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## ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

The board of directors (“**Board**” or “**Directors**”) of Tai United Holdings Limited (“**Company**”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, “**Group**”) for the six months ended 30 June 2020 (“**Reporting Period**”) as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2020*

		Six months ended 30 June	
		2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
	<i>Notes</i>		
<b>Revenue</b>	3		
Contracts with customers		6,412	12,109
Leases		47	3,918
Net investment losses		(1,174)	(4)
<b>Total</b>		<b>5,285</b>	<b>16,023</b>
Other income	5	39,180	35,529
Other gains and losses	6	(12,815)	6,501
Impairment losses (recognised) reversed under			
expected credit loss model, net	16	(13,657)	11,224
Impairment losses on mining rights	13	(52,876)	–
Purchases and changes in inventories		(4,640)	(7,588)
Employee benefits expenses		(12,033)	(23,133)

		<b>Six months ended 30 June</b>	
		<b>2020</b>	<b>2019</b>
	<i>Notes</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(unaudited)</b>
Other operating expenses		<b>(12,243)</b>	(32,223)
Changes in fair value of investment properties	12	–	(7,200)
Finance costs	7	<b>(4,765)</b>	(8,166)
Loss before tax		<b>(68,564)</b>	(9,033)
Income tax credit	8	<b>13,219</b>	4,258
Loss for the period	9	<b>(55,345)</b>	(4,775)
<b>Other comprehensive (expense) income:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<b>(43,269)</b>	(4,374)
Reclassification of cumulative translation reserve upon disposal and deregistration of subsidiaries with foreign operation		–	1,225
Other comprehensive expense for the period		<b>(43,269)</b>	(3,149)
<b>Total comprehensive expense for the period</b>		<b>(98,614)</b>	(7,924)
<b>(Loss) profit for the period attributable to:</b>			
Owners of the Company		<b>(55,118)</b>	(4,850)
Non-controlling interests		<b>(227)</b>	75
		<b>(55,345)</b>	(4,775)
<b>Total comprehensive (expense) income for the period attributable to:</b>			
Owners of the Company		<b>(98,718)</b>	(8,017)
Non-controlling interests		<b>104</b>	93
		<b>(98,614)</b>	(7,924)
<b>Loss per share</b>	11		
– Basic (HK cents)		<b>(1.05)</b>	(0.09)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

		30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment		6,444	9,483
Right-of-use assets		6,862	3,005
Investment properties	12	753,858	806,985
Intangible assets		4,155	4,155
Mining rights	13	121,140	174,016
Financial assets at fair value through profit or loss		561	571
Deferred tax assets		39	39
Other non-current assets		6,000	6,000
		<u>899,059</u>	<u>1,004,254</u>
<b>Current assets</b>			
Inventories		2,903	1,700
Financial assets at fair value through profit or loss		8,716	10,112
Accounts receivable	14	3,873	4,244
Other receivables, deposits and prepayments	15	879,346	1,061,759
Structured deposits		274,566	–
Bank balances and cash		410,685	560,240
		<u>1,580,089</u>	<u>1,638,055</u>
<b>Current liabilities</b>			
Accrued liabilities and other payables		5,262	6,440
Borrowings	17	266,275	281,471
Other loan	18	118,798	120,958
Lease liabilities		2,925	1,853
Tax payables		101,732	138,383
		<u>494,992</u>	<u>549,105</u>
<b>Net current assets</b>		<u>1,085,097</u>	<u>1,088,950</u>
<b>Total assets less current liabilities</b>		<u>1,984,156</u>	<u>2,093,204</u>

		<b>30 June 2020</b>	31 December 2019
	<i>Note</i>	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(unaudited)</b>	<b>(audited)</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities		<b>9,808</b>	23,027
Lease liabilities		<b>4,013</b>	1,228
		<b>13,821</b>	24,255
<b>Net assets</b>		<b>1,970,335</b>	2,068,949
<b>Capital and reserves</b>			
Share capital	19	<b>262,501</b>	262,501
Reserves		<b>1,704,976</b>	1,803,694
<b>Equity attributable to owners of the Company</b>		<b>1,967,477</b>	2,066,195
<b>Non-controlling interests</b>		<b>2,858</b>	2,754
<b>Total equity</b>		<b>1,970,335</b>	2,068,949

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2020*

## 1. BASIS OF PREPARATION

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

### Significant events and transactions in the current interim period

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts to the global economy, business environment and directly and indirectly affect the operations of the Group. The Group ceased its commodity trading business in current interim period as disclosed in Note 4. On the other hand, the government has announced some financial measures and supports for corporates to overcome the negative impact arising from the pandemic. As such, the financial positions and performance of the Group were affected in different aspects.

## 2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

### Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

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

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

## 2.1 Impacts of application on Amendments to HKAS 1 and HKAS 8 “Definition of Material”

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

## 2.2 Accounting policies newly applied by the Group

In addition, the Group has applied the following accounting policies which became relevant to the Group in the current interim period.

### *Government grants*

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

## 3. REVENUE

Disaggregation of revenue for contracts with customers:

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>Medical equipment trading</b>	<b>Commodity and medical equipment trading</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Segments</b>		
<b>Types of goods</b>		
Sales of medical equipment	<b>6,412</b>	<b>12,109</b>
<b>Geographical market</b>		
The People's Republic of China (the “PRC”)	<b>6,412</b>	<b>12,109</b>
<b>Timing of revenue recognition</b>		
At a point in time	<b>6,412</b>	<b>12,109</b>

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(unaudited)
Revenue from contracts with customers	<b>6,412</b>	12,109
Leases	<b>47</b>	3,918
<b>Total revenue</b>	<b>6,459</b>	16,027

#### 4. SEGMENT INFORMATION

Information reported to the Chief Executive Officer of the Company, being the chief operating decision maker (“**CODM**”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or rendered.

In light of the heightened unpredictability of oil price coupled with unprecedented decrease in demand for petrochemical and metal-related products, the Group was not active in engaging in the trading of petrochemical and metal-related products since 2019. The directors of the Company (the “**Directors**”) decided to cease its commodity trading business in current interim period and the “Commodity and medical equipment trading” segment has renamed as “Medical equipment trading” segment.

Specifically, the Group’s reportable segments under HKFRS 8 *Operating Segments* are as follows:

- (i) Financial services and asset management segment by aggregating different operating segments including trading equity securities and derivatives and managing of assets arising from acquisition of distressed debts assets;
- (ii) Medical equipment trading segment – trading of medical equipment;
- (iii) Property investment segment – property investment and leasing of properties; and
- (iv) Mining and exploitation of natural resources segment – mining and production of tungsten resources activities in the Republic of Mongolia (“**Mongolia**”).

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

**Six months ended 30 June 2020 (unaudited)**

	<b>Financial services and asset management HK\$'000</b>	<b>Medical equipment trading HK\$'000</b>	<b>Property investment HK\$'000</b>	<b>Mining and exploitation of natural resources HK\$'000</b>	<b>Total HK\$'000</b>
Segment revenue	–	6,412	47	–	6,459
Segment net investment losses	(1,174)	–	–	–	(1,174)
Total	<u>(1,174)</u>	<u>6,412</u>	<u>47</u>	<u>–</u>	<u>5,285</u>
Segment results	<u>(3,878)</u>	<u>(960)</u>	<u>(6,716)</u>	<u>(53,989)</u>	<u>(65,543)</u>
Net foreign exchange losses					(13,762)
Impairment losses recognised on					
– disposal receivable of 杭州太榮資 產管理有限公司 Hangzhou Tai Rong Asset Management Co., Ltd* (“ <b>Hangzhou Tai Rong</b> ”)					(11,274)
– interest receivable from disposal receivable of Hangzhou Tai Rong					(2,383)
Interest income from disposal receivable of Hangzhou Tai Rong					34,849
Changes in fair value of structured deposits					947
Unallocated finance costs					(36)
Unallocated interest income					3,802
Central administration costs					<u>(15,164)</u>
Loss before tax					<u><u>(68,564)</u></u>

\* The English name is for identification purpose only.



**Six months ended 30 June 2019 (unaudited)**

	Financial services and asset management <i>HK\$'000</i>	Commodity and medical equipment trading <i>HK\$'000</i>	Property investment <i>HK\$'000</i>	Mining and exploitation of natural resources <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue	–	12,109	3,918	–	16,027
Segment net investment losses	(4)	–	–	–	(4)
Total	<u>(4)</u>	<u>12,109</u>	<u>3,918</u>	<u>–</u>	<u>16,023</u>
Segment results	<u>17,518</u>	<u>(2,258)</u>	<u>(10,041)</u>	<u>(1,311)</u>	3,908
Net foreign exchange gains					1,462
Net gains on disposal and deregistration of subsidiaries					4,380
Changes in fair value of structured deposits					1,556
Unallocated finance costs					(374)
Central administration costs					<u>(19,965)</u>
Loss before tax					<u>(9,033)</u>

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

	<b>30 June 2020 HK\$'000 (unaudited)</b>	31 December 2019 HK\$'000 (audited)
<b>Segment assets</b>		
Financial services and asset management	403,372	550,151
Medical equipment trading (31 December 2019: Commodity and medical equipment trading)	14,249	11,666
Property investment	769,879	826,478
Mining and exploitation of natural resources	122,103	175,285
<b>Total segment assets</b>	<b>1,309,603</b>	<b>1,563,580</b>
Disposal receivable of Hangzhou Tai Rong	840,770	1,057,910
Interest receivable from disposal receivable of Hangzhou Tai Rong	32,217	–
Structured deposits	274,566	–
Unallocated right-of-use assets	5,576	1,545
Unallocated intangible assets	4,155	4,155
Unallocated financial assets at fair value through profit or loss	561	571
Unallocated property, plant and equipment	5,152	7,739
Other unallocated corporate assets	6,548	6,809
<b>Consolidated assets</b>	<b>2,479,148</b>	<b>2,642,309</b>
	<b>30 June 2020 HK\$'000 (unaudited)</b>	<b>31 December 2019 HK\$'000 (audited)</b>
<b>Segment liabilities</b>		
Financial services and asset management	427	1,557
Medical equipment trading (31 December 2019: Commodity and medical equipment trading)	6,252	2,128
Property investment	303,884	322,913
Mining and exploitation of natural resources	10,331	23,583
<b>Total segment liabilities</b>	<b>320,894</b>	<b>350,181</b>
Other loan	118,798	120,958
Unallocated lease liabilities	5,597	1,583
Unallocated tax payables	61,585	97,510
Other unallocated corporate liabilities	1,939	3,128
<b>Consolidated liabilities</b>	<b>508,813</b>	<b>573,360</b>

## 5. OTHER INCOME

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest income from:		
– disposal receivable of Hangzhou Tai Rong	34,849	–
– bank and other deposits	3,845	7,978
– loan receivables	–	3,657
Reparation interest income from previously redeemed loan note receivable	–	23,551
Government grant	204	–
Sundry income	282	343
	<u>39,180</u>	<u>35,529</u>

## 6. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Net foreign exchange (losses) gains	(13,762)	1,462
Net gains on disposal and deregistration of subsidiaries, a limited partnership and structured entity	–	4,380
Changes in fair value of structured deposits	947	1,556
Loss on disposal of property, plant and equipment	–	(897)
	<u>(12,815)</u>	<u>6,501</u>

## 7. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Interest expenses on		
– bank borrowings	4,679	7,792
– lease liabilities	86	374
	<u>4,765</u>	<u>8,166</u>

## 8. INCOME TAX CREDIT

	Six months ended 30 June	
	2020	2019
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
PRC Enterprise Income tax:		
Current tax	–	5
Overprovision in prior year	–	(8,460)
Deferred tax	<u>(13,219)</u>	<u>4,197</u>
	<u><b>(13,219)</b></u>	<u><b>(4,258)</b></u>

## 9. LOSS FOR THE PERIOD

Loss for the period has been arrived after charging:

	Six months ended 30 June	
	2020	2019
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Cost of inventories recognised as an expense	4,640	7,588
Depreciation of property, plant and equipment	2,595	4,348
Depreciation of right-of-use assets	1,476	5,043
Expenses relating to short-term leases	<u>730</u>	<u>2,461</u>

## 10. DIVIDEND

During the six months ended 30 June 2019, a second special dividend of HK20 cents per ordinary share in respect of the year ended 31 December 2018 was declared and paid to the owners of the Company. The aggregate amount of the second special dividend declared and paid in the interim period amounted to approximately HK\$1,050,004,000.

The Directors have determined that no dividend will be paid in respect of the current interim period.

## 11. LOSS PER SHARE

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

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Loss</b>		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	<b>(55,118)</b>	<b>(4,850)</b>
	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>'000</b>	<b>'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of calculation of basic loss per share	<b>5,250,020</b>	<b>5,250,020</b>

No diluted loss per share for both periods were presented as there were no potential ordinary shares in issue for both periods.

## 12. INVESTMENT PROPERTIES

	<b>HK\$'000</b>
<b>FAIR VALUE</b>	
At 1 January 2019	856,463
Changes in fair value recognised in profit or loss	(72,505)
Exchange realignment	23,027
At 31 December 2019 (audited)	<b>806,985</b>
Exchange realignment	<b>(53,127)</b>
At 30 June 2020 (unaudited)	<b>753,858</b>

The fair values of the Group's investment properties at 30 June 2020 and 31 December 2019 have been arrived at on the basis of valuations carried out on the respective date by Messrs Cushman & Wakefield Debenham Tie Leung Limited, independent qualified professional valuer not connected with the Group.

There has been no change from the valuation technique used during the six months ended 30 June 2020. In estimating the fair values of the investment properties for disclosure purpose, the highest and the best use of the investment properties is their current use.

The independent qualified professional valuer has included material valuation uncertainty clauses in their valuation. These clauses highlight that less certainty and consequently a higher degree of caution, should be attached to the valuation of the Group's investment properties as a result of the COVID-19.

### 13. MINING RIGHTS

HK\$'000

#### COST

At 1 January 2019, 31 December 2019 (audited) and 30 June 2020 (unaudited)	1,003,034
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#### IMPAIRMENT

At 1 January 2019	658,197
Impairment losses recognised	170,821

At 31 December 2019 (audited)	<b>829,018</b>
Impairment losses recognised (unaudited)	<b>52,876</b>

At 30 June 2020 (unaudited)	<b>881,894</b>
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#### CARRYING VALUES

At 30 June 2020 (unaudited)	<b>121,140</b>
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At 31 December 2019 (audited)	<b>174,016</b>
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The mining rights represent four of the rights to conduct mining activities in the location of Ulaan Uul, Nogoonnur Soum of Bayan-Ulgii Aimag (“**Ulaan Uul**”), Tsunkheg, Nogoonnur Soum of Bayan-Ulgii Aimag (“**Tsunkheg**”) and Khovd Gol, Tsengel Soum of Bayan-Ulgii Aimag (“**Khovd Gol**”) in Mongolia. The mining right in Tsunkheg and the two mining rights in Ulaan Uul have remaining legal lives of 11 to 16 years, expiring in July 2031, March 2033 and December 2035, respectively. The mining right in Khovd Gol has a remaining legal life of 16 years, expiring in July 2036.

The mining licenses are issued by Mineral Resources and Petroleum Authority of Mongolia (the “**Mongolia Mineral Authority**”) and may be extended for two successive additional periods of 20 years each. The Directors are of the opinion that the application for extension is procedural and the Group should be able to renew its mining licenses at minimal charges, until all the proven and probable minerals have been mined. No active mining operation of the Group has taken place yet during the six months ended 30 June 2020.

During the current interim period, as a result of the changes in the current economic environment, the Group is experiencing declines in tungsten price that indicate that the mining rights may be impaired. Based on the impairment assessment of the four mining rights in Ulaan Uul, Tsunkheg and Khovd Gol performed by the Directors with reference to the available resource estimation technical reports and the latest feasibility study report previously issued, together with the recent market tungsten price and valuation techniques adopted by Jones Lang LaSalle Corporate Appraisal and Advisory Limited as of the year ended 31 December 2019, the Group recognised impairment loss of HK\$52,876,000 (six months ended 30 June 2019: Nil) related to mining rights during the current interim period as the recoverable amount of the Mining CGU was lower than its carrying amount.

The Directors believe that the estimates and assumptions incorporated in the impairment assessment are reasonable; however, the estimates and assumptions are subject to significant uncertainties and judgements. Furthermore, the Directors have planned to carry out the third phase of exploitation work for the mining right in Tsunkheg and however, as a result of quarantine measures as well as the travel restrictions imposed by the PRC and Mongolia under the COVID-19 pandemic, the Directors expected that the third phase of exploitation work will not be completed in 2020. Therefore, the recoverable reserves, resources and exploration potential for the mining rights in Tsunkheg may differ from previous estimates and causing potential adjustments to the recoverable amount of the Mining CGU upon completion of the third phase of exploitation work.

#### 14. ACCOUNTS RECEIVABLE

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Accounts receivable arising from the sales of medical equipment	4,030	4,401
Less: Allowance for credit losses	(157)	(157)
	<u>3,873</u>	<u>4,244</u>

The Group allows a credit period of 30 to 120 days (31 December 2019: 30 to 120 days) to its customers in relation to sales of medical equipment depending on the type of products sold.

The following is an aged analysis of accounts receivable, net of allowance for credit losses, presented based on the invoice dates in relation to sale of medical equipment which approximated the respective revenue recognition dates:

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Within 30 days	–	1,168
31 – 90 days	113	–
91 – 120 days	–	102
Over 120 days	3,760	2,974
	<u>3,873</u>	<u>4,244</u>

#### 15. OTHER RECEIVABLES, DEPOSIT AND PREPAYMENTS

	30 June 2020 HK\$'000 (unaudited)	31 December 2019 HK\$'000 (audited)
Disposal receivable of Hangzhou Tai Rong, net of allowance for credit losses	840,770	1,057,910
Interest receivable from disposal receivable of Hangzhou Tai Rong, net of allowance for credit losses	32,217	–
Other receivables, net of allowance for credit losses, and prepayments	5,596	2,791
Rental and other deposits	763	1,058
	<u>879,346</u>	<u>1,061,759</u>

# **16. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS SUBJECT TO EXPECTED CREDIT LOSS MODEL**

	<b>Six months ended 30 June</b>	
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
Impairment losses (recognised) reversed in respect of		
– disposal receivable of Hangzhou Tai Rong	(11,274)	–
– interest receivable from disposal receivable of Hangzhou Tai Rong	(2,383)	–
– accounts receivable classified as held-for-sale	–	16,819
– accounts receivable	–	(27)
– loan receivables classified as held-for-sale	–	(5,568)
	<b>(13,657)</b>	<b>11,224</b>

# **17. BORROWINGS**

	<b>30 June</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(unaudited)</b>	<b>(audited)</b>
Secured variable-rate bank borrowings	262,916	281,471
Unsecured fixed-rate bank borrowings	3,359	–
	<b>266,275</b>	<b>281,471</b>

During the current interim period, the Group obtained a new bank loan amounting to approximately HK\$3,359,000 (six months ended 30 June 2019: Nil) which is unsecured and unguaranteed, carried at fixed interest rate of 4.10% and is repayable within one year.

At 30 June 2020, the variable-rate bank borrowings of approximately HK\$262,916,000 (31 December 2019: HK\$281,471,000) carried interest at the London Interbank Offered Rates (“LIBOR”) plus a margin of 2.75% (31 December 2019: 2.75%) per annum, which the effective interest rate is 3.25% (31 December 2019: 3.56%) per annum.

# **18. OTHER LOAN**

The other loan was made to a third party and it was unsecured, non-interest bearing and repayable on demand.

# **19. SHARE CAPITAL**

	<b>Number of shares</b>	<b>Share capital</b>
		<b>HK\$'000</b>
<b>Authorised ordinary shares at HK\$0.05 per share</b>		
At 1 January 2019, 31 December 2019 (audited) and 30 June 2020 (unaudited)	34,566,666,668	1,728,333
<b>Issued and fully paid ordinary shares at HK\$0.05 per share</b>		
At 1 January 2019, 31 December 2019 (audited) and 30 June 2020 (unaudited)	5,250,019,852	262,501



## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL PERFORMANCE

Revenue of the Group for the Reporting Period was approximately HK\$6.5 million, down by 59.4% compared to approximately HK\$16.0 million for the six month ended 30 June 2019 (“**1H2019 Period**”), as lockdown restrictions addressing the outbreak of Coronavirus disease (“**COVID-19**”) caused a reduction in demand of our products and services in various business segments and regions. The Group also recorded a substantial increase in loss before tax for the Reporting Period of approximately HK\$59.6 million, by more than 662.2% as compared with the last corresponding period, with the combined effect of (i) an increase of impairment loss on mining rights of approximately HK\$52.9 million (1H2019 Period: nil); (ii) a net of recognised impairment losses under expected credit loss model of approximately HK\$13.7 million (1H2019 Period: a net of reversed impairment losses under expected credit loss model of approximately HK\$11.2 million); (iii) a change from other gains to other losses of approximately HK\$12.8 million which was mainly the net foreign exchange losses arising from the depreciation of Renminbi (“**RMB**”) (1H2019 Period: other gains of approximately HK\$6.5 million); (iv) a decrease of employment benefits expenses and other operating expenses by approximately HK\$31.1 million in aggregate (1H2019 Period: an aggregate of approximately HK\$55.4 million); (v) an absence of change in fair value on investment properties (1H2019 Period: a loss of approximately HK\$7.2 million arising from changes in the fair value on investment properties); and (vi) a decrease in finance cost by approximately HK\$3.4 million (1H2019 Period: approximately HK\$8.2 million). Such combined effect was compensated by the increase of income tax credit to approximately HK\$13.2 million, which was attributable to the reversal of deferred tax arising from the temporary timing differences during the Reporting Period, representing an increase of 207.0% as compared to HK\$4.3 million for 1H2019 Period. As a result, the Group has recorded an increase in loss attributable to owners of the Company from approximately HK\$4.9 million for the 1H2019 Period to approximately HK\$55.1 million for the Reporting Period.

### BUSINESS REVIEW

The business segments of the Group are comprised of (i) financial services and asset management; (ii) medical equipment trading; (iii) property investment; and (iv) mining and exploitation of natural resources for the Reporting Period.

#### (1) Financial Services and Asset Management

No segment revenue was recorded as the prospect and market condition were yet to be certain especially in light of the economic downturn and the elevated China-US tension, the Group have adopted a prudent approach in investments during the Reporting Period. The status of each of businesses in this segment is further discussed as below.

## *Financial Services*

As macroeconomic conditions are likely to remain under stress for the remainder of 2020 and may still deteriorate further for possible new wave of outbreak of COVID-19, the demand for loans/credit facility is expected to increase as individuals and corporations would face increasing liquidity needs. To help local businesses survive the dramatic short term effects of COVID-19, the Hong Kong Government has introduced financing support and other temporary relief measures, and various banks in Hong Kong have been offering liquidity support by allowing mortgage borrowers and small businesses facing financial burdens to pay only interest on their loans for up to a year. Despite all these relief measures, local businesses still face tremendous liquidity pressure under the implementation of business restrictions to address outbreak of COVID-19. To meet this surging market demand under acceptable business risks, the Company intends to develop the money lending business by providing the secured or unsecured loans to both individual and corporate creditworthy clients. The Group has obtained a money lenders licence under the Money Lenders Ordinance, Chapters 163 of the Laws of Hong Kong through a wholly-owned subsidiary on 11 August 2020. The Group is in the progress to set up relevant procedures and other preparation works, and plan to commence business in the second half of 2020.

## *Distressed Debt Assets Management*

The risk in the distressed debt assets market has gradually increased as the gross domestic product (“**GDP**”) of the People’s Republic of China (“**China**” or “**PRC**”) in 2020 was projected by International Monetary Fund (“**IMF**”) in its June 2020 World Economic Outlook update as 1.0%, significantly lower than the actual figure of 6.1% of last year. Despite the fact that China’s GDP grew by 3.2% in the second quarter of this year, beating analyst’s expectations and rebounding from the first quarter’s contraction, challenges remain as the rest of the global economies witnessed the biggest plunge in economic activity amid COVID-19 pandemic. As of the end of June 2020, the non-performing loan balance was 3.6 trillion yuan, for an increase of 400.4 billion yuan compared to the start of the year, as reported by the China Banking News. It is arguably an opportunity to acquire these distressed debt assets when the economy is under a downward pressure, but the key issue remains on the duration of the economic headwinds and the timing of price rebound of the distressed debt assets.

The price of distressed debt assets may remain at relatively low level in the foreseeable future due to abundant supply in the market. In July 2020, the China Banking and Insurance Regulatory Commission said that the economic impacts of COVID-19 pandemic will put greater upwards pressure on non-performing loan levels in the second half of 2020. After careful assessment of various risks in the distressed debt assets market, the Directors were of the view that acquisitions of these assets may not be considered as appropriate for the time being, due to the increased associated risks yet lowered returns for uncertain recovering period. As a result, the Group recorded no net investment gain or loss in its distressed debt asset management business for the Reporting Period. Accordingly, the business results for the Reporting Period was a loss of approximately HK\$1.2 million, but representing a decrease of 77.4% as comparing to a loss of approximately HK\$5.3 million for the same period of last year. Such decrease in loss was mainly attributable to the reduction of staff and other operation costs under cost reduction program. The Directors will continue to assess whether the Group should continue to engage in distressed investment and if so, the timing for such investment.

### ***Securities Investment***

Leveraging on the strategic geographical location of Hong Kong and the development of PRC investment market, the Group carried out securities investment business in secondary market with its internal funds. With listed shares of large-scale and quality companies as primary investment targets, the Group aims to pursue capital appreciation and stable dividend income.

As at 30 June 2020, the carrying value of the investment portfolio (recorded as financial assets at fair value through profit or loss in the condensed consolidated statement of financial position) was approximately HK\$8.7 million, versus of approximately HK\$10.1 million as at 31 December 2019. The holding of such investments has remained unchanged while the business recorded a net investment loss on the fair value of these investments amounted to HK\$1.2 million (1H2019 Period: HK\$4,000) due to market volatility amid COVID-19. As a result, the business results was a loss of HK\$2.7 million, as compared to approximately HK\$0.7 million for the corresponding period in last year.

The Directors currently do not anticipate any disposal or addition in the Group's investment portfolio in the foreseeable future as the securities' market is still yet to be certain. Timely assessment will be made by the Directors to review their investment decisions.

## **(2) Medical Equipment Trading**

The Group carries out medical equipment trading business in China for which the majority customers are hospitals. As the selling products are mostly general medical equipment consumable goods and optical medical devices and the related parts, the Group operates in a highly competitive market.

Sales of many of the optical medical devices were suspended during the lockdown period amid COVID-19 pandemic. The subsequent demand of such medical products has remained weak after reopening as these products are not highly demanded medical supplies for COVID-19 such as coronavirus testing kits and surgical masks. As a result, the revenue for the Reporting Period decreased by 47.1% to approximately HK\$6.4 million, as compared to approximately HK\$12.1 million of the corresponding period in last year. Due to the drop in revenue, the segment loss for the Reporting Period was HK\$1.0 million, as compared to a profit of approximately HK\$0.3 million for the last year's corresponding period.

## **(3) Property Investment**

The Group holds luxury real estate in premium location in central London within close proximity to the Buckingham Palace. As at 30 June 2020, the investment properties of the Group carried at fair value was approximately HK\$753.9 million.

The revenue generated from this segment for the Reporting Period was approximately HK\$47,000, representing a substantial decrease of 98.8% as compared to approximately HK\$3.9 million over the same period of previous year. Such decrease in rental income was mainly attributable to the decline in tourism and short-term tenants as central London was subject to a lockdown in COVID-19 outbreak. The segment result was therefore a loss of HK\$6.7 million, but represented a decrease of 33.0% as compared to HK\$10.0 million of corresponding period of last year, due to reduction of operating expenses and finance costs caused by implementation of cost reduction program and the absence of changes in the fair value on investment properties.

Data for June 2020 shows a continued recovery in the United Kingdom (“UK”) real estate market activity, as latest survey of the Royal Institution of Chartered Surveyors revealed that 71% of surveyors reported rising levels of new instructions, and 80% saw rising new buyer enquiries. Such rising trend is expected by market participants to be continued with the Chancellor's recent announcements of measures to support the economy, including the ‘Stamp duty holiday’. The Group is therefore planning to engage certain independent professional firms to renovate its UK properties for better resell value. If the renovation project is proceeded, it is expected to be commenced before the end of 2020 and these properties will then be re-launched to the market in 2021.

Looking ahead, the Directors are still in the course of identifying suitable real estate project for acquisition, both locally and abroad with primary focus on commercial or residential properties in the PRC and Hong Kong, with an aim to generate stable cash flow to the Group as well as to be benefited from the capital appreciation.

#### **(4) Mining and Exploitation of Natural Resources**

Currently, the Group holds four mining right licences (“**Mining Rights**”) of three tungsten projects in Mongolia.

The Group was in the progress to approach numerous international investors during the first half of 2020, but the meetings and communications was suspended by the COVID-19 pandemic and its subsequent lockdown measures. Subsequently, the approaching investors lost their interests as tungsten price dropped in the first half of 2020 due to lower market demand caused by factory closure and production line suspension in various industries. Other potential investors are also discouraged by lower economic forecasts, which might lead to a decrease in tungsten demand. Such decrease in demand and price of tungsten have negatively affected the revenue/costs margins of the tungsten projects and therefore lower its commercial viability for the Group to perform mining operations and productions on its own.

The valuation of the Mining Rights for the Reporting Period was mainly affected by the market price of tungsten, which has dropped in the first half of 2020 and the future market price of tungsten will have a lower growth rates in the forecast model. With reference to the valuation of the Mining Rights under the existing forecast model and the information available to the Group up to the date of this announcement, the Directors were of the view that impairment losses of the Mining Rights amounting to approximately HK\$52.9 million (1H2019 Period: nil) for the Reporting Period need to be recognised for the cash-generating unit that holds the Mining Rights (“**Mining CGU**”) in the condensed consolidated statement of profit or loss and other comprehensive income as the recoverable amount of the Mining CGU was lower than its carrying amount.

The Directors remained positive on the recovery of global economies as well as the long-term demand of Tungsten. Meanwhile, the Group is still continuously searching for potential investors and/or strategic mining partnerships with trustworthy explorer worldwide, in order to minimise any possible exploration risks.

## Cessation of Commodity Trading Business

On 5 May 2020, the Board has resolved to apply for striking off of Sino United Energy Pte. Ltd. (“**Sino United**”), an indirectly wholly-owned subsidiary of the Company which has been principally engaged in commodity trading business and security trading business, under the law of Singapore (“**Striking Off**”). Since Sino United is the only subsidiary of the Company engaging in the commodity trading business, the Group has also ceased to carry on the commodity trading business.

As disclosed in the section of management discussion and analysis of 2019 Annual Report, the extreme volatility of oil price since 2019 has adversely affected the terms of supply of oil and/or other petroleum products granted to the Group by its suppliers, rendering the commodity trading business in this segment hardly commercially attractive, the management of the Company hence was not active in engaging in any such trading activities since 2019. As a result, the Group recorded no revenue generated from commodity trading business both for the year ended 31 December 2019 and for the Reporting Period. A loss of approximately HK\$0.1 million incurred on commodity trading business in the Reporting Period therefore absorbed by the head office of the Group, comparing to a loss of approximately HK\$2.6 million for the same period last year.

In April 2020, the price of the United States (“**US**”) crude May futures contract fell as low as minus US dollars (“**USD**”) 37.63 a barrel for the first time in history as room to store the unneeded barrels of oil piling up during COVID-19 was literally running out. The market was further stunned by the filing for bankruptcy protection by one of Singapore’s giant oil traders which, according to reported news articles, has suffered about hundreds of million USD in losses from oil futures trading. In light of the heightened unpredictability of oil price coupled with unprecedented decrease in demand for oil and petroleum products, the Board considers that it is no longer commercially attractive to engage in the trading of oil and other commodities as it is risky yet with a low rate of return. The Board believes that it is in the best interests of the Company and its shareholders (“**Shareholders**”) as a whole to cease its commodity trading business at this stage so that the Group will be able to allocate more resources and management efforts to other business activities of the Company and/or to explore new lines of businesses with an aim to provide better returns for the Shareholders.

The Board is of the view that, since the Group recorded no revenue from commodity trading business for the year ended 31 December 2019 and business for the period ended 30 June 2020, the Striking Off and the cessation of commodity trading business shall have no material adverse impact to the financial performance and operation of the Group.

Details of the Striking Off were set out in the Company’s announcement dated 5 May 2020.



## FINANCIAL REVIEW

### Capital structure

As at 30 June 2020, the Group's consolidated net asset was approximately HK\$1,970.3 million, representing a decrease of approximately HK\$98.6 million as compared to that of approximately HK\$2,068.9 million as at 31 December 2019. There is no shares movement since the last year ended. As at 30 June 2020, the Company has 5,250,019,852 shares of HK\$0.05 each in issue and the total equity attributable to owners of the Company was approximately HK\$1,967.5 million (as at 31 December 2019: approximately HK\$2,066.2 million).

### Liquidity and financial resources

As at 30 June 2020, the Group's bank balances and cash was approximately HK\$410.7 million (as at 31 December 2019: approximately HK\$560.2 million), current assets of approximately HK\$1,580.1 million (as at 31 December 2019: approximately HK\$1,638.1 million), current liabilities of approximately HK\$495.0 million (as at 31 December 2019: approximately HK\$549.1 million). The current ratio was 3.19 times <sup>(Note 1)</sup> (as at 31 December 2019: 2.98 times). As at the end of the Reporting Period, the net current assets of the Group were approximately HK\$1,085.1 million (as at 31 December 2019: approximately HK\$1,089.0 million).

As at 30 June 2020, the total debt financing of the Group was approximately HK\$266.3 million, which was the current debt financing (as at 31 December 2019: approximately HK\$281.5 million), and no non-current debt financing for the reporting year (as at 31 December 2019: nil). The negative net debt <sup>(Note 2)</sup> of the Group was approximately HK\$25.6 million (as at 31 December 2019: negative net debt of approximately HK\$157.8 million) and the total equity was approximately HK\$1,970.3 million (as at 31 December 2019: approximately HK\$2,068.9 million). Therefore, the gearing ratio <sup>(Note 3)</sup> as at the end of the period was 0.14 (as at 31 December 2019: 0.14).

Note 1: Current ratio = Current assets/Current liabilities

Note 2: Net debt = Borrowings + Other loan – Bank Balances and cash

Note 3: Gearing ratio = Total interest-bearing borrowing/Total equity

The objective of the Group's funding and treasury management activities is to ensure a sufficient liquidity to meet operation needs and various investment plans.

### **Capital commitments**

As at 30 June 2020, the Group had no material capital commitments and was not engaged in any future plans concerning major investment or acquisition of capital assets (as at 31 December 2019: nil).

### **Charges on group assets**

As at 30 June 2020, the Group's bank borrowings of approximately HK\$262.9 million were secured by investment properties (as at 31 December 2019: approximately HK\$281.5 million), with the carrying value of approximately HK\$753.9 million (as at 31 December 2019: approximately HK\$807.0 million).

### **Contingent liabilities**

As at 30 June 2020, the Group had no material contingent liabilities (as at 31 December 2019: nil).

### **Foreign exchange exposure**

The Group's financial statements are denominated in Hong Kong dollars ("HKD"), while the Group is conducting business mainly in HKD, USD, Great British Pound ("GBP") and RMB. Since exchange rates of HKD is pegged to USD, there is no material exchange risk in respect of USD assets and transactions. However, the assets, liabilities and transactions of the UK and the PRC subsidiaries of the Group are mainly denominated in GBP and RMB respectively, there were exchange risks during financial settlement at the end of Reporting Period in this regard.

The Group has implemented policies and guidelines in relation to foreign exchange risk management. Meanwhile, the subsidiaries in the UK and the PRC are able to generate sufficient income to deal with their local currency expenses; therefore, the Management considered that the Group's exposure to the potential foreign currency risk was relatively limited.



## **EMPLOYEES AND REMUNERATION POLICIES**

As at 30 June 2020, the Group had 37 (as at 31 December 2019: 41) employees, of whom approximately 67.6% (as at 31 December 2019: 68.3%) were located in Hong Kong and the rest were located in the PRC and overseas. The Group recognises the employees as the key element that contributes to the Group's success. The Group's remuneration policies are formulated based on the individual performance and the salaries trends in various regions, which will be reviewed annually.

Apart from making contributions to mandatory retirement benefit schemes for the Group's employees and providing medical insurance, the Company has adopted a share option scheme under which share options may also award to the Directors and eligible employees as an incentive with reference to the assessment of individual performance. The Board believes that the Group maintains an admirable relationship with the employees.

## **DIVIDENDS**

The Board does not recommend the payment of an interim dividend for the Reporting Period. Whereas a second special dividend in respect of the financial year ended 31 December 2018 of 20 HK cents per share of the Company, totaling approximately HK\$1,050.0 million in cash was approved and paid on 10 May 2019 and 10 June 2019 respectively.

## **PROSPECTS**

Looking into the future, there are plenty of risk factors to watch out, such as a new wave of outbreak, international trade tensions, and the US presidential election. The coronavirus crisis is having serious humanitarian and economic consequences, where global growth is projected at negative 4.9% in 2020 by IMF. The economic effects of COVID-19 will presumably reach far beyond the current year, and therefore it is important for the Group to adhere to its long-term prudent investment strategy.

The Group's professional teams across various markets will continue to adopt the prudent approach as to cautiously acquire value assets. Under this defensive stance, the Group might have missed certain investment opportunities, for example, the recent sharp rally in stock market. Nonetheless, the Group would have been suffering from serious financial instability or even bankruptcy during the unprecedented negative price of oil futures, had the management not made the right decision to adopt such prudent approach to avoid trading in certain extreme volatile markets. Furthermore, the recent rise in stock market are mainly supported by the aggressive monetary policies by the central banks of various countries, and the abundant market liquidity will also be expected to cause more volatilities.

The Directors are considering to adopt a diversification as corporate growth strategy in order to compensate the decrease in the level of business activities brought by the prudent investment approach adopted in the existing business segments in the last two years. Also, it is considered that such growth through diversification strategy can effectively mitigate, or avoid, market, liquidity, credit and other investments risks which the Group faced as a whole in the highly uncertain international environment. New financial-related business, such as money lending business, is developing organically to leverage the existing investing expertise, financial resources and customer networks, while lower development costs can be achieved through reallocate corporate resources from other segments with lower business activity level. On the other hand, non-financial business segments will be developed inorganically through acquisition to gain access to new markets, and therefore avoid the high investment risks the Group faced in the existing investing-related businesses. The Directors are currently in the process of identifying suitable acquisition targets, and if materialised, further announcement in due course or as and when necessary.

Despite of all these economic headwinds, the Group maintain a positive view on long-term global economic development, as a vaccine may be produced this year and international conflicts may eventually resolved by diplomatic means. It is impossible to precisely estimate the duration of this decelerating economic growth period, but the Group will continue to consolidate resources and streamline our operations, and by maintaining a healthy gearing ratio and solid financial position to facilitate ourselves for potential market rebound.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

For the Reporting Period, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Board is committed to maintaining statutory and regulatory standards and adhering to the principles of corporate governance with emphasis on transparency, independence, accountability and responsibility. For the Reporting Period, the Company has complied with all code provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"), except for certain deviations disclosed herein.

For the Reporting Period, Dr. Kwong Kai Sing Benny was the chief executive officer of the Company, while the chairman of the Board ("**Chairman**") remained vacant. The Company deviated from code provisions A.2.1 and A.2.7 of the CG Code for the Reporting Period.

The Company is still in the process of identifying a suitable candidate to fill the vacancy of the Chairman and will keep the Shareholders informed of such appointment by announcement in due course.

Under code provision A.1.3 of the CG Code, notice of at least fourteen days should be given of a regular board meeting to give all directors an opportunity to attend. For the Reporting Period, certain Board meetings were convened with less than fourteen days' notice to enable the Board members to react timely and make expeditious decisions in respect of urgent corporate transaction and general business update which was significant in nature. As a result, such Board meetings were held with a shorter notice period than required with the consent of the Directors. The Board will do its best endeavour to meet the requirement of code provision A.1.3 of the CG Code in the future.

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term subject to re-election. Independent non-executive Directors are not appointed for a specific term. However, all Directors are subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the bye-laws of the Company.

According to code provision A.6.7 of the CG Code, all independent non-executive directors and non-executive directors should attend general meetings of listed issuers. Dr. Gao Bin and Ms. Liu Yan, the independent non-executive Directors, were unable to attend the annual general meeting held on 13 June 2020 due to their other business engagements.

## **REVIEW OF THE INTERIM RESULTS**

The unaudited condensed consolidated financial statements of the Group for the Reporting Period has been reviewed by the audit committee of the Company (“**Audit Committee**”) and the members of Audit Committee are of opinion that such statements comply the applicable accounting standards and that adequate disclosures have been made.

## **PUBLICATION OF INTERIM RESULTS AND DESPATCH OF INTERIM REPORT**

This interim results announcement is published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [www.irasia.com/listco/hk/taiunited/index.htm](http://www.irasia.com/listco/hk/taiunited/index.htm). The interim report of the Company for the Reporting Period will be despatched to the shareholders of the Company and published on the aforesaid websites in due course.

By Order of the Board  
**Tai United Holdings Limited**  
**Kwong Kai Sing Benny**  
*Chief Executive Officer*

Hong Kong, 27 August 2020

As at the date of this announcement, the Board comprises the following Directors:

*Executive Directors:*

Dr. Kwong Kai Sing Benny (*Chief Executive Officer*)  
Mr. Chow Chi Wah Vincent  
Mr. Chen Weisong

*Independent non-executive Directors:*

Dr. Gao Bin  
Ms. Liu Yan  
Mr. Tang King Shing