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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Lau Ka Ho (*Chief Executive Officer*)
Mr. Chan Hoi Tik (*Chief Financial Officer*)
Mr. Fok King Man Ronald (*Chief Investment Officer*)
(resigned on 15 July 2022)

Non-executive Directors

Mr. Li Zhouxin
Mr. Sze Wine Him Jaime

Independent Non-executive Directors

Ms. Chan Sze Man
Mr. Ma Kwun Yung Stephen
Ms. Bu Yanan

BOARD COMMITTEES

Audit Committee

Ms. Chan Sze Man (*Chairman*)
Mr. Ma Kwun Yung Stephen
Ms. Bu Yanan

Nomination Committee

Ms. Chan Sze Man (*Chairman*)
Ms. Bu Yanan
Mr. Lau Ka Ho

Remuneration Committee

Mr. Ma Kwun Yung Stephen (*Chairman*)
Mr. Lau Ka Ho
Ms. Chan Sze Man

Executive Committee

Mr. Lau Ka Ho (*Chairman*)
Mr. Chan Hoi Tik
Mr. Fok King Man Ronald
(appointment ceased on 15 July 2022)

Investment and Credit Committee

Mr. Lau Ka Ho (*Chairman*)
Mr. Chan Hoi Tik (appointed on 15 July 2022)
Mr. Fok King Man Ronald
(appointment ceased on 15 July 2022)

COMPANY SECRETARY

Mr. Li Kin Ping

AUDITOR

CCTH CPA Limited

PRINCIPAL BANKERS

Agricultural Bank of China Limited – Zhangzhou Branch
Bank of Communications (Hong Kong) Limited
Bank of Communications Limited – Hong Kong Branch

STOCK CODE

1259

COMPANY WEBSITE

www.pfh.hk

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

17/F., Fung House,
Nos. 19-20 Connaught Road Central, Central,
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA

No. 8, North Wujiao Road
Lantian Economic Development Zone
Zhangzhou City, Fujian Province
The People's Republic of China

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A, Block 3,
Building D, P.O. Box 1586,
Gardenia Court, Camana Bay,
Grand Cayman, KY1-1100,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04, 33/F.,
Two Chinachem Exchange Square,
338 King's Road,
North Point, Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS

The principal activity of Prosperous Future Holdings Limited (the “Company”) is investment holding. The subsidiaries of the Company are principally engaged in the manufacturing and sale of personal care products, provision of food and beverage services, provision of financial business, properties holding, provision of temperature-controlled storage and ancillary services and investment holding. The Company and its subsidiaries are hereinafter referred to as the “Group”.

BUSINESS REVIEW

Personal Care Products

During the six months ended 30 June 2022 (the “Reporting Period”), the Group’s business segment of personal care products contributed a total revenue of approximately RMB181.3 million, representing a decrease of about 2.8% over the same period of last year (30 June 2021: approximately RMB186.5 million). The personal care products business recorded a segment loss of approximately RMB35.4 million during the Reporting Period as compared with approximately RMB29.7 million for the period ended 30 June 2021. The decrease in the turnover and increase in loss were mainly due to intensified market competition in the personal care products markets.

Provision of Food and Beverage Services

During the Reporting Period, the Group’s business segment of provision of food and beverage services business contributed a total revenue of approximately RMB180.0 million to the Group, representing an increase of about 7.8% over the same period of last year (30 June 2021: approximately RMB167.0 million). The increase in the turnover was mainly due to growth in customer base of retailers and increase in the demand for frozen foods such as meat and poultry for families in Hong Kong in response to the social-distancing measures and restrictions on restaurants dine-in services imposed by the government from time to time due to the COVID-19 pandemic.

The provision of food and beverage services business recorded a segment profit of approximately RMB4.3 million during the Reporting Period (30 June 2021: approximately RMB5.5 million). The decrease in profit is mainly due to increased selling and distribution expenses as a result of higher storage and logistic costs under the impact of global supply chain disruption.

Provision of Financial Business

The Group’s business segment of provision of financial business includes securities investment, provision of professional services, provision of dealing in securities and futures contracts services, margin financing, advising on securities and asset management services, money lending, provision of finance lease and factoring business.

During the Reporting Period, the Group’s business segment of provision of financial business contributed a total revenue of approximately RMB22.6 million to the Group (30 June 2021: approximately RMB44.5 million), representing a decrease of about 49.3% over the same period of last year.

The provision of financial business recorded a segment loss of approximately RMB8.6 million during the Reporting Period (30 June 2021: a segment profit of approximately RMB12.3 million).

– *Securities Investment Business*

The Group's securities investment includes investment in listed securities and private unlisted fund for long-term purposes which are classified as financial assets at fair value through other comprehensive income along with other unlisted investments which are classified as financial assets at fair value through profit or loss.

For the Reporting Period, this business recorded net fair value losses on financial assets at fair value through profit or loss of approximately RMB16.8 million (30 June 2021: net fair value gains of approximately RMB3.2 million) due to the volatility of global stock markets. Investors were concerning about the uncertainty brought by geopolitical conflicts between Russia and Ukraine, the soaring inflation figures recorded by the Western countries and the raising interest rates led by United States Federal Reserve in the first half of 2022. Investor sentiments were therefore weakened as recovery of the global economy might be hindered. Global stock markets were under such pessimistic atmosphere, and our securities investment was therefore adversely affected.

As at 30 June 2022, the Group had a portfolio of securities investment of approximately RMB46.4 million, which consisted of equity securities listed in Hong Kong of approximately RMB2.9 million, unlisted investment funds of approximately RMB40.1 million and other unlisted investments of approximately RMB3.5 million.

The securities investment business recorded a loss of approximately RMB17.0 million (30 June 2021: profit of approximately RMB1.2 million).

– *Securities Brokerage, Margin Financing, Asset Management and Professional Services Business*

Through our principal subsidiaries namely Future Growth Financial Services Limited, a company licensed to carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO") and Future Growth Asset Management Limited, a company licensed to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, the Group is engaged in provision of securities brokerage, margin financing and advising on securities and asset management services in Hong Kong. In addition, we are providing fund set up and administration, and other relevant professional services through Ayasa Globo Financial Services (BVI) Limited and its subsidiaries.

On the first quarter of 2022, the Group successfully expanded its range of financial business to securities margin financing targeted on customers of individuals and corporations.

For the Reporting Period, this business recorded a total turnover of approximately RMB37.9 million (30 June 2021: approximately RMB33.6 million) due to interest income derived from securities margin financing of which commenced in the first quarter of 2022.

This business recorded a total profit of approximately RMB15.0 million during the Reporting Period (30 June 2021: approximately RMB11.2 million).

As at 30 June 2022, the Group has outstanding trade receivables arising from margin financing of approximately RMB58.8 million with interest rate of approximately 8.0% – 18.0% per annum and repayment on demand clause. Those secured trade receivables were fully secured by underlying equity securities amounted to approximately RMB598.6 million. 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.

No impairment loss on margin loan receivables was provided during the Reporting Period (30 June 2021: nil).

The Group will continue to provide tailor-made financial solutions and professional services in connection with financial products and funds to our clients in future.

– *Money Lending, Finance Leasing and Factoring Business*

For the period ended 30 June 2022, the Group continued with its money lending business in providing secured and unsecured loans to customers comprising individuals and corporations in Hong Kong and its finance leasing and factoring business in the People's Republic of China (the "PRC"). This business recorded a turnover of approximately RMB1.5 million (30 June 2021: approximately RMB7.0 million) due to the Group's business strategy to focus resources on its securities brokerage, margin financing, asset management and professional services business.

As at 30 June 2022, the Group has a total loan and interest receivables of approximately RMB22.5 million, which consisted of (i) 12 outstanding unsecured loans of approximately RMB18.7 million with average effective interest rate of approximately 19.2% per annum and terms ranging from 12 to 120 months; and (ii) 1 outstanding secured loan of approximately RMB3.8 million with average effective interest rate of approximately 10.0% per annum and terms 12 months. The secured loan was secured by unlisted shares of a company incorporated in Singapore. 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. In addition, finance lease receivables of approximately RMB1.2 million with average effective interest rate of approximately 41.7% per annum and terms ranging from 6 to 36 months and factoring receivables of approximately RMB1.7 million with average effect interest rate of approximately 21.2% per annum and terms of 24 months were outstanding at the end of the Reporting Period.

No loan and interest receivables were written off during the Reporting Period (30 June 2021: approximately RMB0.6 million).

The Group did not recognise any reversal of impairment loss on loan and interest receivables during the Reporting Period (30 June 2021: approximately RMB0.8 million).

An impairment loss on finance lease receivables of approximately RMB3.2 million was provided during the Reporting Period (30 June 2021: approximately RMB3.0 million).

The provision of money lending, finance leasing and factoring business recorded a loss of approximately RMB6.6 million (30 June 2021: approximately RMB0.1 million).

The Group will strive to maintain stable development of its money lending, finance leasing and factoring business despite economic headwinds.

Properties Holding

During the Reporting Period, the Group did not record any revenue from the business segment of properties holding business (30 June 2021: Nil). The properties holding business recorded a segment loss of approximately RMB3.5 million during the Reporting Period (30 June 2021: approximately RMB0.7 million).

Others

The segment mainly represents the provision of temperature-controlled storage and ancillary services business.

During the Reporting Period, the segment contributed a total revenue of approximately RMB4.5 million to the Group, representing a decrease of about 9.4% over the same period of last year (30 June 2021: approximately RMB5.0 million). The decline in revenue is due to decrease in the market demand in provision of temperature-controlled storage and ancillary services. Some of our major customers lowered their stockpile of storage goods in response to COVID-19 pandemic as compared with the same period of last year, resulting their demand over our provision of temperature-controlled storage and ancillary services decreased. A loss of approximately RMB0.1 million was posted, representing a decrease of about 89.8% over the same period of last year (30 June 2021: approximately RMB0.8 million). It is due to an improvement over gross margin as our management continuously exercised stringent cost control and enhanced operational efficiency during the period.

FINANCIAL REVIEW

Revenue

During the Reporting Period, the revenue of the Group was approximately RMB388.4 million, representing a decrease of about 3.6% over the same period of last year (for the period ended 30 June 2021: approximately RMB403.0 million).

Gross Profit and Gross Profit Margin

Gross profit of the Group for the Reporting Period was approximately RMB71.3 million, representing a decrease of about 32.0% as compared with RMB104.9 million for the period ended 30 June 2021. The decrease in overall gross profit was mainly due to decline in gross profit of personal care products business and financial business.

During the Reporting Period, the gross profit margin of the Group decreased by around 7.7% over the same period of last year to about 18.3% (for the period ended 30 June 2021: approximately 26.0%). The decrease in overall gross profit margin was primarily due to the decline in the gross profit margin for the personal care business and financial business.

The gross profit for personal care products business was about RMB32.0 million for the Reporting Period, representing a decrease of about 30.6% as compared with about RMB46.1 million for the period ended 30 June 2021. Gross profit margin decreased to about 17.6%, representing a decrease of about 7.1% compared with the same period of last year.

The gross profit for the provision of food and beverage services business for the Reporting Period was approximately RMB21.6 million (for the period ended 30 June 2021: approximately RMB19.9 million). Gross profit margin was approximately 12.0%, representing a decrease of approximately 0.1% compared with the same period of last year.

The gross profit of provision of financial business for the Reporting Period was approximately RMB16.6 million (for the period ended 30 June 2021: approximately RMB38.3 million).

The Group did not record any gross profit for properties holding business for the Reporting Period (gross profit for the period ended 30 June 2021: nil).

The gross profit of the others segment for the Reporting Period was approximately RMB1.1 million (gross profit for the period ended 30 June 2021: approximately RMB0.6 million).

Other Income and Gains

Other income and gains mainly comprised net foreign exchange gains, government subsidies and other miscellaneous income or gains. Other income and gains amounted to approximately RMB20.7 million for the Reporting Period, representing an increase of 110.9% as compared with approximately RMB9.8 million for the same period of last year. The increase is primarily attributable to the significant increase in net foreign exchange gains.

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 RMB49.0 million for the Reporting Period, representing a decrease of about 3.0% as compared with about RMB50.5 million for the period ended 30 June 2021. The decrease was in line with the decrease in the revenue of personal care products business.

The selling and distribution expenses accounted for about 12.6% of the revenue during the Reporting Period (for the period ended 30 June 2021: approximately 12.5%), among which, advertising and promotion expenses, as a percentage of revenue, decreased from about 3.1% for the period ended 30 June 2021 to about 3.0% for the Reporting Period. The transportation expenses and other expenses, as a percentage of revenue, decreased about 1.7% to about 3.4% for the Reporting Period as compared with the same period of 2021 (for the period ended 30 June 2021: approximately 5.1%).

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 RMB80.8 million for the Reporting Period (for the period ended 30 June 2021: approximately RMB69.3 million), representing an increase of about 16.5% over the same period of last year. The increase was mainly due to increases in salaries and wages, research and development costs and depreciation of right-of-use assets (as incurred for operating lease rental of office premises) during the Reporting Period.

Administrative expenses accounted for about 20.8% of the Group's revenue for the Reporting Period (for the period ended 30 June 2021: approximately 17.2%).

Finance Costs

The Group had finance costs of approximately RMB2.4 million for the Reporting Period (30 June 2021: approximately RMB2.1 million).

Disposal of Subsidiary

On 4 July 2022, Fujian RuiYu Innovation Cosmetic Co., Limited (福建省瑞宇創化妝品有限公司) (“Fujian RuiYu Innovation”), an indirect wholly-owned subsidiary of the Company, as vendor, and Snagatr (Fujian) Oral Health Technology Co., Limited (絲耐潔(福建)口腔健康科技有限公司) (“Snagatr”), as purchaser, entered into the equity transfer agreement, pursuant to which Snagatr has conditionally agreed to acquire and Fujian RuiYu Innovation 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 RMB50.0 million. Frog Prince (Fujian) Baby holds 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 of which Frog Prince (Fujian) Baby 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 mainly for the PRC and the U.S. markets.

Upon completion of the said disposal, the Company will cease to hold any interests in the Frog Prince (Fujian) Baby and Frog Prince (Fujian) Baby will cease to be a subsidiary of the Company. Accordingly, the financial results of the Frog Prince (Fujian) Baby will no longer be consolidated into the consolidated financial statements of the Company.

The said disposal has not been completed up to the date of this report (being 26 August 2022). Detailed information can be referred in the announcement of the Company dated 4 July 2022 and the circular of the Company dated 9 August 2022.

Significant Investments Held, Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies, and Plans for Material Investments or Capital Assets

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies by the Group for the six months ended 30 June 2022. Save as disclosed in the above section headed “Disposal of Subsidiary”, the Group does not have any future plans in relation to material investments or capital assets.

Net Loss and Net Loss Margin

For the Reporting Period, loss attributable to equity holders of the Company amounted to approximately RMB52.2 million as compared with loss attributable to equity holders of the Company of approximately RMB31.4 million for the period ended 30 June 2021. The net loss margin was about 13.4% as compared with about 7.8% of net loss margin for the period ended 30 June 2021, with basic loss per share of approximately RMB2.30 cents (basic loss per share for the period ended 30 June 2021: approximately RMB1.71 cents).

Capital Expenditure

For the Reporting Period, the Group’s material capital expenditure amounted to approximately RMB22.8 million (31 December 2021: approximately RMB25.2 million), mainly used for renovation of our plants and offices, construction work of our plants and warehouse and acquisition of new equipment.

Financial Resources and Liquidity

As at 30 June 2022, cash and bank balances of the Group (excluding cash held on behalf of clients) amounted to approximately RMB284.8 million (31 December 2021: approximately RMB364.2 million). The current ratio was 1.1 (31 December 2021: 1.5). Our liquidity remained healthy. The uses of balance of cash and bank balances were mainly as follows: firstly, strengthening the operation of the margin financing business of the Group; secondly, developing the provision of food and beverage services business; and thirdly, pursuing potential acquisition and investment opportunities.

Fundraising Activities of the Group

On 11 June 2021, the Company entered into a placing agreement with Merdeka Securities Limited (“Merdeka Securities”) pursuant to which Merdeka Securities had 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 362,000,000 placing shares at the placing price of HK\$0.068 per placing share (“the Placing”). Completion of the Placing took place on 5 July 2021 and 362,000,000 placing shares were placed to not less than six placees at the placing price of HK\$0.068 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 Placing, amounted to approximately HK\$24.3 million, and the Group intends to use all of the net proceeds to develop its financial business, including but not limited to strengthening the operation of the margin financing the business of the Group. Details of the Placing are set out in the Company’s announcements dated 11 June 2021 and 5 July 2021.

The actual or proposed uses of the proceeds from the Placing are in line with the plan disclosed by the Company, and details of the proposed and actual uses of the proceeds are as follows:

Intended use of proceeds	Net proceeds raised from the Placing	Actual use of proceeds	Utilised proceeds as at 31 December 2021	Unutilised proceeds as at 31 December 2021	Utilised proceeds as at 30 June 2022	Unutilised proceeds as at 30 June 2022
Development of financial business, including but not limited to strengthen the operation of the margin financing business of the Group	HK\$24.3 million	Develop the operation of margin financing business of the Group	–	HK\$24.3 million	HK\$24.3 million	–

As at the date of this report, the net proceeds from the Placing has been fully utilised.

During the Reporting Period, save as disclosed above, the Company had not conducted any other fund-raising activity.

Loan and Interest Receivables

As at 30 June 2022, the Group's loan and interest receivables were approximately RMB22.5 million (31 December 2021: approximately RMB22.5 million). During the Reporting Period, the Group did not enter into any additional loan arrangements with customers (31 December 2021: approximately RMB6.6 million, with an average annual interest rate of 11.0%).

The Group did not recognise any reversal of impairment loss on loan and interest receivables during the Reporting Period (30 June 2021: approximately RMB0.8 million).

No loan and interest receivables was written off during the Reporting Period (30 June 2021: approximately RMB0.6 million).

Finance Lease Receivables

As at 30 June 2022, the Group's finance lease receivables were approximately RMB1.2 million (31 December 2021: approximately RMB8.5 million). During the Reporting Period, the Group did not enter into any additional finance arrangements with customers (30 June 2021: nil). An impairment loss on finance lease receivables of approximately RMB3.2 million was provided during Reporting Period (30 June 2021: approximately RMB3.0 million).

Factoring Receivables

As at 30 June 2022, the Group's factoring receivables were approximately RMB1.7 million (31 December 2021: approximately RMB2.4 million). During the Reporting Period, the Group did not enter into any additional factoring arrangement with customers (30 June 2021: nil).

Trade and Bills Receivables

As at 30 June 2022, the Group's trade and bills receivables were approximately RMB252.6 million (31 December 2021: approximately RMB192.8 million). The amount included trade receivables arising from margin financing approximately RMB58.8 million (31 December 2021: nil) with repayment on demand clause and trade receivables arising from dealing in securities and futures contracts services (clearing house, brokers and cash clients) approximately RMB20.3 million (31 December 2021: approximately RMB52.6 million) to be settled one to two days after trade date. Besides, the Group usually grants a credit period of 30 to 180 days to the customers for settling trade receivables arising from the remaining businesses amounted at RMB173.5 million (31 December 2021: RMB140.2 million).

Trade and Bills Payables

As at 30 June 2022, trade and bills payables were approximately RMB2,060.4 million (31 December 2021: approximately RMB358.1 million), of which included trade payables arising from dealing in securities and futures contracts services approximately RMB28.6 million (31 December 2021: RMB89.5 million) to be settled one to two days after trade date and trade payables arising from provision of escrow services approximately RMB1,758.5 million (31 December 2021: RMB13.8 million) of which payments shall be made upon client's request. Besides, the Group normally settled the remaining payables arising from other businesses amounted at approximately RMB273.2 million (31 December 2021: approximately RMB254.8 million) on terms of 30 to 180 days and kept good payment records.

Inventories

As at 30 June 2022, inventories of the Group were approximately RMB125.7 million (31 December 2021: approximately RMB84.7 million) and the inventory balance increased by about 48.4% over 31 December 2021.

Gearing Ratio

As at 30 June 2022, the current assets and total assets of the Group were approximately RMB2,552.3 million and RMB2,919.3 million respectively, the current liabilities and total liabilities of the Group were approximately RMB2,290.1 million and RMB2,313.9 million respectively. The gearing ratio (total liabilities/total assets) of the Group was approximately 79.3% (31 December 2021: approximately 48.6%).

Bank and Other Borrowings

As at 30 June 2022,

- (i) the Group had bank borrowings of approximately RMB82.3 million (31 December 2021: approximately RMB72.6 million). Facilities were provided to the Group from banks in Hong Kong in the form of secured bank borrowings amounting to approximately RMB76.8 million and RMB0.6 million secured by a guarantee from the Company and a non-controlling interest respectively. Facilities were provided to the Group from banks in the PRC in the form of secured bank borrowings amounting to approximately RMB50.0 million (31 December 2021: Facilities were provided to the Group from banks in PRC in the form of secured bank borrowing amounting to approximately RMB50.0 million); and
- (ii) the Group had other secured borrowings of approximately RMB59.1 million (31 December 2021: approximately RMB59.5 million).

Pledge of Assets

As at 30 June 2022,

- (i) the Group had pledged deposits of approximately RMB21.6 million (31 December 2021: approximately RMB22.2 million) for short-term bank borrowings and bills payable;
- (ii) investment property of approximately RMB67.5 million (31 December 2021: approximately RMB62.9 million) was pledged for other borrowings; and
- (iii) shares of a subsidiary were pledged for other borrowing (31 December 2021: shares of a subsidiary were pledged for other borrowings).

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's business operations are denominated mainly in RMB, Hong Kong dollars ("HK\$") and US dollars ("USD").

The Group's assets and liabilities are mainly denominated in RMB, HK\$ and USD. Currently, the Group has not entered into agreements or purchased instruments to hedge the Group's exchange rate risks. Any material fluctuation in the exchange rates of RMB, HK\$ or USD may have an impact on the financial results of the Group.

The Group manages foreign currency risk by closely monitoring the movement of the foreign currency rates.

Contingent Liabilities

As at 30 June 2022 and 31 December 2021, 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 persistent outbreak of the COVID-19 pandemic, the on-going geopolitical conflicts between Russia and Ukraine, escalating tension between China and the United States together with volatility in the stock markets, the Group will remain adopting a prudent approach for the development of its businesses.

In response to the outbreak of Omicron variant of COVID-19, the Company expects the procurement costs of the food and beverage service business will stagnate at a high level due to global supply chain disruptions in the second half of 2022, in turn, placing continuous pressure on our margins. Furthermore, the unpredictable evolution of the on-going COVID-19 leading the Hong Kong Government to adjust its restrictions on restaurants dine-in services may impact the demand of our food and beverage services. Amidst the high uncertainty of the business environment in the near term, the Group will keep cautious on developing of the food and beverage services business. To cope with the challenges under latest pandemic situation, the Group will dedicate greater effort towards strengthening relationship with its local customers and overseas suppliers, expanding the range of products offered and seeking different sourcing territories. The Group also intends to pursue higher return from its food and beverage services segment by providing more value-added services and increasing brand awareness. In the long term, the Directors still consider the prospect of the food and beverage service industry in Hong Kong to remain optimistic along with its strong customer network, which mainly comprises of reputable chains of restaurants and stores, supermarkets and wholesalers in Hong Kong. The Group will continue to seek further potential business opportunities of the provision of food and beverage services, including but not limited to: (a) either acquire or establish a food processing factory to slice and process wholesale frozen meat to reinforce the value-added services, (b) develop its own brand of products to broaden its product range and diversify its customer base and increase brand awareness, (c) purchase its own inventory storage if suitable opportunity arises, and (d) form cooperation with reliable logistic specialists if possible in order to lower the inventory and transportation costs.

Looking ahead to the second half of 2022, the global financial market will face an array of opportunities and challenges. It is expected the “peak regulation” of Mainland China is over, concerns over regulatory risks will be eased and emphasis will be put on maintaining stability and economic growth. On the other hand, global investor sentiment may still be subdued by geopolitical conflict, interest rate hike and stagflation risk. The market of Hong Kong, as a leading financial hub in the region, will inevitably stay turbulent. Therefore, the Group will stay cautious on managing the Group’s portfolio of securities investment.

As part of its current strategic plans, the Group has been exploring opportunities to further invest into financial business 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 performance of the Group’s manufacture and sale of personal care products business have been disappointing and continuing recorded losses despite the effort made by the Group. The expansion of financial business or other existing businesses will enable the Group to enhance its overall financial performance in the future. Looking ahead the post-pandemic economic outlook, Mainland China and Hong Kong markets are expected to recover gradually. Further monetary and fiscal measures supporting the local economy in Mainland China will probably stabilize the financial markets and stimulate investments. The Group maintains great confidence in the hot prospect of its securities brokerage, margin financing, asset management and professional services business.

In order to capture the opportunities created by the growth of Hong Kong’s securities market and the expected long term trend of overseas listed PRC companies returning to be listed on Stock Exchange, it is the intention of the Board to continue to develop its financial business, in particular its margin financing business. Therefore, it is necessary to strengthen the capital base of Future Growth Financial Services Limited, an indirectly wholly-owned subsidiary of the Company licensed with the Securities and Futures Commission to carry on Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO as a securities brokerage and Future Growth Asset Management Limited, an indirectly wholly-owned subsidiary of the Company licensed to conduct Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO, which will in turn strengthen the financial business segment of the Group.

The Group currently holds lands and landed properties located in Yuen Long, Hong Kong and certain industrial properties located at Cheung Sha Wan, Hong Kong. The Group is optimistic about the development of property market in Hong Kong due to the 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 Group has also completed a construction work for the subdivision of its industrial property located at Cheung Sha Wan into twenty-two separate lots of workshops for sale with the approval of the Buildings Department of the Hong Kong Government. Preliminary sale and purchase agreements for two lots of workshops were successfully entered between the Group and certain purchasers. The Group is proactively seeking purchasers for the remaining twenty lots.

The Group will review its existing businesses’ performance on a continual basis and will consider expanding the segment with potential, as well as diversifying 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 as and when appropriate.

EMPLOYEES AND REMUNERATION

As at 30 June 2022, the Group employed 1,032 employees (as at 31 December 2021: 1,039 employees).

Employees of the Group are remunerated based on their individual performance, professional qualifications, experience in the industry and relevant market trends. 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 Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the laws of Hong Kong) for employees employed under the Hong Kong Employment Ordinance (Chapter 57 of the laws of Hong Kong). The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the Group and the employees are each required to make contributions to the plan at 5% of the employee's relevant income, subject to a cap of monthly relevant income of HK\$30,000 per employee. There are no forfeited contributions for the MPF Scheme as the contributions are fully vested to the employees upon payments to the MPF Scheme.

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 in the PRC, constituent companies of the Group established in the PRC are required to pay on behalf of their employees a monthly social insurance premium at the applicable rates based on the amounts stipulated by the PRC local government organisations ("PRC Retirement Schemes"), covering pension insurance, medical insurance, unemployment insurance and other relevant insurance. Upon retirement, the local government labour and social security authorities are responsible for the payment of the retirement benefits to the retired employees. There are no forfeited contributions for the PRC Retirement Schemes as the contributions are fully vested to the employees upon payments to the PRC Retirement Schemes.

In addition, a share option scheme was adopted by the Company in June 2021 for the purpose of providing incentive or reward to staff members and other eligible participants 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 2022 (six months ended 30 June 2021: Nil).

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	4	388,354	402,954
Cost of sales		(317,094)	(298,029)
Gross profit		71,260	104,925
Other income and gains	5	20,735	9,831
Selling and distribution expenses		(49,015)	(50,517)
Administrative expenses		(80,764)	(69,321)
Other expenses	6	(8,295)	(14,727)
Finance costs	7	(2,376)	(2,133)
Share of loss of associates		–	(1,290)
Loss before tax	8	(48,455)	(23,232)
Income tax expense	9	(1,875)	(5,629)
Loss for the period		(50,330)	(28,861)
Loss for the period attributable to:			
– Equity holders of the Company		(52,233)	(31,364)
– Non-controlling interests		1,903	2,503
Loss for the period		(50,330)	(28,861)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income *(continued)*
For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Loss for the period		(50,330)	(28,861)
Other comprehensive income/(expense) for the period:			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of operations outside Mainland China		15,813	(4,781)
Items that will 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		(6,964)	(1,546)
Total other comprehensive income/(expense) for the period		8,849	(6,327)
Total comprehensive expense for the period		(41,481)	(35,188)
Total comprehensive (expense)/income for the period attributable to:			
– Equity holders of the Company		(45,528)	(35,957)
– Non-controlling interests		4,047	769
Total comprehensive expense for the period		(41,481)	(35,188)
		2022 RMB cents	2021 RMB cents
Loss per share attributable to equity holders of the Company	11		
Basic		(2.30)	(1.71)
Diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	107,272	108,236
Right-of-use assets		21,264	23,849
Investment properties		67,536	62,918
Properties for development		80,931	77,262
Goodwill	13	40,282	40,841
Interest in a joint venture		–	–
Financial assets at fair value through other comprehensive income	14	42,929	50,406
Deferred tax assets		1,512	1,322
Finance lease receivables		–	4,626
Factoring receivables		–	174
Loan and interest receivables	15	3,922	3,946
Prepayments, deposits and other receivables		1,432	1,367
		367,080	374,947
CURRENT ASSETS			
Inventories		125,724	84,657
Finance lease receivables		1,200	3,881
Factoring receivables		1,705	2,197
Loan and interest receivables	15	18,580	18,594
Trade and bills receivables	16	252,628	192,776
Prepayments, deposits and other receivables		58,120	89,002
Contract assets		5,533	3,506
Other financial assets		3,474	17,313
Income tax recoverable		75	969
Pledged bank deposits		21,613	22,182
Cash held on behalf of clients		1,778,799	83,317
Cash and bank balances		284,803	364,204
		2,552,254	882,598

Condensed Consolidated Statement of Financial Position *(continued)*

As at 30 June 2022

	Notes	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
CURRENT LIABILITIES			
Trade and bills payables	17	2,060,354	358,122
Other payables and accruals		72,529	77,100
Bank and other borrowings		141,397	132,110
Promissory notes payable		1,921	1,834
Amount due to non-controlling interests		469	737
Lease liabilities		9,751	8,797
Income tax payable		3,696	4,584
		2,290,117	583,284
NET CURRENT ASSETS			
		262,137	299,314
TOTAL ASSETS LESS CURRENT LIABILITIES			
		629,217	674,261
NON-CURRENT LIABILITIES			
Lease liabilities		(9,095)	(12,469)
Deferred tax liabilities		(14,676)	(14,866)
		(23,771)	(27,335)
NET ASSETS			
		605,446	646,926
EQUITY			
Share capital	18	19,213	19,213
Reserves		539,629	585,156
Equity attributable to equity holders of the Company		558,842	604,369
Non-controlling interests		46,604	42,557
TOTAL EQUITY			
		605,446	646,926

Chan Hoi Tik
Director

Lau Ka Ho
Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Attributable to equity holders of the Company										
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	FVTOCI revaluation reserve RMB'000	Capital redemption reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Non-controlling interests		Total equity RMB'000
									Total RMB'000	RMB'000	
At 1 January 2022 (audited)	19,213	598,200	29,521	11	(93,871)	16	(6,140)	57,419	604,369	42,557	646,926
Loss for the period	-	-	-	-	-	-	-	(52,233)	(52,233)	1,903	(50,330)
Other comprehensive income/(expense)											
Exchange differences on translation of operations outside Mainland China	-	-	-	-	-	-	13,670	-	13,670	2,144	15,814
Loss on change in fair value of financial assets at fair value through other comprehensives income, net of tax	-	-	-	-	(6,964)	-	-	-	(6,964)	-	(6,964)
Total comprehensive (expense)/income for the period	-	-	-	-	(6,964)	-	13,670	(52,233)	(45,527)	4,047	(41,480)
Transferred to retained profits on disposal of financial assets at FVTOCI	-	-	-	-	208	-	-	(208)	-	-	-
Transferred to retained profits upon forfeiture of share options	-	-	(6,239)	-	-	-	-	6,239	-	-	-
At 30 June 2022 (unaudited)	19,213	598,200	23,282	11	(100,627)	16	7,530	11,217	558,842	46,604	605,446

Condensed Consolidated Statement of Changes in Equity *(continued)*

For the six months ended 30 June 2022

	Attributable to equity holders of the Company										
	Share capital RMB'000	Share premium RMB'000	Share option reserve RMB'000	Capital reserve RMB'000	FVTOCI revaluation reserve RMB'000	Capital redemption reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021 (audited)	15,348	572,335	34,890	11	(88,756)	16	5,797	140,765	680,406	42,854	723,260
Loss for the period	-	-	-	-	-	-	-	(31,364)	(31,364)	2,503	(28,861)
Other comprehensive (expense)/income											
Exchange differences on translation of operations outside Mainland China	-	-	-	-	-	-	(3,047)	-	(3,047)	(1,734)	(4,781)
Loss on change in fair value of financial assets at fair value through other comprehensives income, net of tax	-	-	-	-	(1,546)	-	-	-	(1,546)	-	(1,546)
Total comprehensive (expense)/income for the period	-	-	-	-	(1,546)	-	(3,047)	(31,364)	(35,957)	769	(35,188)
Issue of new shares upon exercise of share options	845	8,698	(2,448)	-	-	-	-	-	7,095	-	7,095
Recognition of equity-settled share-based payments	-	-	4,374	-	-	-	-	-	4,374	-	4,374
Transferred to retained profits upon cancellation of share options	-	-	(1,402)	-	-	-	-	1,402	-	-	-
Transferred to retained profits upon forfeiture of share options	-	-	(67)	-	-	-	-	67	-	-	-
At 30 June 2021 (unaudited)	16,193	581,033	35,347	11	(90,302)	16	2,750	110,870	655,918	43,623	699,541

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

	Notes	Six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Net cash used in operating activities		(79,093)	(7,529)
Investing activities			
Purchase of property, plant and equipment	12	(8,033)	(19,485)
Proceeds from disposal of property, plant and equipment		–	2,516
Net cash outflow from acquisition of subsidiary	20	–	(1,429)
Net cash inflow from disposal of subsidiaries	21	–	791
Proceeds from disposal of investment in associates		–	6,000
Decrease in other financial assets		13,839	16,870
Proceeds from disposal of financial assets at FVTOCI		513	–
Decrease/(increase) in pledged bank deposits		569	(25,299)
Income from other financial assets received		66	–
Net cash generated from/(used in) investing activities		6,954	(20,036)
Financing activities			
Proceeds from issue of shares arising from exercise of share options		–	7,095
Drawdown of bank loans		45,833	63,086
Repayment of bank loans		(38,345)	(50,000)
Repayment of other loans		–	(6,000)
Payment of lease liabilities		(4,705)	(3,365)
Net cash generated from financing activities		2,783	10,816
Net decrease in cash and cash equivalents		(69,356)	(16,749)
Cash and cash equivalents at beginning of the period		364,204	359,201
Effect of foreign exchange rate changes, net		(10,045)	(3,438)
Cash and cash equivalents at end of the period		284,803	339,014
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances presented in condensed consolidated statement of financial position		284,803	339,014

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 30 June 2022

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 17/F., Fung House, Nos. 19-20 Connaught Road Central, 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 Wujiao 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, provision of food and beverage services, provision of financial business, properties holding, provision of temperature-controlled storage and ancillary services and investment holding.

The unaudited condensed 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.

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 2021.

In the current period, the Group has applied, for the first time, the following 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 2022 for the preparation of the Group's unaudited condensed consolidated financial statements.

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018-2020
Amendments to IFRS 3	Reference to the Conceptual Framework

The adoption of the above new or revised IFRSs in the current period has no material effect on the amounts reported and/or disclosures set out in these unaudited condensed consolidated financial statements.

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

3. OPERATING SEGMENT INFORMATION

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 which can be classified as anti-epidemic products and general products
- (b) Food and beverage – sale of frozen food and beverage products
- (c) Financial business – provision of professional services, such as fund setup and administration, legal and tax consultancy and co-ordination, corporate and accounting services, data analysis, provision of services regarding dealing in securities and futures contracts, margin financing, advising on securities and asset management services, securities investment, money lending, provision of finance lease and factoring
- (d) Properties holding
- (e) Others – provision of temperature-controlled storage and ancillary services which provide storage services for frozen food and beverage products

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 profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that interest income derived from bank deposits, gain on disposal of subsidiaries, gain on disposal of associates, equity-settled share-based payments, other unallocated income and gains, finance costs as well as corporate and other unallocated expenses are excluded from such measurement.

For the current period under review, temperature-controlled storage and ancillary services business previously included in the food and beverage segment has been reclassified to others segment and trading business previously separately disclosed as trading segment has been included in the food and beverage segment 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 certain segment revenue and segment results for the period ended 30 June 2021 have been restated to conform with the presentation of segmental information adopted in respect of the current period.

These restatements of segments information have no impact on the Group's revenue and profit/loss for the current period and comparative prior period ended 30 June 2021 nor on the total assets and total liabilities of the Group as at 30 June 2022 and 31 December 2021.

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

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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2022

3. OPERATING SEGMENT INFORMATION (continued)

	Personal care products RMB'000	Food and beverage RMB'000	Financial business RMB'000	Properties holding RMB'000	Others RMB'000	Total RMB'000
Segment revenue and segment results for the six months ended 30 June 2022						
Segment revenue	181,282	179,968	22,577	–	4,527	388,354
Segment (loss)/profit	(35,412)	4,285	(8,614)	(3,500)	(80)	(43,321)
Interest income from bank deposits						168
Other unallocated income and gains						5,949
Corporate and other unallocated expenses						(8,875)
Finance costs						(2,376)
Loss before tax						(48,455)

	Personal care products RMB'000	Food and beverage RMB'000	Financial business RMB'000	Properties holding RMB'000	Others RMB'000	Total RMB'000
Segment revenue and segment results for the six months ended 30 June 2021 (restated)						
Segment revenue	186,471	166,996	44,494	–	4,993	402,954
Segment (loss)/profit	(29,715)	5,476	12,329	(736)	(784)	(13,430)
Interest income from bank deposits						865
Gain on disposal of subsidiaries						1,783
Gain on disposal of associates						1,290
Other unallocated income and gains						500
Equity-settled share-based payments						(4,374)
Corporate and other unallocated expenses						(7,733)
Finance costs						(2,133)
Loss before tax						(23,232)

3. OPERATING SEGMENT INFORMATION (continued)

	Personal care products RMB'000	Food and beverage RMB'000	Financial business RMB'000	Properties holding RMB'000	Others RMB'000	Total RMB'000
Segment assets and segment liabilities as at 30 June 2022						
Segment assets	403,731	103,315	2,103,771	148,480	19,647	2,778,944
Goodwill						40,282
Corporate and other unallocated assets						100,108
Total assets						2,919,334
Segment liabilities	414,399	39,293	1,806,898	21,361	12,203	2,294,154
Corporate and other unallocated liabilities						19,734
Total liabilities						2,313,888

	Personal care products RMB'000	Food and beverage RMB'000	Financial business RMB'000	Properties holding RMB'000	Others RMB'000	Total RMB'000
Segment assets and segment liabilities as at 31 December 2021 (restated)						
Segment assets	413,758	112,465	442,646	143,417	21,213	1,133,499
Goodwill						40,841
Corporate and other unallocated assets						83,205
Total assets						1,257,545
Segment liabilities	388,678	40,827	139,779	19,153	13,700	602,137
Corporate and other unallocated liabilities						8,482
Total liabilities						610,619

Notes to the Condensed Consolidated Interim Financial Statements *(continued)*

For the six months ended 30 June 2022

4. REVENUE

An analysis of the Group's revenue by major products and services categories for the period are as follows:

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited) (restated)
Revenue from sale of goods	181,282	186,471
Income from food and beverage business	179,968	166,996
Income from provision of temperature-controlled storage and ancillary services	4,527	4,993
Income from provision of professional services	30,695	29,613
Income from provision of services regarding dealing in securities and futures contracts	1,137	625
Income from asset management and advising on securities services	2,560	3,314
Revenue from contracts with customers	400,169	392,012
Interest income from finance lease business	1,109	5,376
Interest income from money lending business	431	1,595
Interest income from financial assets at fair value through profit or loss	87	788
Fair value (loss)/gain on financial assets at fair value through profit or loss	(16,825)	3,183
Margin interest income from securities brokerage business	3,383	–
	(11,815)	10,942
Total revenue	388,354	402,954

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by timing of revenue recognition:

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Timing of revenue recognition		
At a point in time	375,544	369,780
Over time	24,625	22,232
	400,169	392,012

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Interest income from bank deposits	168	865
Gain on disposal of associates	–	1,290
Gain on disposal of subsidiaries	–	1,783
Gain on disposal of property, plant and equipment	–	1,587
Government subsidies*	4,208	1,731
Net foreign exchange gains	14,657	375
Reversal of impairment loss on loan and interest receivables (note 15)	–	776
Sundry income	1,702	1,424
	20,735	9,831

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

6. OTHER EXPENSES

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Impairment loss on trade and bills receivables	701	11,186
Impairment loss on finance lease receivables	3,213	2,955
Impairment loss on goodwill	559	–
Loan and interest receivables written off (note 15)	–	566
Loss on change in fair value of investment properties	3,141	–
Others	681	20
	8,295	14,727

7. FINANCE COSTS

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Interest on bank borrowings	1,324	242
Interest on other borrowings	416	1,243
Finance costs on lease liabilities	636	648
	2,376	2,133

8. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Cost of inventories sold (note a)	307,652	287,467
Depreciation of property, plant and equipment (note a)	9,420	9,200
Depreciation of right-of-use assets	4,788	3,708
Lease payments under short-term leases and low value assets	876	1,296
Storage expenses	9,901	7,157
Employee benefit expenses (including directors' remuneration) (note a & b):		
Wages and salaries	60,669	42,968
Equity-settled share-based payments	–	4,374
Retirement benefit scheme contributions	3,948	3,397
Total staff costs	64,617	50,739
Auditors' remuneration	367	356
Research and development costs (note b)	16,830	14,299

Notes:

- (a) The depreciation of property, plant and equipment and employee benefit expenses include amounts of approximately RMB7,310,000 (2021: approximately RMB4,135,000) and approximately RMB21,796,000 (2021: approximately RMB15,914,000) respectively which are also included in the cost of inventories sold.
- (b) For the six months ended 30 June 2022, the research and development costs include an amount of approximately RMB6,567,000 (2021: approximately RMB6,165,000) relating to staff costs for research and development activities, which also include in the total amounts of employee benefit expenses.

9. INCOME TAX EXPENSE

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Hong Kong Profits Tax	2,302	2,001
PRC Enterprise Income Tax	(304)	3,467
Current tax expense	1,998	5,468
Deferred tax (credit)/charge	(123)	161
Total income tax expense	1,875	5,629

Hong Kong Profits Tax is calculated in accordance with the two-tiered Hong Kong profits tax rates regime for both periods presented.

Under the two-tiered Hong Kong profits tax rates regime, the first HK\$2 million of the assessable profits of the qualifying corporation will be taxed at 8.25% (2021: 8.25%), and assessable profits above HK\$2 million will be taxed at 16.5% (2021: 16.5%). The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at the rate of 16.5% (2021: 16.5%).

PRC subsidiaries are subject to PRC Enterprise Income Tax at 25% of the profit assessable to tax for both of the periods presented.

10. DIVIDENDS

The Directors do not recommend any payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

11. LOSS PER SHARE

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

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Loss		
Loss for the purpose of basic loss per share		
Loss for the period attributable to equity holders of the Company	(52,233)	(31,364)
	2022 '000 (unaudited)	2021 '000 (unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	2,274,123	1,831,206

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 the periods ended 30 June 2022 and 30 June 2021.

Diluted loss per share for the six months ended 30 June 2022 and 30 June 2021 are not presented as there were no other potential shares in issue for both of the periods.

12. PROPERTY, PLANT AND EQUIPMENT

	Six months ended 30 June 2022 RMB'000 (unaudited)	Year ended 31 December 2021 RMB'000 (audited)
At beginning of the period/year, net of accumulated depreciation and impairment	108,236	102,684
Additions, at cost	8,033	25,228
Additions upon acquisition of a subsidiary	–	472
Disposals	–	(1,054)
Depreciation provided for the period/year	(9,420)	(18,723)
Eliminated upon disposal of subsidiaries	–	(10)
Exchange realignment	423	(361)
At end of the period/year, net of accumulated depreciation and impairment	107,272	108,236

13. GOODWILL

	Six months ended 30 June 2022 RMB'000 (unaudited)	Year ended 31 December 2021 RMB'000 (audited)
Cost		
At beginning of the period/year	47,240	43,573
Acquisition of a subsidiary	–	3,667
At end of the period/year	47,240	47,240
Accumulated impairment losses		
At beginning of the period/year	6,399	6,399
Impairment loss recognised	559	–
At end of the period/year	6,958	6,399
Carrying amount at end of the period/year	40,282	40,841

Notes to the Condensed Consolidated Interim Financial Statements *(continued)*

For the six months ended 30 June 2022

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Financial assets at fair value through other comprehensive income		
– Equity securities listed in Hong Kong	2,857	4,849
– Unlisted investment fund	40,072	45,557
	42,929	50,406

15. LOAN AND INTEREST RECEIVABLES

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Loan and interest receivables thereon		
– within one year	25,194	24,908
– in the second to fifth year	3,800	3,751
– over five years	122	195
Loan and interest receivables, gross amount	29,116	28,854
Less: Impairment loss recognised	(6,614)	(6,314)
	22,502	22,540
Analysed for reporting as:		
Non-current assets	3,922	3,946
Current assets	18,580	18,594
	22,502	22,540

15. LOAN AND INTEREST RECEIVABLES (continued)

Movements during the period/year are as follows:

	Six months ended 30 June 2022 RMB'000 (unaudited)	Year ended 31 December 2021 RMB'000 (audited)
At beginning of the period/year	22,540	33,989
Loans made by the Group	–	6,642
Interest on loan receivables (note 4)	431	4,263
Loan and interest repaid by borrowers	(1,504)	(21,011)
Loan and interest written off (note 6)	–	(564)
Reversal of impairment loss recognised (note 5)	–	117
Exchange realignment	1,035	(896)
At end of the period/year	22,502	22,540

16. TRADE AND BILLS RECEIVABLES

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Trade receivables arising from dealing in securities and futures contracts services		
– clearing house, brokers and cash clients (note a)	20,304	52,603
– margin clients (note b)	58,778	–
Trade and bills receivables arising from other businesses (note c)	207,934	173,829
Trade and bills receivables, gross amount	287,016	226,432
Less: allowance for trade and bills receivables arising from other businesses	(34,388)	(33,656)
	252,628	192,776

Notes:

- (a) The settlement terms of the trade receivables from clearing house, brokers and cash clients are one to two days after trade date. The trade receivables as at 30 June 2022 are not past due based on credit terms, are not impaired and were settled subsequent to 30 June 2022. No aging analysis of these trade receivables are disclosed as management of the Group is of the view that the aging analysis does not give additional value in view of the nature of this business.

16. TRADE AND BILLS RECEIVABLES (continued)

Notes: (continued)

- (b) The trade receivables from margin clients are repayable on demand and carry interest at interest rate ranged from 8.0% to 18.0% per annum. For credit facilities granted by the Group to margin clients, the margin clients are required to pledge their securities collateral to the Group, and the credit facilities granted is determined by the discounted market value of pledged securities in accordance with the Group's margin lending policies at a specified loan-to-collateral ratio.

At the end of the reporting period, the market value of securities pledged as collateral in respect of the trade receivables from margin clients amounted to approximately RMB598,600,000 (31 December 2021: Nil).

No aging analysis of the trade receivables from margin clients are disclosed as management of the Group is of the view that the aging analysis does not give additional value in view of the nature of this business.

- (c) The trade and bills receivables arising from other businesses include trade and bills receivables arising from personal care products, food and beverage, provision of professional services business and provision of temperature-controlled storage and ancillary services. The Group's trading terms with its customers of other businesses 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 2021: 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 and bills 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 and bills receivables balances. Trade and bills receivables are non-interest bearing.

An aged analysis of the trade and bills receivables, net of allowance recognised, arising from other businesses as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Within 30 days	75,230	53,253
31 to 60 days	42,510	21,268
61 to 90 days	15,466	14,580
91 to 180 days	15,660	19,047
181 to 365 days	22,966	31,645
Over 365 days	1,714	380
	173,546	140,173

17. TRADE AND BILLS PAYABLES

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Trade payables arising from dealing in securities and futures contracts services (note a)	28,647	89,482
Trade payables arising from provision of escrow services (note b)	1,758,529	13,811
Trade and bills payables arising from other businesses (note c)	273,178	254,829
	2,060,354	358,122

Notes:

- (a) The trade payables arising from dealing in securities and futures contracts services represent payables to clearing house and cash clients. The settlement terms of these trade payables are two days after trade date. No aging analysis of the trade payables to clearing house and cash clients is disclosed as management of the Group is of the view that the aging analysis does not give additional value in view of the nature of this business.
- (b) Trade payables arising from provision of escrow services represent funds placed in the Group's bank accounts by its escrow clients (cash deposited with the Group's bank accounts are presented as "cash held on behalf of clients" under current assets in the Group's condensed consolidated statement of financial position). Settlement of these payables is effected when the related funds transferred out of the Group's bank accounts in accordance with the escrow clients' instructions. No aging analysis of the trade payables to escrow client is disclosed as management of the Group is of the view that the aging analysis does not give additional value in view of the nature of this business.
- (c) The trade and bills payables arising from other businesses include trade and bills payables arising from personal care products, food and beverage, provision of professional services business (excluding the provision of escrow services) and the provision of temperature-controlled storage and ancillary services.

An aged analysis of the trade and bills payables arising from other businesses as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Within 30 days	87,281	52,312
31 to 90 days	42,695	85,765
91 to 180 days	17,484	66,746
Over 180 days	125,718	50,006
	273,178	254,829

The trade and bills payables are interest free and are normally settled on terms of 30 days to 180 days (31 December 2021: 30 days to 180 days).

18. SHARE CAPITAL

	Six months ended 30 June 2022		Year ended 31 December 2021	
	Number of ordinary shares '000	Share capital RMB'000 (unaudited)	Number of ordinary shares '000	Share capital RMB'000 (audited)
Authorised:				
Ordinary shares of HK\$0.01 each				
At beginning and end of the period/year	5,000,000	41,524	5,000,000	41,524
Issued and fully paid:				
Ordinary shares of HK\$0.01 each				
At beginning of the period/year	2,274,123	19,213	1,810,123	15,348
Issue of new shares upon exercise of share options	–	–	102,000	845
Placing of shares (note below)	–	–	362,000	3,020
At end of the period/year	2,274,123	19,213	2,274,123	19,213

Note:

On 5 July 2021, the Company issued 362,000,000 ordinary shares at HK\$0.068 per share for a total cash consideration of HK\$24,616,000 (equivalent to RMB20,532,000) to provide additional working capital to the Company.

19. SHARE OPTION SCHEMES

(A) 2011 Share Option Scheme

On 22 June 2011, the Company operated a share option scheme (the “2011 Share Option Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. Eligible participants of the 2011 Share Option Scheme include, among others, the Company’s Directors, including independent non-executive Directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group and the Company’s Shareholders.

The 2011 Share Option Scheme had a life of 10 years and was expired on 21 June 2021 such that no further options shall thereafter be offered under the 2011 Share Option Scheme but the options, which had been granted during its life, shall continue to be valid and exercisable in accordance with their terms of issue and in all other respects the provisions of the 2011 Share Option Scheme shall remain in full force and effect.

19. SHARE OPTION SCHEMES (continued)

(B) 2021 Share Option Scheme

On 25 June 2021, a new share option scheme was adopted by the Shareholders at the annual general meeting of the Company (the "2021 Share Option Scheme") for the purpose of providing an incentive or a reward to selected eligible participants for their contribution or potential contribution to, and continuing efforts to promote the interests of, the Group or any invested entity and/or to enable the Group to recruit and retain high-calibre employees and attract human resources that are valuable to the Group or any invested entity. Eligible participants of the 2021 Share Option Scheme include, among others, (i) any employee (whether full-time or part-time) of the Company, any of the subsidiaries and any invested entity; (ii) any Director (including executive, non-executive and independent non-executive Directors) of the Company, any of the subsidiaries or any invested entity; (iii) any supplier of goods or services to any member of the Group or any invested entity; (iv) any customer of the Group or any invested entity; or (v) any business or joint venture partners, contractors, agents or representatives, consultants, advisers or service providers that provides research, development, professional services or other technological support to the Group or any invested entity.

The 2021 Share Option Scheme has a life of 10 years and no options were granted since the date of its adoption.

A summary of the general terms of the 2011 Share Option Scheme and the 2021 Share Option Scheme (the "Share Option Schemes") are as follows:

(i) *Maximum number of shares available for issue*

The total number of shares which may be issued upon exercise of all options to be granted under the 2021 Share Option Scheme shall not exceed 10% of the shares in issue as at the date of approval of the 2021 Share Option Scheme, provided that the Company may seek approval from Shareholders to refresh such limit. Moreover, the maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Schemes shall not exceed 30% of the shares in issue from time to time.

Up to the date of approval of these condensed consolidated interim financial statements, the total number of shares available for issue under the 2021 Share Option Scheme is 191,212,300, representing approximately 8.4% of the issued shares of the Company as at the date of this report.

19. SHARE OPTION SCHEMES *(continued)*

(ii) Grant of share options to connected persons or any of their associates

Share options granted to a connected person (including but not limited to a Director, chief executive or substantial Shareholder of the Company), or to any of its associates, are subject to approval in advance by the independent non-executive Directors (excluding the independent non-executive Director who or whose associate is the grantee of the option). Any share options are proposed to be granted to a connected person who is also a substantial Shareholder or an independent non-executive Director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's shares on the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to Shareholders' approval in advance in a general meeting.

(iii) Maximum entitlement of each eligible participant

The total number of shares issued and to be issued upon exercise of the share options granted to each eligible participant or grantee (including exercised and outstanding options) in any 12-month period up to the date of grant shall not exceed 1% of the total number of shares of the Company in issue. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

(iv) Time of exercise of options

The exercise period of the share options granted is determinable by the Directors, and ends on a date which is no longer than ten years from the date of grant of the share options.

(v) Acceptance of Offer

The offer of a grant of share options shall be accepted by the grantee within 28 days for 2011 Share Option Scheme and 21 days for 2021 Share Option Scheme from the date of offer when the duplicate letter comprising acceptance of the share option duly signed by the grantee together with a payment of HK\$1 in total by way of nominal consideration of the grant.

(vi) Subscription price for shares

The exercise price of share options shall be determinable by the Directors at its absolute discretion, but in any event will not be less than the highest of: (i) the closing price of the shares on the Stock Exchange as shown in the daily quotations sheet of the Stock Exchange on the offer date, which must be a business day; (ii) the average of the closing prices of the shares as shown in the daily quotations sheets of the Stock Exchange for the 5 business days immediately preceding the offer date; and (iii) the nominal value of the share on the offer date.

19. SHARE OPTION SCHEMES (continued)

Share options do not confer rights on the holders to dividends or to vote at Shareholders' meetings.

Movements of share options granted under 2011 Share Option Scheme during the Reporting Period are as follows:

	Six months ended 30 June 2022		Year ended 31 December 2021	
	Weighted average exercise price per share HK\$	Number of options '000	Weighted average exercise price per share HK\$	Number of options '000
At beginning of the period/year	1.090	84,635	1.430	76,325
Granted during the period/year	–	–	0.084	159,000
Exercised during the period/year	–	–	0.084	(102,000)
Cancelled during the period/year	–	–	0.084	(39,000)
Forfeited during the period/year	2.754	(7,808)	1.880	(9,690)
At end of the period/year	0.925	76,827	1.090	84,635

The exercise prices and exercise periods of the share options granted under 2011 Share Option Scheme outstanding as at the end of the reporting period and the year ended 31 December 2021 are as follows:

30 June 2022 Number of options '000	Exercise price HK\$ per share	Exercise period
21,440	1.830	26-09-2015 to 25-09-2024
27,687	0.810	18-01-2017 to 27-12-2025
9,700	0.810	20-01-2017 to 27-12-2025
18,000	0.084	22-01-2021 to 21-01-2031
76,827		

19. SHARE OPTION SCHEMES (continued)

31 December 2021 Number of options '000	Exercise price HK\$ per share	Exercise period
6,908	2.940	21-06-2013 to 20-06-2022
21,890	1.830	26-09-2015 to 25-09-2024
28,137	0.810	18-01-2017 to 27-12-2025
9,700	0.810	20-01-2017 to 27-12-2025
18,000	0.084	22-01-2021 to 21-01-2031
84,635		

At the end of the reporting period, the Company had approximately 76,827,000 share options (31 December 2021: 84,635,000) outstanding under the 2011 Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of approximately 76,827,000 (31 December 2021: 84,635,000) additional ordinary shares of the Company which would give rise to the total proceeds of approximately HK\$71,030,000 (31 December 2021: approximately HK\$92,528,000).

On 22 January 2021, share options to subscribe for 159,000,000 new ordinary shares of HK\$0.01 each of the Company were granted by the Company to certain Directors, employees and consultants of the Group, subject to acceptance of the grantees, under the 2011 Share Option Scheme. Each of the share options shall entitle the holder of the share option to subscribe for one new ordinary share of the Company at an exercise price of HK\$0.084 per share during the exercisable period from 22 January 2021 to 21 January 2031. Details of the share options granted by the Company are set out in the Company's announcement dated 22 January 2021.

On 23 February 2021, the Company and certain consultants have mutually agreed to settle the relevant fees under the consultancy agreements by way of cash in place of 39,000,000 share options granted by the Company to the consultants. Pursuant to the terms of the 2011 Share Option Scheme, the consultants have made written request to the Company for the cancellation of relevant share options, accordingly, the Company has given a written notice to the consultants, under which relevant share options were cancelled with effect from 24 February 2021. Details of the cancellation of the share options are set out in the Company's announcement dated 23 February 2021.

Up to the date of approval of these condensed consolidated interim financial statements, the Company had approximately 76,827,000 share options outstanding under the 2011 Share Option Scheme, which represented approximately 3.38% of the Company's shares in issue as at that date.

20. ACQUISITION OF SUBSIDIARIES

	Six months ended 30 June 2022 RMB'000 (unaudited)	Six months ended 30 June 2021 RMB'000 (unaudited)
Net cash outflow on acquisition of:		
– Global Compliance Consulting Limited <i>(note b)</i>	–	(1,429)
	–	(1,429)

(a) Acquisition of subsidiary during the six months ended 30 June 2022

There is no acquisition of subsidiary during the six months ended 30 June 2022.

(b) Acquisition of subsidiary during the six months ended 30 June 2021

Acquisition of Global Compliance Consulting Limited (“GCC”)

On 23 December 2020, the Group, as purchaser, and an independent third party, as vendor, entered into a sale and purchase agreement, pursuant to which the vendor has agreed to sell and the purchaser has agreed to acquire 60% issued share capital of GCC for a consideration of HK\$4,500,000 (equivalent to RMB3,742,000).

GCC is principally engaged in provision of consultancy services. Completion of the acquisition of GCC took place on 4 January 2021. Following completion, GCC became a subsidiary of the Company.

The acquisition of GCC has been accounted for using the purchase method.

Assets and liabilities recognised at the date of acquisition:

	RMB'000 (unaudited)
Assets	
Property, plant and equipment	472
Trade receivables	271
Amount due to non-controlling interest	313
Cash and bank balances	442
Liabilities	
Other payables and accruals	(15)
Lease liabilities	(471)
Bank borrowings	(606)
Income tax payable	(406)
Total identifiable net assets acquired	–

20. ACQUISITION OF SUBSIDIARIES (continued)

(b) Acquisition of subsidiary during the six months ended 30 June 2021 (continued)

Acquisition of Global Compliance Consulting Limited ("GCC") (continued)

The trade receivables acquired with a fair value of RMB271,000 at the date of acquisition had gross contractual amount of RMB271,000. No contractual cash flows from the receivables are expected not to be collected.

Goodwill arising on acquisition

	RMB'000 (unaudited)
Consideration transferred	
– Cash paid	1,871
– Promissory notes issued	1,871
	3,742
Recognised amount of identifiable net assets acquired	–
Goodwill on acquisition	3,742

Net cash outflow in respect of the acquisition of GCC is as follows:

	RMB'000 (unaudited)
Consideration paid in cash	(1,871)
Cash and bank balances acquired	442
Net cash outflow	(1,429)

21. DISPOSAL OF SUBSIDIARIES

	Six months ended 30 June 2022 RMB'000 (unaudited)	Six months ended 30 June 2021 RMB'000 (unaudited)
Net cash inflow/(outflow) on disposal of:		
– 上海染色蝌蚪母婴用品有限公司 (note (b))	–	1,707
– Others	–	(916)
	–	791

(a) Disposal of subsidiary during the six months ended 30 June 2022

There is no disposal of subsidiary during the six months ended 30 June 2022.

21. DISPOSAL OF SUBSIDIARIES (continued)

(b) Disposal of subsidiaries during the six months ended 30 June 2021

Disposal of 上海柒色蝌蚪母婴用品有限公司

On 7 February 2021, the Company entered into an agreement with an independent third party to dispose of 100% equity interest in a subsidiary, 上海柒色蝌蚪母婴用品有限公司, for an aggregate cash consideration of RMB2,000,000. 上海柒色蝌蚪母婴用品有限公司 and its subsidiary are principally engaged in sales of personal care products. The disposal was completed on 3 March 2021.

An analysis of assets and liabilities over which control was lost:

	RMB'000 (unaudited)
Assets	
Property, plant and equipment	11
Inventories	105
Prepayments, deposits and other receivables	1,045
Cash and bank balances	293
Liabilities	
Trade payables	(1,056)
Other payables and accruals	(123)
Net assets disposed of	275

Gain on disposal of subsidiaries

	RMB'000 (unaudited)
Cash consideration	2,000
Net assets disposed of	(275)
Gain on disposal of subsidiaries (note 5)	1,725

Net cash inflow from the disposal of subsidiaries as follows:

	RMB'000 (unaudited)
Cash consideration received	2,000
Cash and bank balances disposed of	(293)
Net cash inflow	1,707

22. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Contracted, but not provided for:		
Purchase of items of property, plant and equipment	2,972	4,755

23. CONTINGENT LIABILITIES

The Group did not have any material contingent liabilities as at 30 June 2022 and 31 December 2021.

24. RELATED PARTY TRANSACTIONS

- (i) In addition to the transactions detailed elsewhere in these condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the period:

		Six months ended 30 June	
	Notes	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Associates:			
Sales of products	(a)	–	77,251
Purchases of products	(a)	–	(5,926)
Miscellaneous income	(a)	–	(810)
Substantial shareholder:			
Consultancy fee	(b)	(50)	(50)
Non-controlling interests:			
Consultancy fee	(c)	(199)	(491)
Asset management fee	(d)	–	(657)
Service fee	(d)	–	(124)
Service income	(d)	–	1,356

24. RELATED PARTY TRANSACTIONS (continued)

- (i) In addition to the transactions detailed elsewhere in these condensed consolidated interim financial statements, the Group had the following material transactions with related parties during the period: (continued)

Notes:

- (a) Sale to, purchase from and miscellaneous income from an associate, Fujian Herun, were made on mutually agreed terms.
- (b) Consultancy fee paid to a substantial shareholder was made on mutually agreed terms.
- (c) Consultancy fee paid to non-controlling interests was made on mutually agreed terms.
- (d) Asset management fee and service fee paid to and service income received from non-controlling interest were made on mutually agreed terms.

- (ii) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Short term employee benefits	158	142
Post-employment benefits	3	3
Total compensation paid to key management personnel	161	145

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

- (a) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

The Group's certain equity securities listed in Hong Kong and unlisted investment fund included in financial assets at FVTOCI and certain equity securities listed in Hong Kong and other unlisted products included in financial assets at FVTPL are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	30 June 2022 RMB'000	31 December 2021 RMB'000		
Financial assets at FVTOCI				
Equity securities listed in Hong Kong	2,857	4,849	Level 1	Quoted bid prices in an active market
Unlisted investment fund	40,072	45,557	Level 2	Proportion of net asset value
Financial assets at FVTPL				
Equity securities listed in Hong Kong	–	9,525	Level 1	Quoted bid prices in an active market
Other unlisted products	3,474	7,788	Level 2	Quoted value by bankers

The fair value of all the equity securities listed in Hong Kong at 30 June 2022 is measured based on the quoted bid price as at 30 June 2022, being the last trading date of the securities for the period ended 30 June 2022.

The fair value of unlisted investment fund at 30 June 2022 is measured based on the valuation performed by fund managers by reference to quoted bid prices of the listed securities held by the fund.

The fair value of other unlisted products are measured based on the quoted values by bankers.

There were no transfers between Level 1 and 2 in the period.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

- (b) Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis but fair value disclosures are required

The Directors consider that the carrying amounts of financial assets and financial liabilities at amortised cost in the condensed consolidated interim financial statements approximate their fair values. The fair values, which are included in Level 3 categories, have been determined in accordance with generally accepted pricing models based on a discounted cash flows analysis, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

- (c) Reconciliation of Level 3 fair value measurements

The Group's financial assets and financial liabilities carried at fair value were measured at fair value on Level 1 and Level 2 fair value measurement. Reconciliation of Level 3 fair value measurement is not presented.

26. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

On 4 July 2022, Fujian RuiYu Innovation Cosmetic Co., Limited (福建省瑞宇創化妝品有限公司) ("Fujian RuiYu Innovation"), an indirect wholly-owned subsidiary of the Company, as vendor, and Snagatr (Fujian) Oral Health Technology Co., Limited (絲耐潔(福建)口腔健康科技有限公司) ("Snagatr"), as purchaser, entered into the equity transfer agreement, pursuant to which Snagatr has conditionally agreed to acquire and Fujian RuiYu Innovation has conditionally agreed to sell 100% 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 RMB50,000,000. Completion of the disposal of entire equity interest in Frog Prince (Fujian) Baby has not taken place up to the date of the approval of these condensed consolidated financial statements. Details regarding the above transaction are set out in the announcement of the Company dated 4 July 2022 and the circular of the Company dated 9 August 2022.

27. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the board of Directors on 26 August 2022.

SUPPLEMENTARY INFORMATION TO THE INTERIM REPORT

SHARE OPTION SCHEME

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants for their contributions to the Group. Details of movements of the Company's share options, granted under the Share Option Scheme, during the six months ended 30 June 2022 are as follows:

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Exercise period (Note 2)	
			Outstanding as at 1 January 2022	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/ lapsed during the period		Outstanding as at 30 June 2022
Non-executive Director									
Mr. Li Zhouxin (re-designated from executive director on 30 June 2017)	21 June 2012	2.94	90,000	-	-	-	(90,000)	-	B
			90,000	-	-	-	(90,000)	-	C
			180,000	-	-	-	(180,000)	-	
	26 September 2014	1.83	120,000	-	-	-	-	120,000	D
			90,000	-	-	-	-	90,000	E
			90,000	-	-	-	-	90,000	F
			300,000	-	-	-	300,000		
	18 January 2016	0.81	400,000	-	-	-	-	400,000	G
			300,000	-	-	-	-	300,000	H
			300,000	-	-	-	-	300,000	I
			1,000,000	-	-	-	1,000,000		
Sub-total			1,480,000	-	-	-	(180,000)	1,300,000	
Executive Director									
Mr. Chan Hoi Tik	22 January 2021	0.084	18,000,000	-	-	-	-	18,000,000	M

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options				Forfeited/ lapsed during the period	Outstanding as at 30 June 2022	Exercise period (Note 2)	
			Outstanding as at 1 January 2022	Granted during the period	Exercised during the period	Cancelled during the period				
Former Directors	21 June 2012	2.94	1,544,000	-	-	-	(1,544,000)	-	A	
			1,158,000	-	-	-	(1,158,000)	-	B	
			1,158,000	-	-	-	(1,158,000)	-	C	
				3,860,000	-	-	-	(3,860,000)	-	
	26 September 2014	1.83	3,040,000	-	-	-	-	3,040,000	D	
			2,280,000	-	-	-	-	2,280,000	E	
			2,280,000	-	-	-	-	2,280,000	F	
				7,600,000	-	-	-	7,600,000		
	18 January 2016	0.81	4,440,000	-	-	-	-	4,440,000	G	
			3,330,000	-	-	-	-	3,330,000	H	
			3,330,000	-	-	-	-	3,330,000	I	
				11,100,000	-	-	-	11,100,000		
<i>Sub-total</i>			<i>22,560,000</i>	-	-	-	<i>(3,860,000)</i>	<i>18,700,000</i>		
Total for directors			42,040,000	-	-	-	(4,040,000)	38,000,000		
Employees of the Group in aggregate	21 June 2012	2.94	702,600	-	-	-	(702,600)	-	A	
			1,087,200	-	-	-	(1,087,200)	-	B	
			1,078,200	-	-	-	(1,078,200)	-	C	
				2,868,000	-	-	-	(2,868,000)	-	
	26 September 2014	1.83	5,596,000	-	-	-	(180,000)	5,416,000	D	
			4,197,000	-	-	-	(135,000)	4,062,000	E	
			4,197,000	-	-	-	(135,000)	4,062,000	F	
				13,990,000	-	-	-	(450,000)	13,540,000	
	18 January 2016	0.81	6,414,600	-	-	-	(180,000)	6,234,600	G	
			4,810,950	-	-	-	(135,000)	4,675,950	H	
			4,810,950	-	-	-	(135,000)	4,675,950	I	
				16,036,500	-	-	-	(450,000)	15,586,500	
Total for employees			32,894,500	-	-	-	(3,768,000)	29,126,500		

SHARE OPTION SCHEME (continued)

Name or category of participants	Date of grant (Note 1)	Exercise price per share (HK\$)	Number of options					Outstanding as at 30 June 2022	Exercise period (Note 2)
			Outstanding as at 1 January 2022	Granted during the period	Exercised during the period	Cancelled during the period	Forfeited/ lapsed during the period		
Distributors of the Group in aggregate	20 January 2016	0.81	3,880,000	-	-	-	-	3,880,000	J
			2,910,000	-	-	-	-	2,910,000	K
			2,910,000	-	-	-	-	2,910,000	L
Total for distributors			9,700,000	-	-	-	-	9,700,000	
TOTAL			84,634,500	-	-	-	(7,808,000)	76,826,500	

Notes:

- The closing prices of the Company's shares immediately before the dates of grant on 21 June 2012, 26 September 2014, 18 January 2016, 20 January 2016 and 22 January 2021 were HK\$2.94, HK\$1.86, HK\$0.64, HK\$0.67 and HK\$0.083, respectively.
- The respective exercise periods of the share options granted are as follows:
 - A: From 21 June 2013 to 20 June 2022
 - B: From 21 June 2014 to 20 June 2022
 - C: From 21 June 2015 to 20 June 2022
 - D: From 26 September 2015 to 25 September 2024
 - E: From 26 September 2016 to 25 September 2024
 - F: From 26 September 2017 to 25 September 2024
 - G: From 18 January 2017 to 27 December 2025
 - H: From 18 January 2018 to 27 December 2025
 - I: From 18 January 2019 to 27 December 2025
 - J: From 20 January 2017 to 27 December 2025
 - K: From 20 January 2018 to 27 December 2025
 - L: From 20 January 2019 to 27 December 2025
 - M: From 22 January 2021 to 21 January 2031

The vesting period of the share options is from the date of grant until the commencement of the exercise period.

- The number and/or exercise price of the options may be subject to adjustments in the case of rights or bonus issues, or other changes in the Company's share capital.

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

As at 30 June 2022, the interests of the Directors in the shares and underlying shares of the Company, which were required, pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code", Appendix 10 to the Listing Rules), to be notified to the Company and the Stock Exchange, were as follows:

A. Long positions in the ordinary shares of the Company

Name of Directors	Nature of interests	Number of ordinary shares interested	Percentage ⁺ of the Company issued share capital
Mr. Lau Ka Ho	Beneficial owner	18,000,000	0.79%
Mr. Fok King Man Ronald (resigned on 15 July 2022)	Beneficial owner	18,000,000	0.79%
Mr. Li Zhouxin	Interest of controlled corporation (<i>Note</i>)	80,000,000	3.51%

Note:

These shares are held by Elite Beauty International Trading (Hong Kong) Co., Limited ("Elite Beauty"). Dawn Crystal Investment Limited, which is wholly owned by Mr. Li Zhouxin, holds 100% interest in Elite Beauty. Accordingly, Mr. Li Zhouxin is deemed to be interested in the shares held by Elite Beauty pursuant to Part XV of the SFO.

* The percentage represents the number of shares interested divided by the number of the Company's issued shares as at 30 June 2022.

B. Long positions in the underlying shares of the Company (physically settled unlisted equity derivatives) – share options

Name of Directors	Nature of interests	Number of underlying shares interested	Percentage ⁺ of underlying shares over the Company's issued share capital
Mr. Li Zhouxin	Beneficial owner	1,300,000	0.06%
Mr. Chan Hoi Tik	Beneficial owner	18,000,000	0.79%

* The percentage represents the number of underlying shares interested divided by the number of the Company's issued shares as at 30 June 2022.

Save as disclosed above and in the above section headed "Share Option Scheme", as at 30 June 2022, none of the Directors or chief executive of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, the following parties had interests of 5% or more of the issued share capital of the Company according to the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the ordinary shares of the Company

Name of substantial Shareholders	Nature of interests	Number of ordinary shares interested	Percentage ⁺ of the Company's issued share capital
Golden Sparkle Limited	Beneficial owner <i>(Note)</i>	551,686,500	24.25%
Mr. Lai Wai Lam Ricky	Interest of controlled corporation <i>(Note)</i>	551,686,500	24.25%

Note:

These shares are held by Golden Sparkle Limited, a controlled corporation of Mr. Lai Wai Lam Ricky. Accordingly, Mr. Lai Wai Lam Ricky is deemed to be interested in these shares pursuant to Part XV of the SFO.

⁺ The percentage represents the number of ordinary shares interested divided by the number of the Company's issued shares as at 30 June 2022.

Save as disclosed above and in the above section headed "Share Option Scheme", as at 30 June 2022, no person had registered an interest or short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

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.

COMPLIANCE WITH THE WRITTEN GUIDELINES FOR SECURITIES TRANSACTIONS BY THE RELEVANT EMPLOYEES OF THE COMPANY

The Company has adopted the Model Code contained in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' dealings in the Company's securities. Each Director has been given a copy of the Model Code. Specific enquiry has been made of all the Company's Directors and they have confirmed their compliance with the Model Code throughout the period ended 30 June 2022.

The Company has also established written guidelines on no less exacting terms than the Model Code (the "Employees Written Guidelines"), governing securities transactions by employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Employees Written Guidelines by the relevant employees was noted by the Company.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

CORPORATE GOVERNANCE

The Board is of the view that the Company has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 of the Listing Rules during the period ended 30 June 2022 apart from the code provisions F.2.2 and C.2.1 as disclosed below.

Under code provision F.2.2 of the CG Code, the chairman of the Board should attend the annual general meeting. During the period ended 30 June 2022, the Company did not appoint any individual to be the chairman of the Board as the Board was still in the process of identifying a suitable candidate. Mr. Lau Ka Ho ("Mr. Lau"), the executive Director and chief executive officer of the Company, has chaired the annual general meeting held on 24 June 2022 ("2022 AGM") and addressed questions raised by the Shareholders at the 2022 AGM.

The Board believed that Mr. Lau possessed sufficient knowledge on the Group's businesses and had the required leadership in maintaining an effective dialogue with the Shareholders and addressing any issues or questions raised in the 2022 AGM. Therefore, Mr. Lau was considered suitable and appropriate to act as the chairman of the 2022 AGM.

Under code provision C.2.1 of the CG Code, the role of chairman and chief executive should be separate and should not be performed by the same individual. As aforesaid, the Company did not appoint any individual to be the chairman of the Board during the period ended 30 June 2022. Hence the Company deviated from the requirements under code provision C.2.1. The Board will nominate suitable candidate to act as chairman of the Board as soon as practicable and will make necessary announcement as and when appropriate.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Details of events subsequent to the reporting period are set out in note 26 to the condensed consolidated interim financial statements.

UPDATE ON DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of Directors are set out as follow:

- Mr. Chan Hoi Tik was appointed as a member of the investment and credit committee on 15 July 2022.
- Mr. Fok King Man Ronald resigned as an executive Director and chief investment officer, and ceased to be a member of executive committee and investment and credit committee on 15 July 2022.

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, 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 2022, including accounting principles and practices adopted by the Group, and discussed financial reporting matters.