration arising from that an oil and gas transportation pipeline was found under the originally planned Wusu characteristic town construction land, it is required by Wusu government that the project should be developed in new construction land in the southern part of Wusu city. The construction plan in Wusu city has been delayed and will be restarted once the relevant documents of the new construction land and the internal approval procedures have been completed by Wusu government.

In view of the fact that the projects in Wusu city and Yibin city are in the preliminary construction stage and have not achieved significant progress as at the date of this interim report, these projects have not contributed revenue during the Period. It is expected that these projects will not contribute revenue shortly. However, we believe that developing the characteristic town projects is a way of diversifying the business portfolio of the Group and improving the performance of the Group by generating investment returns.

OUTLOOK

Looking ahead, facing increasing uncertainties arising from US-China trade tensions and unstable global economy, the Group will carry on striving its journey in finding a delicate balance in deploying its resources between maintaining the sustainability and relevance of the Telecom Business in the competitive market, and diversifying its business portfolio by engaging in new business opportunities arising from the Belt and Road Initiative as well as other potential investment opportunities.

Through actively pursuing other investment opportunities to improve business performance, increase operational efficiency and realise business synergy, it is expected that sustainable and steady business growth can be achieved and a more promising return can be offered to the Group and its shareholders as a whole.

REVENUE AND RESULTS

The Group's revenue for the Period amounted to approximately HK$35.3 million, representing an increase of approximately 16.9% from the corresponding period in the prior year.

The gross profit for the Period decreased by approximately 47.4% to approximately HK$9.2 million, compared to approximately HK$17.5 million for the previous corresponding period. The overall gross margin of the Group for the Period dropped to approximately 26.0% (period ended 30 June 2018: approximately 57.9%), which was mainly due to the expansion of the Group's wholesale voice telecommunications segment of the Telecom Business during the Period which has lower gross margin.

Total operating expenses of the Group for the Period amounted to approximately HK$28.8 million, representing a decrease of approximately 28.5% over the same period in the prior year. The decrease was mainly due to rental reduction after the termination of an office lease in September 2018.

The operating loss of the Group for the Period amounted to approximately HK$18.3 million, compared to a loss of approximately HK$19.7 million for the previous corresponding period.

The Group recorded unrealised net loss on fair value changes and a net loss on disposal and fair value changes of approximately HK$110.3 million and approximately HK$3.3 million respectively (period ended 30 June 2018: approximately HK$70.9 million of net gain on fair value changes and approximately HK$3.3 million of net gain on disposal and fair value changes) in respect of financial assets at FVPL for the Period. The unrealised net loss on fair value changes was mainly due to significant drop of fair value in the investment in SingAsia Holdings Limited (stock code: 8293) ("SingAsia") during the Period.

The consolidated loss attributable to equity holders of the Company for the Period amounted to approximately HK$135.1 million, compared to a profit of approximately HK$64.4 million for the prior period.

As disclosed in the announcement of the Company dated 10 January 2018, e-Kong Pillars Holdings Limited ("e-Kong Pillars") (a wholly-owned subsidiary of the Company) and Mr. Yeung Chun Wai Anthony ("Mr. Yeung") entered into the settlement agreement on 10 January 2018 (the "Settlement Agreement"), pursuant to which Mr. Yeung agreed to return the 5,700,000 shares of SingAsia ("SingAsia Shares") (which were subsequently sub-divided into 28,500,000 shares after SingAsia's corporate actions) to e-Kong Pillars, in consideration of which e-Kong Pillars will return the aggregate consideration previously paid to e-Kong Pillars by Mr. Yeung for the said SingAsia Shares. Subsequent to the entering of the Settlement Agreement, Mr. Yeung had completed the transfer of 4,000,000 SingAsia Shares (before sub-division), and the remaining number of SingAsia Shares to be returned by Mr. Yeung amounted to 1,700,000 (before sub-division).

As disclosed in the announcement of the Company dated 12 March 2019, in view of the prolonged period of delay in the settlement of the remaining SingAsia Shares by Mr. Yeung, the Company had, through its solicitors, issued the Writ of Summons to commence legal proceedings against Mr. Yeung on 12 March 2019 to request for specific performance by Mr. Yeung of its obligations under the Settlement Agreement for the transfer of the remaining SingAsia Shares and damages for breach of contract, which may include the fair value losses in the SingAsia Shares in view of the recent drop in the price of SingAsia Shares. As at the date of this interim report, e-Kong Pillars and Mr. Yeung are in the process of preparation and exchange of statement of claims and defences for the said legal proceedings.

CIRCUMSTANCES LEADING TO THE IMPAIRMENT LOSS OF HANGZHOU SUSONG

Total revenue of Hangzhou Susong during the Period decreased by 69.3% compared to the previous corresponding period. The decrease was mainly attributable to the significant decrease in the revenue from distribution business.

In light of the declining revenue and challenging business environment in the IT and Distribution Business, the Group anticipated a lower financial forecast in the IT and Distribution Business. The Group has appointed an independent professional valuer, Flagship Appraisals and Consulting Limited, to perform an appraisal of the values of the IT and Distribution Business at the end of the Period, resulting in the impairment loss on goodwill of approximately HK$4.5 million recognised during the Period.

The table below sets out the valuation method, major assumptions and details of the value of inputs used in the valuation for determining the 2018 impairment and 2019 impairment:

	Valuation in relation to the 2019 impairment	**Valuation in relation to the 2018 impairment**
Valuation date	30 June 2019	31 December 2018
Valuation methodology	Discounted cash flow, income approach	Discounted cash flow, income approach
Major assumptions	<u>Revenue growth</u>	<u>Revenue growth</u>
	• Average growth rate of 0% from 2019 to 2023	• Average growth rate of 5% from 2019 to 2023
	• Average growth rate of –2% for financial payment processing solution and software development services ("IT Business") from 2019 to 2023	• Average growth rate of –2% for IT Business from 2019 to 2023
	• Average growth rate of 8% for distribution business from 2019 to 2023	• Average growth rate of 14% for distribution business from 2019 to 2023
	<u>Gross margins</u>	<u>Gross margins</u>
	Range from 84% to 92% during the forecast period between 2019 and 2023	Range from 82% to 90% during the forecast period between 2019 and 2023
	<u>Corporate tax rate</u>	<u>Corporate tax rate</u>
	25%	25%
	<u>Terminal growth</u>	<u>Terminal growth</u>
	2%	2%
Discount rate (pre-tax)	29% 34% for IT Business 29% for distribution business	31% 33% for IT Business 30% for distribution business

REASONS FOR THE CHANGE IN ASSUMPTIONS USED IN THE VALUATION FOR THE 2019 IMPAIRMENT AS COMPARED WITH THE ASSUMPTIONS USED IN THE VALUATION FOR THE 2018 IMPAIRMENT

(i). Financial forecast

Hangzhou Susong has two revenue sources, namely, IT Business and distribution business. The income from distribution business declined significantly during the Period as a result of unstable global economy and weakened consumption market. The management of Hangzhou Susong considers revenue from distribution business could not meet the expected revenue in the previous forecast. Therefore, the management decides to lower the financial forecast for distribution business.

(ii). Discount rate

The discount rate applied was based on the same methodology in the previous year. The difference of discount rate between 2018 and 2019 is mainly because of the change in market parameter (i.e. the applied debt-to-equity ratio) and specific risk premium. The applied debt-to-equity ratio makes reference to comparable companies' trading data, while the specific risk premium was adjusted to reflect the uncertainty of business environment and market competitions.

UNCERTAINTIES RELATING TO GOING CONCERN

As set out in note 1 to the condensed consolidated interim financial statements, the Group incurred a net loss of approximately HK$135.4 million. As at 30 June 2019, the Group had net current liabilities of approximately HK$5.6 million. The Group maintained bank balances and cash of approximately HK$11.7 million as at 30 June 2019.

These conditions indicate the existence of uncertainty that might cast significant doubt about the Group's ability to continue as a going concern and therefore the Group entered into loan agreements with the Directors on 30 August 2019 with aggregate amount of HK$40.5 million to mitigate the liquidity and financial pressure and to improve the Group's financial position. Such loans are on normal commercial terms or better, interest-free with no pledge of assets or guarantee provided by the Group, which constitute a fully-exempt connected transaction of the Group under Chapter 14A of the Listing Rules.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCING

As at 30 June 2019, the net assets of the Group amounted to approximately HK$93.9 million compared to approximately HK$228.7 million as at 31 December 2018.

The Group had not incurred capital expenditures for the Period, compared to approximately HK$62.7 million for the prior period.

Bank balances and cash (excluding pledged bank deposits) amounted to approximately HK$11.7 million as at 30 June 2019 (31 December 2018: approximately HK$13.9 million). As at 30 June 2019, approximately HK$0.7 million (31 December 2018: approximately HK$0.9 million) was pledged as bank deposits. In addition, bank guarantees of approximately HK$0.7 million as at 30 June 2019 (31 December 2018: approximately HK$0.8 million) were issued to suppliers for operations requirements.

The Group had no bank borrowings as at 30 June 2019 and 31 December 2018. As at 30 June 2019, the Group had lease liabilities of approximately HK$4.2 million (31 December 2018: approximately HK$0.1 million).

As at 30 June 2019, the Group's gearing ratio, measured on the basis of total borrowings as a percentage of net assets was approximately 4.5% (31 December 2018: approximately 0.1%).

FOREIGN EXCHANGE EXPOSURE

The Group has certain assets, liabilities, and transactions which are denominated in Singapore dollars and Renminbi. The Group continues to closely monitor the exchange rates of each of Singapore dollar, Hong Kong dollar and Renminbi and will, whenever appropriate, take appropriate action to mitigate such exchange risks. As at 30 June 2019, no related currency hedges had been undertaken by the Group.

CONTINGENT LIABILITIES AND COMMITMENTS

As at 30 June 2019, the Company is involved in a dispute on certain of the proceeds from the disposal of a subsidiary in year 2015. The Group's management believes that the claim is without merit and the possibility of a significant loss arising from the dispute is remote and therefore no provision of the claims was considered necessary.

In April 2018, the Group entered into an agreement with a third party to develop and operate a characteristic cultural town in Yibin City of Sichuan Province in the PRC. In April 2018, Yibin Xianyuan Lake Small Towns Cultural Tourism Company Limited (宜賓仙源湖小鎮文旅有限公司) ("Yibin Company") was incorporated in the PRC with registered capital of Yibin Company of RMB200,000,000, for which Group has committed to contribute RMB70,000,000 before 3 April 2028, representing equity interest in 35% of Yibin Company. As at the end of the reporting period and up to the date of this interim report, no contribution has been made by the Group.

Other than the above, there were no material contingent liabilities or capital commitments.

SIGNIFICANT INVESTMENTS HELD AND PERFORMANCE

As at 30 June 2019, the Group held listed investments in securities in Hong Kong (collectively, the "Investments") with a market value of approximately HK$3.9 million (31 December 2018: approximately HK$129.8 million), which comprised an investment portfolio of five (31 December 2018: five) listed equities in Hong Kong. The Group recorded unrealised fair value loss and realised loss on disposal of approximately HK$110.3 million and approximately HK$3.3 million respectively (period ended 30 June 2018: approximately HK$70.9 million of unrealised fair value gain and approximately HK$3.3 million of realised gain on disposal) in respect of financial assets at FVPL for the Period. The significant decrease in fair value for those held as at 30 June 2019 was mainly due to the stock price decrease of SingAsia during the Period.

SIGNIFICANT INVESTMENTS HELD AND PERFORMANCE *(continued)*

The details of the Investments as at 30 June 2019 were as follows:

	Company name	Stock code	Number of shares held	% of shareholdings in equity investment	Realised loss on disposal for the period HK$'000	Unrealised gain/(loss) on fair value change for the period HK$'000	Fair value as at 1 January 2019 HK$'000	Fair value as at 30 June 2019 HK$'000	% of net assets	Principal activities
1	New Provenance Everlasting Holdings Limited	02326	1,000,000	0.01%	–	(5)	30	25	0.03%	Sourcing and sales of metal minerals and related industrial materials, production and sale of industrial products and utilities, sale of electrical and electronic consumer products, provision of logistics services.
2	SingAsia Holdings Limited	08293	17,745,000	1.42%	(3,337)	(109,256)	127,386	2,538	2.70%	Provide manpower outsourcing services, manpower recruitment services and manpower training services based in Singapore.
3	China Saite Group Company Limited	00153	5,040,000	0.19%	–	(701)	1,865	1,164	1.24%	Construction of steel structure and prefabricated construction projects
4	Haitian Energy International Limited	01659	2,576,000	0.03%	–	(340)	340	–	0.00%	Hydropower generation and provision of power operation services
5	Sino Harbour Holdings Group Limited	01663	1,000,000	0.04%	–	5	185	190	0.20%	Property development and general trading
					(3,337)	(110,297)	129,806	3,917		

During the Period, the Group had not received dividend from the securities held (period ended 30 June 2018: Nil).

The Board considers that the performance of the above equities may be affected by the degree of volatility in the Hong Kong stock market and susceptible to other external factors that may affect their values. Accordingly, in order to mitigate possible financial risks related to the equities, the Board maintains a diversified investment portfolio across various segments of the market and also closely monitors the performance of its investment portfolio.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2019, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, the "SFO") as were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules were as follows:

INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

Name of director	Capacity	Number of Shares# interested	Approximate percentage of shareholding
Zhao Ruiyong	Interest of a controlled corporation	222,820,000 *(Note 1)*	21.22%

"Shares" means ordinary shares of HK$0.01 each in the share capital of the Company.

Note 1: *The 222,820,000 Shares are beneficially owned by Great Wall Belt & Road (HK) Limited ("Great Wall HK"), which is wholly-owned by Great Wall Film & Culture Company Group Limited*（長城影視文化企業集團有限公司）("Great Wall Group"). Great Wall Group is in turn owned as to 66.67% and 33.33% by Mr. Zhao Ruiyong and Mr. Zhao Feifan respectively. Therefore, each of Great Wall Group, Mr. Zhao Ruiyong and Mr. Zhao Feifan is deemed to be interested in the 222,820,000 Shares held by Great Wall HK pursuant to Part XV of the SFO.*

All interests disclosed above represent long positions in the shares of the Company and there were no underlying shares or debentures of the Company held by the Directors or the chief executives of the Company as at 30 June 2019.

INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF ASSOCIATED CORPORATIONS

Name of director	Name of associated corporation	Capacity	Amount of Registered Capital# interested	Approximate percentage of shareholding
Zhao Ruiyong	Wusu Silk Road Small Towns Cultural Tourism Company Limited*（烏蘇絲路小鎮文旅有限公司）("Wusu Company") *(Note 2)*	Interest of a controlled corporation	RMB150,000,000	75.00%

"Registered Capital" means the registered capital of Wusu Company in RMB, and Wusu Company has no shares, underlying shares or debentures.

Note 2: *Wusu Company is owned as to 25% and 75% by the Company and Great Wall Group respectively. Great Wall Group is in turn owned as to 66.67% by Mr. Zhao Ruiyong. Therefore, Wusu Company is an associated corporation of the Company and Mr. Zhao Ruiyong is deemed to be interested in the Registered Capital of RMB150,000,000 held by Great Wall Group pursuant to Part XV of the SFO.*

All interests disclosed above represent long positions.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(continued)*

Save as disclosed above, as at 30 June 2019, none of the Directors or the chief executives of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as were recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2019, the interests and short positions of the persons, other than the Directors or the chief executives of the Company, in the shares and underlying shares of the Company which were required to be disclosed to the Company under provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

Name of shareholder	Capacity	Number of Shares# interested	Approximate percentage of shareholding
Great Wall HK	Beneficial owner	222,820,000 *(Note 1 above)*	21.22%
Great Wall Group	Interest of a controlled corporation	222,820,000 *(Note 1 above)*	21.22%
Zhao Feifan	Interest of a controlled corporation	222,820,000 *(Note 1 above)*	21.22%
Pang Ming	Beneficial owner	65,900,000	6.27%
Tsao Fai Freddy	Beneficial owner	61,420,000	5.85%
Wong Hok Man	Beneficial owner	53,330,000	5.08%

"Shares" means ordinary shares of HK$0.01 each in the share capital of the Company.

Note 3: According to the disclosure on the website of the Stock Exchange, Ms. Tam Yuk Ching Jenny has a security interest in 543,500,000 Shares.

All interests disclosed above represent long positions in the shares of the Company.

Save as disclosed above, as at 30 June 2019, no other person, other than the Directors and the chief executives of the Company, had any interest or short position in the shares and underlying shares of the Company which were required to be disclosed to the Company under provision of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO or otherwise notified to the Company.

SHARE OPTION SCHEME

The Company terminated its old share option scheme adopted on 20 May 2015 and adopted a new share option scheme (the "New Share Option Scheme") at the annual general meeting (the "AGM") of the Company held on 28 June 2018, to recognise, motivate and provide incentives to those who make contributions to the Group.

The New Share Option Scheme shall be valid and effective for a period of 10 years up to 27 June 2028. The maximum number of share options which can be granted under the New Share Option Scheme is 105,028,000, representing 10% of the issued shares of the Company as at the date of the AGM. The summary of the principal terms of the New Share Option Scheme is set out in the circular of the Company dated 28 May 2018.

During the six months ended 30 June 2019, no share option was outstanding or had been granted or agreed to be granted under the New Share Option Scheme.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Directors are committed to maintaining high standards of corporate governance in performing their obligations to act in the best interests of shareholders and enhance long-term shareholder value. Save as disclosed below, the Directors are not aware of any information which would reasonably indicate that the Company is not, or was not at any time during the six months ended 30 June 2019, acting in compliance with the code provisions (the "Code Provisions") of the Corporate Governance Code and Corporate Governance Report (the "Corporate Governance Code") as set out in Appendix 14 to the Listing Rules.

Pursuant to Code Provision C.1.2 of the Corporate Governance Code, management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

During the six months ended 30 June 2019, the management of the Company did not provide monthly management accounts of the Group's subsidiaries to the Directors. The management of the Company will provide monthly updates on the Group's performance, position and prospects and will try its best endeavors to provide management accounts of the Group's subsidiaries to the Directors in the future. In addition, apart from monthly updates, the management of the Company will provide with all members of the Board, in a timely manner, updates upon becoming aware of any material changes to the performance and position of the Group and give explanatory information for matters brought before the Board. The management of the Company will also communicate with the Directors, including independent non-executive Directors, by email or by phone on any material development of the Group from time to time. The Company considered that the above measures will enable all members of the Board to have access to the Group's latest development and affairs in a timely manner.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding Directors' transactions in securities of the Company. All Directors have confirmed, following specific enquiries made by the Company, that they have fully complied with the required standard set out in the Model Code throughout the six months ended 30 June 2019.

DISCLOSURES PURSUANT TO RULES 13.13 AND 13.15 OF THE LISTING RULES

ADVANCES TO ZHEJIANG HONG LAN

During the period from July 2016 to December 2018, Hangzhou Susong, a non-wholly-owned subsidiary of the Company, had made a number of tranches of advancements to Zhejiang Hong Lan Investment Company Limited*（浙江宏瀾投資有限公司）("Zhejiang Hong Lan") in the aggregate amount of RMB38,099,466 (the "Hong Lan Advancements"). The Hong Lan Advancements do not have maturity period and shall be repayable by Zhejiang Hong Lan on demand. As at the date of this report, the outstanding amount of advancement owed by Zhejiang Hong Lan to Hangzhou Susong amounted to RMB38,099,466.

Zhejiang Hong Lan is a company established in the PRC with limited liability. According to the business licence of Zhejiang Hong Lan, it is principally engaged in various services including industrial investment, investment management and investment consulting (except securities and futures).

As advised by Hangzhou Susong, during the year ended 31 December 2017, Hangzhou Susong made advancements of RMB17,516,161 to Zhejiang Hong Lan which was proposed to provide human resources management and administration services to Hangzhou Susong; during the year ended 31 December 2018, Hangzhou Susong further strengthened the cooperation with Zhejiang Hong Lan in which Zhejiang Hong Lan agreed to provide assistance to Hangzhou Susong in developing and promoting the financial payment processing solution business in the PRC; in view of the aforesaid cooperation, Hangzhou Susong had further advanced an aggregate of RMB20,583,305 to Zhejiang Hong Lan with no interests charged.

The Hong Lan Advancements did not carry any interests. Hangzhou Susong did not obtain any security in respect of any of the Hong Lan Advancements.

Mr. Song Xiaodong（宋曉東）("Mr. Song"), a director of Hangzhou Susong, had provided an indemnity in favour of Hangzhou Susong, pursuant to which Mr. Song agreed to undertake the repayment obligation for an amount of approximately RMB20,583,000 of the outstanding amount of the Hong Lan Advancements as at 31 December 2018 in the event that Zhejiang Hong Lan fails to fulfil such repayment obligation.

As the applicable percentage ratios for the Hong Lan Advancements, on an aggregate basis, are more than 5% but less than 25%, the Hong Lan Advancements constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements. The Hong Lan Advancements also constituted advances to an entity under Rule 13.13 of the Listing Rules.

DISCLOSURES PURSUANT TO RULES 13.13 AND 13.15 OF THE LISTING RULES *(continued)*

ADVANCES TO HANGZHOU KANGYUAN

During the period from May 2018 to December 2018, Hangzhou Susong had made two tranches of advancements to Hangzhou Kangyuan Information Technology Company Limited（杭州康圓信息科技有限公司）(“Hangzhou Kangyuan”) in the aggregate amount of RMB330,000 (“Kangyuan Advancements”). The Kangyuan Advancements do not have maturity period and shall be repayable by Hangzhou Kangyuan on demand. As at the date of this report, the outstanding amount of advancement owed by Hangzhou Kangyuan to Hangzhou Susong amounted to RMB330,000.

Hangzhou Kangyuan is a company established in the PRC with limited liability. According to the business licence of Hangzhou Kangyuan, it is principally engaged in computer information technology, computer network technology, research and development of health technology, technical services, technical consultation, technical achievement transfer; retail of pre-packaged food; sales of rehabilitation equipment and sports equipment.

As advised by Hangzhou Susong, during the period from May 2018 to December 2018, due to Hangzhou Kangyuan’s short-term liquidity problem, Hangzhou Susong made two tranches of advancements to Hangzhou Kangyuan amounting to RMB330,000 in total. In view of the long-term business cooperation with Hangzhou Kangyuan, no interests were charged for the Kangyuan Advancements.

The Kangyuan Advancements did not carry any interests. Hangzhou Susong did not obtain any security in respect of the Kangyuan Advancements.

As the applicable percentage ratios for the Kangyuan Advancements, when aggregated with Hong Lan Advancements, are more than 5% but less than 25%, the Kangyuan Advancements constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements. The Kangyuan Advancements, when aggregated with Hong Lan Advancements, also constituted advances to an entity under Rule 13.13 of the Listing Rules.

CHANGES IN INFORMATION OF DIRECTORS AND CHIEF EXECUTIVES

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of the Directors and the chief executives of the Company subsequent to the date of the 2018 Annual Report of the Company are as follows:

Mr. Fung Wai Shing ceased to be the company secretary of China Qinfa Group Limited (the issued shares of which are listed on the Stock Exchange (Stock Code: 866)).

REVIEW OF INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019 have been reviewed by the Audit Committee before they were duly approved by the Board.

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

During the Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

EVENTS AFTER THE REPORTING PERIOD

Details of the important events affecting the Group which have occurred since the end of the Period are set out in note 18 to the condensed consolidated interim financial statements.

EMPLOYEE AND REMUNERATION POLICIES

As at 30 June 2019, the Group had 41 (31 December 2018: 41) employees in China, Hong Kong and Singapore and its total staff costs for the six months ended 30 June 2019 were approximately HK$9.2 million (30 June 2018: approximately HK$11.1 million).

The Group's remuneration policies and structure have remained unchanged since the date of the 2018 Annual Report of the Company. A new share option scheme was adopted by the Company on 28 June 2018 as set out in the section headed "Share Option Scheme" on page 37 of this report.

ENVIRONMENTAL AWARENESS

Over the years, the Group has made considerable endeavours in reducing waste in the course of its operations. Since 2015, the Company has participated in the "Wastewi$e Certificate" of the Hong Kong Green Organisation Certification, which is a recognition scheme established by, among others, the Environmental Protection Department and Environmental Campaign Committee to encourage Hong Kong businesses and organisations in adopting structured measures to reduce the amount of waste generated within their establishments or generated through the services and products they provide.

* *For identification purpose only*

By Order of the Board
Zhao Ruiyong
Chairman and Executive Director

Hong Kong, 30 August 2019