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PROSPEROUS FUTURE HOLDINGS LIMITED

未來發展控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1259)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

Revenue increased by about 56.2% over the same period in 2019 to approximately RMB436.0 million.

Gross profit increased by about 493.0% over the same period in 2019 to approximately RMB111.1 million. Gross profit margin increased by around 18.8% over the same period in 2019 to about 25.5%.

Loss attributable to the equity holders of the Company for the period amounted to approximately RMB0.6 million, as compared with loss attributable to equity holders of the Company amounting to approximately RMB75.3 million over the same period in 2019.

Basic loss per share attributable to the equity holders of the Company was approximately RMB0.04 cents, basic loss per share attributable to equity holders of the Company for the same period in 2019 was approximately RMB5.29 cents.

The board (the “**Board**”) of directors (the “**Directors**”) of Prosperous Future Holdings Limited (the “**Company**”) hereby presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2020 (the “**Reporting Period**”) together with the unaudited comparative figures for the corresponding period in 2019 and audited comparative figures at 31 December 2019, and the relevant explanatory notes as set out below. The condensed consolidated results are unaudited, but have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended 30 June	
	<i>Notes</i>	2020	2019
		RMB'000	RMB'000
		(unaudited)	(unaudited and restated)
Continuing operations			
Revenue	4	436,015	279,197
Cost of sales		<u>(324,910)</u>	<u>(260,460)</u>
Gross profit		111,105	18,737
Other income and gains	5	19,187	5,987
Selling and distribution expenses		(60,568)	(25,220)
Administrative expenses		(49,380)	(57,042)
Other expenses	6	(18,763)	(14,232)
Finance costs	7	(1,827)	(3,131)
Share of loss of associates		(435)	(81)
Share of profit of a joint venture		<u>70</u>	<u>199</u>
Loss before tax	8	(611)	(74,783)
Income tax expense	9	<u>(2,086)</u>	<u>(6)</u>
Loss for the period from continuing operations		<u>(2,697)</u>	<u>(74,789)</u>
Discontinued operations			
Profit for the period from discontinued operations	10	<u>–</u>	<u>1,349</u>
Loss for the period		<u>(2,697)</u>	<u>(73,440)</u>

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME** *(Continued)*

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
<i>Notes</i>	RMB'000	RMB'000
	(unaudited)	(unaudited and restated)
Loss for the period attributable to the equity holders of the Company from:		
– Continuing operations	(645)	(74,789)
– Discontinued operations	–	(548)
	<hr/>	<hr/>
Loss for the period attributable to the equity holders of the Company	(645)	(75,337)
	<hr/> <hr/>	<hr/> <hr/>
(Loss)/profit for the period attributable to non-controlling interests from:		
– Continuing operations	(2,052)	–
– Discontinued operations	–	1,897
	<hr/>	<hr/>
(Loss)/profit for the period attributable to non-controlling interests	(2,052)	1,897
	<hr/> <hr/>	<hr/> <hr/>
Loss for the period	(2,697)	(73,440)
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CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the six months ended 30 June 2020

	<i>Notes</i>	Six months ended 30 June	
		2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
		(unaudited)	(unaudited and restated)
Loss for the period		(2,697)	(73,440)
Other comprehensive income/(expense) for the period arising from continuing operations:			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of operations outside Mainland China		6,926	585
Reclassification adjustment relating to foreign operations disposed of		65	–
Items that may not be reclassified to profit or loss in subsequent periods:			
Loss on change in fair value of financial assets at fair value through other comprehensive income, net of tax		(567)	(51,205)
Other comprehensive income/(expense) for the period arising from continuing operations		6,424	(50,620)
Other comprehensive income for the period arising from discontinued operations:			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of operations outside Mainland China		–	245
Other comprehensive income for the period arising from discontinued operations		–	245
Total comprehensive income/(expense) for the period		3,727	(123,815)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME** *(Continued)*

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited and restated)
Total comprehensive income/(expense) for the period	3,727	(123,815)
Total comprehensive income/(expense) for the period attributable to equity holders of the Company from:		
– Continuing operations	4,830	(125,438)
– Discontinued operations	–	(423)
Total comprehensive income/(expense) for the period attributable to equity holders of the Company	4,830	(125,861)
Total comprehensive (expense)/income for the period attributable to non-controlling interests from:		
– Continuing operations	(1,103)	29
– Discontinued operations	–	2,017
Total comprehensive (expense)/income for the period attributable to non-controlling interests	(1,103)	2,046
Total comprehensive income/(expense) for the period	3,727	(123,815)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME** *(Continued)*

For the six months ended 30 June 2020

	<i>Notes</i>	2020 <i>RMB cents</i>	2019 <i>RMB cents</i> (restated)
Loss per share from continuing and discontinued operations	<i>12</i>		
Basic		(0.04) <u><u> </u></u>	(5.29) <u><u> </u></u>
Diluted		N/A <u><u> </u></u>	N/A <u><u> </u></u>
Loss per share from continuing operations	<i>12</i>		
Basic		(0.04) <u><u> </u></u>	(5.25) <u><u> </u></u>
Diluted		N/A <u><u> </u></u>	N/A <u><u> </u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30 June 2020	31 December 2019
	<i>Notes</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		84,643	85,729
Right-of-use assets		26,827	27,639
Investment properties		77,486	80,460
Properties for development		95,718	99,234
Goodwill		37,174	–
Interests in associates		2,617	2,927
Interests in a joint venture		–	–
Financial assets at fair value through other comprehensive income		31,997	32,564
Deferred tax assets		1,463	2,677
Loan and interest receivables	13	4,248	6,776
Prepayments and deposits		1,529	1,499
		<hr/>	<hr/>
		363,702	339,505
		<hr/>	<hr/>
CURRENT ASSETS			
Inventories		43,940	40,820
Loan and interest receivables	13	43,325	73,126
Finance lease and interest receivables		507	–
Trade and bills receivables	14	87,908	97,746
Prepayments, deposits and other receivables		128,493	84,759
Contract assets		1,762	–
Amount due from an associate		41,598	23,125
Amount due from a joint venture		6,447	6,304
Financial assets at fair value through profit or loss		38,981	–
Income tax recoverable		1,578	–
Pledged bank deposits		4,649	16,906
Cash and cash equivalents		477,074	414,065
		<hr/>	<hr/>
		876,262	756,851
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

As at 30 June 2020

		30 June 2020	31 December 2019
	<i>Notes</i>	RMB'000 (unaudited)	RMB'000 (audited)
CURRENT LIABILITIES			
Trade and bills payables	15	98,939	104,314
Other payables and accruals		60,812	45,209
Lease liabilities		7,147	5,189
Bank and other borrowings		172,900	96,986
Promissory note payable		12,307	12,130
Amounts due to associates		50,685	5,600
Amount due to non-controlling interest		6,874	895
Income tax payable		6,413	4,463
		416,077	274,786
NET CURRENT ASSETS		460,185	482,065
TOTAL ASSETS LESS			
CURRENT LIABILITIES		823,887	821,570
NON-CURRENT LIABILITIES			
Lease liabilities		(15,264)	(17,335)
Deferred tax liabilities		(14,813)	(14,894)
		(30,077)	(32,229)
NET ASSETS		793,810	789,341
EQUITY			
Share capital		15,348	15,348
Reserves		730,004	725,174
		745,352	740,522
Equity attributable to equity holders of the Company		745,352	740,522
Non-controlling interests		48,458	48,819
TOTAL EQUITY		793,810	789,341

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. CORPORATE INFORMATION

Prosperous Future Holdings Limited was incorporated as an exempted company with limited liability in the Cayman Islands. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business in Hong Kong is located at Room 2005-2006, Kinwick Centre, 32 Hollywood Road, Central, Hong Kong. The Company's principal place of business in the People's Republic of China (the "**Mainland China**" or the "**PRC**") is located at No. 8, North Wuqiao Road, Lantian Economic Development Zone, Zhangzhou City, Fujian Province, the PRC.

The principal activity of the Company is investment holding. The subsidiaries of the Company are principally engaged in the manufacturing and sale of personal care products, money lending, trading of commodities, securities investment, properties holding, investment holding, provision of food and beverage services, finance lease and provision of professional services such as fund setup and administration, legal and tax consultancy and co-ordination, corporate and accounting services, trust and fiduciary services.

The Group discontinued its operation of online platform, details of which are set out in note 10.

The consolidated financial statements of the Group, comprising the Company and its subsidiaries, are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

Restatement due to discontinued operations

The comparative information in respect of the consolidated statement of profit or loss and other comprehensive income, together with notes thereon for the six months ended 30 June 2019 has been restated, where appropriate, in order to conform with the current period's presentation of the discontinued operations separately from continuing operations. As the restatements do not affect the consolidated statement of financial position, it is not necessary to disclose comparative information as at 1 January 2019.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board and the applicable disclosure requirements under Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

Other than the changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards (“IFRS”), the accounting policies and basis of preparation adopted in the preparation of the interim financial statements are the same as those used in the annual financial statements for the year ended 31 December 2019.

In the current period, for the first time, the Group has applied the following new and amendments to the IFRSs issued by the International Accounting Standard Board. These IFRSs are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s unaudited condensed consolidated financial statements.

Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform
Amendments to IAS 1 and IAS 8	Definition of Material

The adoption of new and revised IFRSs has no material effect on the Group’s results and financial position for the current and previous accounting periods.

The Group has not applied any new or revised IFRSs that have been issued but are not yet effective for current accounting period.

3. OPERATING SEGMENT INFORMATION

Continuing Operations

For management purposes, the Group is organised into the following operating segments based on their products and services:

- (a) Personal care products – manufacture and sale of skin care, body and hair care products
- (b) Money lending
- (c) Trading of commodities
- (d) Securities investment
- (e) Properties holding
- (f) Food and beverage – sale of frozen food and beverage products and provision of related services
- (g) Finance lease
- (h) Provision of professional services – fund setup and administration, legal and tax consultancy and co-ordination, corporate and accounting services, trust and fiduciary service

During the period, the Group commenced the business engaging in provision of professional services following the completion of the acquisition of Ayasa Globo Financial Services (BVI) Limited (“**Ayasa Globo BVI**”), and it is considered as a new operating and reportable segment by the management.

3. OPERATING SEGMENT INFORMATION *(Continued)*

Discontinued operations

Operation of online platform

The operation of online platform segment was disposed by the Group during the prior year ended 31 December 2019 and is regarded discontinued operations, details of which set out in note 10.

The Group's management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment (loss)/profit, which is a measure of adjusted (loss)/profit before tax. The adjusted (loss)/profit before tax is measured consistently with the Group's (loss)/profit before tax except that interest income derived from banks, other unallocated income and gains, finance costs as well as corporate and unallocated expenses are excluded from such measurement.

Segment assets exclude unallocated property, plant and equipment, right-of-use assets, prepayments, deposits and other receivables, amount due from a joint venture, interests in associates, interests in a joint venture and cash and cash equivalents as these assets are managed on a group basis.

Segment liabilities exclude unallocated other payables and accruals, lease liabilities, promissory note payable, bank and other borrowings, tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

For the current period under review, certain pledged deposits, cash and cash equivalents and bank and other borrowings that were previously classified as unallocated assets/liabilities have been reallocated to respective segments as a result of change of view of the Group's management in assessing segment performance and deciding how to allocate the Group's resources. Previously reported figures in respect of certain segment assets and segment liabilities as at 31 December 2019 have been restated to conform with the presentation of segmental information adopted in respect of the current period. These restatements of segments assets and segment liabilities have no impact on the Group's revenue and profit/loss for the current and comparative periods nor on the total assets and total liabilities of the Group as at 30 June 2020 and 31 December 2019.

3. OPERATING SEGMENT INFORMATION (Continued)

	Continuing operations								Discontinued operations			Total
	Personal care products	Money lending	Trading of commodities	Securities investment	Properties holding	Food and beverage	Finance lease	Provision of professional services	Sub-total	Operation of online platform	Sub-total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Six months ended 30 June 2020												
(unaudited)												
Segment revenue:												
Sales to external customers	242,356	7,131	6,523	1,406	-	171,033	14	7,552	436,015	-	-	436,015
Segment (loss)/profit	(807)	7,721	(1,005)	1,206	(10,104)	4,290	(938)	3,676	4,039	-	-	4,039
Bank interest income									1,459	-	-	1,459
Other unallocated income and gains									332	-	-	332
Loss on disposal of a subsidiary									(65)	-	-	(65)
Corporate and other unallocated expenses									(4,549)	-	-	(4,549)
Finance costs									(1,827)	-	-	(1,827)
Loss before tax									<u>(611)</u>			<u>(611)</u>

	Continuing operations								Discontinued operations			Total
	Personal care products	Money lending	Trading of commodities	Securities investment	Properties holding	Food and beverage	Finance lease	Provision of professional services	Sub-total	Operation of online platform	Sub-total	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Six months ended 30 June 2019												
(unaudited)												
Segment revenue:												
Sales to external customers	164,640	17,965	71,324	-	248	25,020	-	-	279,197	5,219	5,219	284,416
Segment (loss)/profit	(38,734)	1,470	(24,577)	(59)	(284)	(517)	-	-	(62,701)	2,205	2,205	(60,496)
Bank interest income									419	-	-	419
Other unallocated income and gains									761	-	-	761
Corporate and other unallocated expenses									(10,131)	-	-	(10,131)
Finance costs									(3,131)	-	-	(3,131)
Loss before tax									<u>(74,783)</u>			<u>(72,578)</u>

3. OPERATING SEGMENT INFORMATION (Continued)

	Continuing operations								Discontinued operations		Total	
	Personal care products	Money lending	Trading of commodities	Securities investment	Properties holding	Food and beverage	Finance lease	Provision of professional services	Sub-total	Operation of online platform		Sub-total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2020 (unaudited)												
Segment assets	319,301	50,944	46,522	171,223	176,844	141,810	3,288	20,675	930,607	-	-	930,607
Goodwill												37,174
Corporate and other unallocated assets												272,183
Total assets												1,239,964
Segment liabilities	277,840	1,448	10,206	203	19,698	40,100	826	13,861	364,182	-	-	364,182
Corporate and other unallocated liabilities												81,972
Total liabilities												446,154
As at 31 Dec 2019 (audited and restated)												
Segment assets	283,327	129,888	8,362	33,903	182,811	140,896	-	-	779,187	-	-	779,187
Goodwill												-
Corporate and other unallocated assets												317,169
Total assets												1,096,356
Segment liabilities	190,658	2,486	11,289	199	18,926	45,323	-	-	268,881	-	-	268,881
Corporate and other unallocated liabilities												38,134
Total liabilities												307,015

4. REVENUE

The following is an analysis of the Group's revenue for the period:

	Six months ended 30 June	
	2020	2019
	RMB'000	<i>RMB'000</i>
	(unaudited)	(unaudited and restated)
Continuing operations		
Revenue from sales of goods	248,879	235,964
Interest income from money lending business	7,131	17,965
Interest income from finance lease	14	–
Interest income from financial assets at fair value through profit or loss	1,406	–
Income from provision of professional service	7,552	–
Rental income from lease of investment properties	–	248
Income from food and beverage business	171,033	25,020
	<u>436,015</u>	<u>279,197</u>
Revenue arising from continuing operations	<u>436,015</u>	<u>279,197</u>
Discontinued operations		
Income from operation of online platform	–	5,219
	<u>436,015</u>	<u>284,416</u>

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2020	2019
	RMB'000	<i>RMB'000</i>
	(unaudited)	(unaudited)
Continuing operations		
Bank interest income	1,762	419
Bad debt recovery	22	–
Income derived from other financial assets	–	342
Gain on disposal of property, plant and equipment	40	–
Gain on acquisition	–	91
Government subsidies*	2,107	2,186
Net foreign exchange gains	5,848	–
Rental income	–	278
Reversal of impairment loss on loan and interest receivables (<i>note 13</i>)	8,156	–
Reversal of impairment loss on trade receivables	–	1,911
Others	1,252	760
	<u>19,187</u>	<u>5,987</u>

* There are no unfulfilled conditions or contingencies relating to these subsidies.

6. OTHER EXPENSES

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Continuing operations		
Loss on disposal of property, plant and equipment	–	437
Impairment loss on loan and interest receivables	–	4,988
Impairment loss on trade receivables	24	4,462
Impairment loss on contract assets	7	–
Impairment loss on goodwill	–	2,523
Impairment loss on properties for development	5,437	–
Impairment loss of other receivables	2,014	–
Loan and interest receivables written off (<i>note 13</i>)	6,525	–
Fair value loss on financial asset at fair value through profit or loss	159	–
Loss on disposal of a subsidiary	65	–
Loss on change in fair value of investment properties	4,531	1,710
Labeling issue recalling expenses	–	108
Others	1	4
	<u>18,763</u>	<u>14,232</u>

7. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Continuing operations		
Interest on bank borrowings	560	1,354
Interest on other borrowings	664	1,460
Interests on lease liabilities	603	317
	<u>1,827</u>	<u>3,131</u>

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited and restated)
Continuing operations		
Cost of inventories sold	324,910	260,460
Depreciation of property, plant and equipment	7,723	14,222
Less: amount capitalised as cost of inventories sold	<u>(2,270)</u>	<u>(1,143)</u>
Depreciation of property, plant and equipment included in selling and distribution expense and administrative expenses	5,453	13,079
Depreciation of right-of-use assets	3,590	2,343
Lease payments under short-term leases and low value assets	1,195	2,086
Storage expenses	8,259	–
Employee benefit expenses (including directors' remuneration):		
Wages and salaries	35,493	32,135
Retirement benefit scheme contributions	<u>1,826</u>	<u>2,880</u>
Total staff costs	37,319	35,015
Less: amount capitalised as cost of inventories sold	<u>(16,910)</u>	<u>(14,695)</u>
Staff costs included in selling and distribution expenses and administrative expenses	20,409	20,320
Auditor's remuneration	493	395
Research and development costs	11,977	9,905
Net foreign exchange loss	–	3,101
	<u> </u>	<u> </u>
Discontinued operations		
Employee benefit expenses (including directors' remuneration)		
Wages and salaries	–	3
Retirement benefit scheme contributions	<u>–</u>	<u>–</u>
Total staff costs	<u>–</u>	<u>3</u>

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited and restated)
Continuing operations		
Hong Kong profits tax	2,092	1,142
PRC enterprise income tax	80	2
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Current tax	2,172	1,144
Deferred tax	(86)	(1,138)
	<hr/>	<hr/>
Total income tax expense from continuing operations	2,086	6
	<hr/>	<hr/>
Discontinued operations		
Hong Kong profits tax	–	856
	<hr/>	<hr/>
Income tax expense from discontinued operations	–	856
	<hr/>	<hr/>
Total income tax expense	2,086	862
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Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both periods presented.

PRC subsidiaries, except for 青蛙王子(中國)日化有限公司 (“**Frog Prince (China)**”), are subject to PRC enterprise income tax at 25% of the profit assessable to tax for both of the periods presented.

Pursuant to the High-New Technology Enterprise certificate granted by the local authority in the PRC, which was obtained by the Group in April 2014, a subsidiary, Frog Prince (China), was taxed at a preferential tax rate of 15% for a period of three years commencing from December 2016.

10. DISCONTINUED OPERATIONS

On 23 August 2019, the Company, entered into an agreement with an independent third party to dispose 51% equity interest in a subsidiary, Marvel Paramount Holdings Limited (“**Marvel**”), Marvel which through its subsidiary, MyBB Media Company Limited, carried out all of the Group’s business of operations of online platform segment. The disposal was completed on 8 October 2019 and the Group discontinued its business of online platform operations.

An analysis of the loss for the comparative six months ended 30 June 2019 from the discontinued business of operations of online platform segment is set out below. These comparative figures in respect of the discontinued operations have been restated to conform with the current period’s presentation.

	Six months ended 30 June 2019 <i>RMB’000</i> (unaudited)
Revenue	
Income from operations of online platform	5,219
Cost of sales	(21)
Gross profit	5,198
Selling and distribution expenses	–
Administrative expenses	(2,993)
Profit before tax	2,205
Income tax expense	(856)
Profit for the period	1,349
Net cash outflow from operating activities	(2)
Net cash inflow from investing activities	–
Net cash outflow from financing activities	–
Net decrease in cash and cash equivalents	(2)

11. DIVIDENDS

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

12. LOSS PER SHARE ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share attributable to the equity holders of the Company is based on the following data:

	Continuing and discontinued operations six months ended 30 June		Continuing operations six months ended 30 June	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Loss				
Loss for the purpose of basic loss per share				
Loss for the period attributable to equity holders of the Company	<u>(645)</u>	<u>(75,337)</u>	<u>(645)</u>	<u>(74,789)</u>
	2020 '000	2019 '000	2020 '000	2019 '000
Number of shares				
Weighted average number of ordinary shares for the purpose of basic loss per share	<u>1,810,123</u>	<u>1,425,482</u>	<u>1,810,123</u>	<u>1,425,482</u>

The computation of diluted loss per share does not assume the exercise of the Company's share options granted because the exercise prices of those share options were higher than the average market prices for shares of the Company for both of periods ended 30 June 2020 and 30 June 2019.

Diluted loss per share for the periods ended 30 June 2020 and 30 June 2019 are not presented as there were no other potential shares in issue for both of the periods.

13. LOAN AND INTEREST RECEIVABLES

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Loan and interest receivables thereon		
– within one year	44,967	82,847
– in the second to fifth year	1,808	3,631
– over five years	2,439	3,079
	<u>49,214</u>	<u>89,557</u>
Less: Impairment loss recognised	<u>(1,641)</u>	<u>(9,655)</u>
	<u>47,573</u>	<u>79,902</u>
Analysed for reporting as:		
Non-current assets	4,248	6,776
Current assets	43,325	73,126
	<u>47,573</u>	<u>79,902</u>
	<u>47,573</u>	<u>79,902</u>
Movements during the period/year are as follows:		
	Six months ended 30 June 2020 RMB'000 (unaudited)	Year ended 31 December 2019 RMB'000 (audited)
At beginning of the period/year	79,902	176,091
Loans made by the Group	22,029	64,507
Interest on loan receivables	7,131	28,960
Loan and interest repaid by borrowers	(64,488)	(149,516)
Loan and interest written off	(6,525)	(12,586)
Loan and interest disposed	–	(24,671)
Impairment loss of loan and interest receivables reversed/(recognised)	8,156	(4,644)
Exchange realignment	1,368	1,761
	<u>47,573</u>	<u>79,902</u>
At end of the period/year	<u>47,573</u>	<u>79,902</u>

14. TRADE AND BILLS RECEIVABLES

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Trade and bills receivables	94,707	104,521
Less: allowance for doubtful debts	<u>(6,799)</u>	<u>(6,775)</u>
	<u>87,908</u>	<u>97,746</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 days to 180 days (31 December 2019: 30 days to 180 days).

The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest bearing.

An aged analysis of the trade and bills receivables as at the end of the Reporting Period, based on the invoice date, is as follows:

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Within 30 days	60,564	52,954
31 to 60 days	25,254	22,956
61 to 90 days	1,138	10,301
Over 90 days	<u>952</u>	<u>11,535</u>
	<u>87,908</u>	<u>97,746</u>

15. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the Reporting Period, based on the invoice date, is as follows:

	30 June 2020 RMB'000 (unaudited)	31 December 2019 RMB'000 (audited)
Within 30 days	38,070	31,880
31 to 90 days	29,623	33,886
Over 90 days	31,246	38,548
	<hr/> 98,939 <hr/>	<hr/> 104,314 <hr/>

The trade payables are non-interest bearing and are normally settled on terms of 30 days to 180 days (31 December 2019: 30 days to 180 days).

BUSINESS REVIEW

Continuing operations:

Personal Care Products

During the Reporting Period, the Group's business segment of personal care products contributed a total revenue of approximately RMB242.4 million, representing an increase of about 47.2% over the same period of last year (30 June 2019: RMB164.6 million). The personal care products business recorded a loss of approximately RMB0.8 million during the Reporting Period as compared with loss of approximately RMB38.7 million for the period ended 30 June 2019.

Money Lending Business

During the Reporting Period, the Group's business segment of money lending contributed a total revenue of approximately RMB7.1 million, representing a decrease of about 60.3% over the same period of last year (30 June 2019: RMB18.0 million) and recorded a segment profit of approximately RMB7.7 million during the Reporting Period, representing increase of about 425.2% over the same period of last year (30 June 2019: RMB1.5 million).

As at 30 June 2020, the Group has outstanding (i) unsecured loan of approximately RMB23.2 million with average effective interest rate of approximately 21.9% per annum with terms ranging from 12 months to 120 months; and (ii) mortgage loan of approximately RMB24.0 million with average effective interest rate of approximately 15.5% per annum with terms ranging from 1 month to 180 months. The mortgage loans granted by the Group were typically secured by mortgages, charge on shares or charge on assets. In the event of default or failure to repay any outstanding amounts by the debtors, the Group has the right to proceed with sale of collaterals.

Trading of Commodities

During the Reporting Period, the Group's business segment of trading of commodities contributed a total revenue of approximately RMB6.5 million to the Group, representing a decrease of about 90.9% over the same period of last year (30 June 2019: RMB71.3 million).

During the Reporting Period, the Group's trading of commodities business recorded a loss of approximately RMB1.0 million (30 June 2019: RMB24.6 million).

Securities investment

During the Reporting Period, the Group's business segment of investment contributed a total revenue of approximately RMB1.4 million to the Group (30 June 2019: Nil).

The Group's securities investment business includes investment in listed securities and private unlisted fund for long-term purposes which classified as financial assets at fair value through other comprehensive income and equity-link investments, bond investment and wealth management products which classified as financial assets at fair value through profit and loss.

As at 30 June 2020, the Group had a portfolio of securities investment of approximately RMB8.4 million, all of which were equity securities listed in Hong Kong, unlisted investment fund of approximately RMB23.6 million, equity-link investments of approximately RMB26.1 million, bond investment of approximately RMB3.7 million and wealth management products of approximately RMB9.2 million.

Details of the investments performance during the Reporting Period in respect of equity securities listed in Hong Kong and the unlisted fund held by the Group are as follows:

Name of the investments	% to		Movement for the period				% to		Realised gain/(loss) on investments	
	the total assets of the Group as at 1 January 2020	the interest in the respective investments as at 1 January 2020	Fair value as at 1 January 2020	Disposals	Change on fair value	Exchange realignment	Fair value as at 30 June 2020	the total assets of the Group as at 30 June 2020		the interest in the respective investments as at 30 June 2020
	%	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	%	%	RMB'000
Listed securities in Hong Kong										
International Entertainment Corporation (1009)	0.62	0.92	6,777	-	1,091	134	8,002	0.65	0.92	-
Gain Plus Holdings Limited (9900)	0.05	0.34	576	-	(185)	11	402	0.03	0.34	-
			7,353	-	906	145	8,404			-
Unlisted fund										
Head and shoulders Global investment Fund SFC	2.30	N/A	25,211	-	(2,120)	502	23,593	1.90	N/A	N/A
Total			32,564	-	(1,214)	647	31,997			-

The securities investment business recorded a segment profit of approximately RMB1.2 million (30 June 2019: segment loss of approximately RMB59,000).

The Group will continue to be cautious in making new investments and trading of financial assets under current economic environment amid the intensified conflicts in international trade and volatility in the stock markets and will strive to maintain and grow its portfolio value in future.

Properties Holding

During the Reporting Period, the Group did not record any revenue from the business segment of properties holding business (30 June 2019: RMB0.2 million).

The properties holding business recorded a segment loss of approximately RMB10.1 million (30 June 2019: RMB0.3 million).

Provision of Food and Beverage Services

The Group's provision of food and beverage services business has recorded steady growth since its acquisition of Real Power International Group Limited in March 2019 and China Cold Chain Co. Limited in June 2019.

During the Reporting Period, the Group's business segment of provision of food and beverage services business contributed a total revenue of approximately RMB171.0 million to the Group (30 June 2019: RMB25.0 million).

The provision of food and beverage services business recorded a segment profit of approximately RMB4.3 million during the Reporting Period (30 June 2019: segment loss of approximately RMB0.5 million).

Finance lease

The Group's provision of finance lease business has started at June 2020.

During the Reporting Period, the Group's business segment of provision of finance lease business contributed a total revenue of approximately RMB14,000 to the Group (30 June 2019: Nil).

The provision of finance lease business recorded a segment loss of approximately RMB0.9 million (30 June 2019: Nil).

Provision of professional services

The Group's provision of professional services business has recorded steady growth since its acquisition of Ayasa Globo BVI in April 2020.

During the Reporting Period, the Group's business segment of provision of professional services business contributed a total revenue of approximately RMB7.6 million to the Group (30 June 2019: Nil).

The provision of professional services business recorded a segment profit of approximately RMB3.7 million during the Reporting Period (30 June 2019: Nil).

Discontinued operations:

Operation of Online Platform

The Group's business segment of operation of online platform contributed a total revenue of approximately RMB5.2 million to the Group and recorded a profit of approximately RMB2.2 million for the period ended 30 June 2019.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the revenue of the Group's continuing operations was approximately RMB436.0 million, representing an increase of about 56.2% over the same period of last year (for the period ended 30 June 2019: RMB279.2 million).

During the Reporting Period, no revenue was recorded of the Group's discontinued operations (for the period ended 30 June 2019: RMB5.2 million).

Gross Profit and Gross Profit Margin

Gross profit of the Group's continuing operations for the Reporting Period was approximately RMB111.1 million, representing an increase of about 493.0% as compared with RMB18.7 million for the period ended 30 June 2019.

During the Reporting Period, the gross profit margin of continuing operations increased by around 18.8% over the same period of last year to about 25.5% (for the period ended 30 June 2019: 6.7%). The increase in overall gross profit margin was primarily due to the improvement of the gross profit margin for the personal care products business and decrease in the gross loss for trading of commodities business.

The total gross profit for personal care products business was about RMB75.4 million for the Reporting Period, representing an increase of about 257.2% as compared with about RMB21.1 million for the period ended 30 June 2019. Gross profit margin increased to about 31.1%, representing an increase of about 18.3% compared with the same period of last year.

The gross profit for money lending business for the Reporting Period was about RMB7.1 million (for the period ended 30 June 2019: RMB18.0 million).

The gross loss for trading of commodities business for the Reporting Period was about RMB0.6 million (for the period ended 30 June 2019: RMB23.9 million).

The gross profit for securities investment business for the Reporting Period was about RMB1.4 million (for the period ended 30 June 2019: Nil).

The Group did not record any gross profit for properties holding business for the Reporting Period (gross profit for the period ended 30 June 2019: RMB0.2 million).

The gross profit for the provision of food and beverage services business for the Reporting Period was about RMB21.7 million (for the period ended 30 June 2019: RMB3.3 million). Gross profit margin was about 12.7%, representing a decrease of about 0.8% compared with the same period of last year.

The gross profit of provision of finance lease business for the Reporting Period was about RMB14,000 (for the period ended 30 June 2019: Nil).

The gross profit of provision of professional services business for the Reporting Period was about RMB6.1 million (for the period ended 30 June 2019: Nil).

During the Reporting Period, no gross profit was recorded of the Group's discontinued operations (gross profit for the period ended 30 June 2019: RMB5.2 million).

Selling and Distribution Expenses

Selling and distribution expenses primarily consisted of advertising expenses, marketing and promotion expenses, transportation expenses and other expenses. Selling and distribution expenses amounted to approximately RMB60.6 million for the Reporting Period, representing an increase of about 140.2% as compared with about RMB25.2 million for the period ended 30 June 2019. The increase was mainly due to increase of the revenue of personal care products business and provision of food and beverage business.

The selling and distribution expenses accounted for about 13.9% of the revenue during the Reporting Period (for the period ended 30 June 2019: 9.0%), among which, advertising and promotion expenses, as a percentage of revenue, decreased from 4.6% for the period ended 30 June 2019 to about 2.8% for Reporting Period. The transportation expenses and other expenses, as a percentage of revenue, increased about 6.7% to about 11.1% for the Reporting Period as compared with the same period of 2019 (for the period ended 30 June 2019: 4.4%).

Administrative Expenses

Administrative expenses primarily consisted of salaries and wages for administrative staff, depreciation, research and development and other expenses. Administrative expenses of the Group amounted to approximately RMB49.4 million for the Reporting Period (for the period ended 30 June 2019: RMB57.0 million), representing a decrease of about 13.4% over the same period of last year. The decrease was mainly due to decrease in depreciation expenses caused by the disposal of Frog Prince (China).

Administrative expenses accounted for about 11.3% of the Group's revenue for the Reporting Period (for the period ended 30 June 2019: 20.4%).

Finance Costs

The Group had finance costs of approximately RMB1.8 million for the Reporting Period (for the period ended 30 June 2019: RMB3.1 million).

Acquisition of subsidiaries

On 23 January 2020, Bloom Team Development Limited, an indirect wholly-owned subsidiary of the Company, entered into an acquisition agreement to acquire the remaining 90% of the issued shares in each of Goldenway Investments (HK) Limited (“**GWIHK**”) and Goldenway Asset Management Limited (“**GWAM**”) at the consideration of HK\$26,418,000 and HK\$1,550,000 respectively. The acquisition has not been completed up to the date of the approval of these consolidated financial statements. Details of the acquisition are set out in the Company's announcements dated 23 January 2020 and 30 July 2020.

On 20 March 2020, Pursuing Future Limited, an indirect wholly-owned subsidiary of the Company, as the purchaser, entered into the acquisition agreement with AG Holding Group Limited as the vendor pursuant to which Pursuing Future Limited agreed to acquire and AG Holding Group Limited agreed to sell 60% of the issued shares in Ayasa Globo BVI at a total consideration of HK\$42 million. Ayasa Globo BVI and its subsidiaries are principally engaged in investment holdings, the provision of professional services such as fund setup and administration, legal and tax consultancy and co-ordination, corporate and accounting services, trust and fiduciary services. Completion of the said acquisition took place on 29 April 2020. For details of the said acquisition, please refer to the Company's announcements dated 20 March 2020, 27 March 2020, 17 April 2020 and 29 April 2020.

On 1 March 2019, the Company as purchaser, and Pine Victory Limited ("**Pine Victory**"), a company incorporated in Hong Kong with limited liability, as vendor, entered into a sale and purchase agreement pursuant to which Pine Victory has conditionally agreed to sell and the Company has conditionally agreed to acquire the remaining 80% of the entire issued share capital of Real Power International Group Limited ("**Real Power**").

Real Power was incorporated in the BVI with limited liability on 1 November 2018 and is an investment holding company. Real Power is interested in the entire issued share capital of Advance Global Food Limited ("**Advance Global**"), a company incorporated in Hong Kong with limited liability on 9 June 2017, and is primarily engaged in the trading of agriculture products in Hong Kong, i.e. frozen meats. The major products are frozen beef, pork and chicken related products.

Prior to completion of the said acquisition, the Company was interested in 20% of the entire issued share capital of Real Power. The sale and purchase agreement was completed on 29 May 2019. The consideration of the said acquisition was HK\$42,000,000, of which HK\$22,000,000 was paid in cash and HK\$20,000,000 was settled by the Company allotting and issuing 200,000,000 consideration shares at the issue price of HK\$0.10 each. Following completion, Real Power and its subsidiaries became wholly-owned subsidiaries of the Company. For details of the said acquisition, please refer the announcements dated 1 March 2019, 29 May 2019 and circular dated 30 April 2019 made by the Company.

On 4 June 2019, Powerful Force Limited ("**Powerful Force**"), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company as purchaser, and the independent third parties, as vendors, entered into a sale and purchase agreement.

Pursuant to the sale and purchase agreement, the vendors have agreed to sell and Powerful Force has agreed to acquire the entire issued share capital of China Cold Chain Co. Limited (“**China Cold Chain**”). China Cold Chain is principally engaged in the provision of frozen warehouse services. The sale and purchase agreement was completed on 4 June 2019. The consideration of the said acquisition was HK\$800,000, which was paid in cash.

Disposal of Subsidiaries

On 27 February 2019, the Company, as borrower, and Frankinton Technology Limited (“**Frankinton Technology**”), as lender, entered into a facility agreement pursuant to which Frankinton Technology has agreed to grant a term loan facility of HK\$100 million to the Company.

On 10 July 2019, the Company as vendor, and Frankinton Technology as purchaser entered into a disposal agreement in relation to the disposal of the entire issued share capital in Golden Virtue Investment Holdings Limited (“**Golden Virtue**”) for a total consideration of HK\$125 million.

The consideration would be satisfied on the completion date as (i) an amount equivalent to the outstanding loan to be offset on a dollar-for-dollar basis; and (ii) the balance upon the offset to be paid by Frankinton Technology in cash to the Company.

Golden Virtue is a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company. The principal business of Golden Virtue is investment holding. Golden Virtue indirectly hold Frog Prince (China) Daily Chemicals Co., Limited 青蛙王子(中國)日化有限公司, a properties holding company incorporated in the PRC with limited liability.

The transaction was completed on 14 October 2019. Loan and interest payable of approximately HK\$83.5 million had been offset to the consideration and the balance of HK\$41.5 million was paid by Frankinton Technology in cash to the Company. Golden Virtue and its subsidiaries ceased to be subsidiaries of the Company and their financial result would no longer be consolidated into the Company’s consolidated financial statements.

On 23 August 2019, the Company entered into a disposal agreement with Billionaire Asia Limited, an independent third party to dispose of 51% of the issued shares in Marvel for an aggregate cash consideration of HK\$40,000,000. Marvel is a company incorporated in the BVI with limited liability. Marvel owns the entire equity interest in MyBB Media Limited, a company incorporated in Hong Kong with limited liability. Marvel and MyBB Media Limited (the “**Disposal Group**”) is principally engaged in operation of online platform.

The transaction was completed on 8 October 2019. Upon completion, each member of the Disposal Group ceased to be a subsidiary of the Company and the financial results of the Disposal Group would no longer be consolidated into the Company's consolidated financial statements.

On 19 May 2020, Fujian Frog Prince Cosmetic Co., Limited (福建省青蛙王子化妝品有限公司) (“**Frog Prince Cosmetic**”), an indirect wholly-owned subsidiary of the Company, as vendor, and Beijing Huitongda Supply Chain Management Co., Limited (北京匯通達供應鏈管理有限公司) (“**Beijing Huitongda**”), as purchaser, entered into the equity transfer agreement (the “**Equity Transfer Agreement**”), pursuant to which Beijing Huitongda has conditionally agreed to acquire and Frog Prince Cosmetic has conditionally agreed to sell the entire issued share capital of Frog Prince (Fujian) Baby & Child Care Products Co., Limited (青蛙王子(福建)嬰童護理用品有限公司) (“**Frog Prince (Fujian) Baby**”), a limited liability company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company at the total consideration of RMB50 million.

As at the date of the Equity Transfer Agreement, Frog Prince (Fujian) Baby holds (i) 30% equity interest in Fujian Herun Supply Chain Management Co., Ltd. (福建和潤供應鏈管理有限公司), a company established in the PRC with limited liability and an associate of the Company; and (ii) the land and the industrial building located at No. 8 Wuqiao Bei Road, Lantian Economic Development Zone, Longwen District, Zhangzhou City, Fujian Province, the PRC which the target company has the right to occupy, use, dispose of and benefit.

The principal business of Frog Prince (Fujian) Baby is the design, manufacture and sales of children's personal care products (the “**Personal Care Products**”) mainly for the PRC and the U.S. markets. The said disposal has not been completed up to the date of the approval of these consolidated financial statements.

Net Loss and Net Loss Margin

For the Reporting Period, loss attributable to equity holders of the Company amounted to approximately RMB0.6 million as compared with loss attributable to equity holders of the Company of approximately RMB75.3 million for the period ended 30 June 2019. The net loss margin was about 0.1% as compared with about 26.5% of net loss margin for the period ended 30 June 2019, with basic loss per share of approximately RMB0.04 cents (basic loss per share for the period ended 30 June 2019: RMB5.29 cents).

Capital Expenditure

For the Reporting Period, the Group's material capital expenditure amounted to approximately RMB9.3 million (31 December 2019: RMB21.7 million), mainly used for renovation of our plants, consolidation work of our plants, offices and consolidation work of plants and warehouse and acquisition of new equipment.

Financial Resources and Liquidity

As at 30 June 2020, cash and cash equivalents of the Group amounted to approximately RMB477.1 million (31 December 2019: RMB414.1 million). The current ratio was 2.1 (31 December 2019: 2.8). Our liquidity remained healthy. The uses of balance of cash and cash equivalents were mainly as follows: firstly, developing the provision of food and beverage services business. Secondly, developing the money lending business, including but not limited to participation of financial leasing business in the PRC and developing lending business in oversea markets. Thirdly, pursuing of the potential acquisition and other investment.

Fundraising Activities of the Group

On 18 June 2019, the Company entered into the placing agreement with Merdeka Capital Limited ("**Merdeka Capital**") pursuant to which Merdeka Capital has conditionally agreed, as agent of the Company, to procure on a best effort basis to not less than six placees who and whose ultimate beneficial owners shall be independent third parties to subscribe for up to 220,000,000 placing shares at the placing price of HK\$0.136 per placing share. Completion of the said placing took place on 15 July 2019 and 220,000,000 placing shares were placed to not less than six placees at the placing price of HK\$0.136 per placing share.

The net proceeds, after deduction of all relevant expenses (including but not limited to placing commission, legal expenses and disbursements) incidental to the said placing, amounted to approximately HK\$29.3 million, which was fully utilised as for the purchase of inventories, namely frozen pork, beef and chicken related products, in connection with the Group's food and beverage services business and the balance to be utilised as intended. Details of the said placing are set out in the Company's announcements dated 18 June 2019 and 15 July 2019.

Loan and Interest Receivables

As at 30 June 2020, the Group's loan and interest receivables were approximately RMB47.6 million (31 December 2019: RMB79.9 million). During the period, the Group had provided loans of approximately RMB22.0 million (31 December 2019: RMB64.5 million), with an average annual interest rate of approximately 16.3% (31 December 2019: 21.2%).

A reversal of impairment loss on loan and interest receivables of approximately RMB8.2 million was made during the Reporting Period (provision for impairment loss for 30 June 2019: RMB5.0 million).

Written off of the loan and interest receivables was approximately RMB6.5 million was made during the Reporting Period (30 June 2019: Nil).

Trade and Bills Receivables

As at 30 June 2020, the Group's trade and bills receivables were approximately RMB87.9 million (31 December 2019: RMB97.7 million). The Group usually grants a credit period of 30 to 180 days to our customers.

Trade and Bills Payables

As at 30 June 2020, trade and bills payables were approximately RMB98.9 million (31 December 2019: RMB104.3 million). The Group settled its payables within 30 to 180 days in general and kept good payment records.

Inventories

As at 30 June 2020, inventories of the Group were approximately RMB43.9 million (31 December 2019: RMB40.8 million). As at 30 June 2020, the inventory balance increased by about 7.6% over 31 December 2019.

Gearing Ratio

As at 30 June 2020, the current assets and total assets of the Group were approximately RMB876.3 million and RMB1,240.0 million respectively, the current liabilities and total liabilities of the Group were approximately RMB416.1 million and RMB446.2 million respectively. The gearing ratio (total liabilities/total assets) of the Group was approximately 36.0% (31 December 2019: 28.0%).

Bank and Other Borrowings

As at 30 June 2020,

- (i) the Group had bank borrowing of approximately RMB50.0 million (31 December 2019: Nil). Facilities were provided to the Group with from banks in PRC with a guarantee from suppliers in the PRC;
- (ii) the Group had other secured borrowings of approximately RMB112.9 million (31 December 2019: RMB87.0 million); and
- (iii) the Group had other unsecured borrowings of approximately RMB10.0 million (31 December 2019: RMB10.0 million).

Pledge of Assets

As at 30 June 2020,

- (i) the Group had pledged deposits of RMB4.6 million (31 December 2019: RMB16.9 million) for short-term bank borrowings and bills payable;
- (ii) investment property of RMB77.5 million (31 December 2019: RMB80.5 million) was pledged for other borrowings; and
- (iii) certain shares of subsidiaries have been pledged for other borrowing (31 December 2019: certain shares of subsidiaries have been pledged for other borrowing).

Capital Structure

The major objective of the Group's capital management is to ensure the ability of sustainable operations and maintain a healthy capital ratio in order to support its businesses and maximise the interests of the shareholders (the "**Shareholders**") of the Company. The Group continued to emphasise the appropriate mix of equity and debt to ensure an efficient capital structure in order to reduce capital cost.

Risk of Foreign Exchange

The Group has no significant exposure to foreign currency risk because most of the Group's transactions are denominated in RMB. The management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Contingent Liabilities

As at 30 June 2020 and 31 December 2019, the Group had no material contingent liabilities.

OUTLOOK

The Group will continue to strengthen, develop and diversify its business portfolio in a sustainable manner. In light of the outbreak of the coronavirus pandemic, slowdown of the economy in the PRC, the intensified conflicts in international trade and volatility in the stock markets, the Group will continue to adopt a prudent approach for the development of its businesses, including money lending business, trading of commodities, securities investment, properties holding, investment holding, provision of food and beverage services, provision of finance lease business and provision of professional services such as fund setup and administration, legal and tax consultancy and co-ordination, corporate and accounting services, trust and fiduciary services.

Following the completion of the acquisition of food and beverage services business, the Group had recorded steady growth in the financial performance of this business segment. Despite the outbreak of the coronavirus pandemic since early 2020, the Directors consider that the prospect of the food and beverage service industry in Hong Kong to remain promising in the medium to long term. The Group also has a strong customer network, which mainly comprises of reputable branded chain-stores, hotel restaurants and supermarkets in Hong Kong. The Group is also seeking further investment opportunity of the provision of food and beverage services, including but not limited to purchase its own inventory storage if suitable opportunity arises and may further seek to form cooperation with reliable logistic specialist in order to lower inventory and transportation costs.

The Group is actively developing its provision of frozen warehouse services which forms part of the food and beverage services business. The Group, as tenant, had entered into the tenancy agreement with ATL Logistics Centre Hong Kong Limited, in relation to the lease of certain portion of a multi-storeyed container freight station located at Kwai Chung. The Group has developed its own frozen warehouse at the said premise and started operating at February 2020.

The Group is currently exploring potential opportunities to expand its money lending business through participation of financial leasing business in the PRC. The Group is also seeking an opportunity to developing the money lending business, including but not limited to developing lending business in the oversea markets.

The Group's provision of finance lease business and factoring business has commenced in June and July 2020.

Taking into account the economic uncertainty due to the coronavirus pandemic, the volatile global economy and weak demand from customers, the Company anticipates that the operating environment for the Group's trading of commodities business will remain challenging. Hence, the Group will continue to adopt stringent cost control measures for this business segment.

The Group currently holds lands and properties located in Yuen Long, Hong Kong and an industrial property located at Cheung Sha Wan, Hong Kong. The Group is optimistic about the development of property market in Hong Kong due to shortage in supply of land and therefore, has been identifying the potential property investment and development opportunities in Hong Kong. The Company plans to demolish the properties erected on the parcels of lands in Yuen Long, Hong Kong held by the Group and to redevelop such parcels of land. Relevant applications have been made to the Hong Kong Government in relation to the redevelopment of the said parcels of lands. To the best knowledge, information and belief of the Directors, there is no legal impediment in obtaining the relevant approval from the Hong Kong Government.

The Company had received reply letters from Hong Kong Lands Department requesting for additional information relating to the rebuilding application of Yuen Long properties. The Company is currently in the process of addressing the said reply letters. The Group is also seeking an opportunity to development its property holding business, including but not limited to Hong Kong, PRC or other oversea markets.

As part of its current strategic plans, the Group has been exploring opportunities to diversify its existing businesses into the financial services industry taking into account that: (a) the prospect of Hong Kong's financial services industry remains promising in light of Hong Kong's unique advantage of having close links with Mainland China and Hong Kong's role as the global hub for offshore RMB business; and (b) the Group's manufacture and sale of personal care products business had continuing recorded losses. The expansion of other existing businesses of the Group and the diversification into the financial services industry will enable the Group to enhance its overall financial performance in the future.

The Group had acquired 10% of the issued shares in each of GWIHK and GWAM. On 23 January 2020, the Group had entered into an acquisition agreement to acquire the remaining 90% of the issued shares in each of GWIHK and GWAM (the “**Acquisition**”). The Acquisition has not taken place up to the date of the approval of these consolidated financial statements.

The Board considers that the Acquisition would enable the Group to diversify its existing business. Upon completion, the Group would be able to attain the relevant SFC licenses to carry on Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO in Hong Kong, which could create a synergy effect and complement the growth of the Group existing money lending and investment in securities businesses. The Group is expected to take advantage of the future growth in capital markets and to broaden the Group’s revenue base.

On 20 March 2020, the Group had entered into the sale and purchase agreement to acquire 60% of the issued shares in Ayasa Globo BVI, a company incorporated in the BVI with limited liability and principally engaged in investment holding.

Ayasa Globo BVI holds the entire issued shares in Ayasa Globo Financial Services Limited (“**Ayasa Globo**”) which is principally engaged in the provision of professional services such as fund setup and administration, legal and tax consultancy and co-ordination, corporate and accounting services, trust and fiduciary services. Completion of the acquisition of 60% equity interest in the Ayasa Globo BVI has taken place on 29 April 2020.

The Board considers that the acquisition would enable the Group to diversify its existing businesses into the financial services industry as well as broaden the Group’s revenue base and enhance the Group’s financial performance.

The Group will consider to expand its existing businesses and to diversify into other new businesses in order to improve the profitability of the Group and to enhance the interests of the Shareholders more effectively. The Group will consider from time to time other investment opportunities. The Company will make an announcement according to the requirements of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) as and when appropriate.

EMPLOYEES AND REMUNERATION

As at 30 June 2020, the Group employed 896 employees (as at 31 December 2019: 861 employees).

In addition to basic salaries, year-end bonuses may be rewarded by the Group to those staff members with outstanding performance.

The Group operates the MPF Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the Group is required to make contributions to the scheme at 5% of the employee's relevant income subject to a cap of monthly relevant income of HK\$30,000 per employee.

Constituent companies of the Group established in the PRC are also subject to social insurance contribution plans required by the PRC government. In accordance with the relevant national and local labour and social welfare laws and regulations, constituent companies of the Group established in the PRC are required to pay on behalf of their employees a monthly social insurance premium covering pension insurance, medical insurance, unemployment insurance and other relevant insurance.

In addition, a share option scheme was adopted by the Company in June 2011 and the limit of the share option scheme was refreshed in June 2019 to reward staff members who make contributions to the success of the Group. The Directors believe that the compensation packages offered by the Group to its staff members are competitive in comparison with market standards and practices.

DIVIDEND

The Board has resolved not to declare any interim dividend in respect of the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”), comprising the Company’s three independent non-executive Directors, has reviewed the unaudited condensed consolidated results of the Company for the six months ended 30 June 2020, including accounting principles and practices adopted by the Group, and discussed financial reporting matters.

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 of the Listing Rules during the period ended 30 June 2020.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding Directors’ securities transactions. All the Directors have confirmed, following specific enquiry made by the Company, that they have complied with the required standard as set out in the Model Code during the Reporting Period.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

There are no significant events subsequent to 30 June 2020 which would materially affect the Group’s operating and financial performance as of the date of this announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.pfh.hk) and the Stock Exchange (www.hkexnews.hk). The Company's interim report for the six months ended 30 June 2020, containing all the information required by the Listing Rules, will be dispatched to the Shareholders and available on the above websites in due course.

By order of the Board
Prosperous Future Holdings Limited
Tsai Wallen
Chairman and Executive Director

28 August 2020

As at the date of this announcement, the Board comprises (i) three executive Directors, namely Mr. Tsai Wallen, Mr. Lau Ka Ho and Mr. Chan Hoi Tik; (ii) two non-executive Directors, namely Mr. Li Zhouxin and Mr. Sze Wine Him Jaime; and (iii) three independent non-executive Directors, namely Ms. Chan Sze Man, Mr. Ma Kwun Yung Stephen and Ms. Bu Yanan.