VINCO FINANCIAL GROUP LIMITED

域高金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8340)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and midsized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

SUMMARY

- Revenue of the Group for the year ended 31 December 2019 amounted to approximately HK$11.15 million.
- Net loss attributable owners of the Company for the year ended 31 December 2019 amounted to approximately HK$6.69 million.
- The Directors do not recommend any final dividend for the year ended 31 December 2019.

CONSOLIDATED RESULTS

The Board is pleased to announce the audited consolidated results of the Group for the year ended 31 December 2019 together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 HK$'000	2018 HK$'000
Revenue	3(a)	11,148	20,215
Operating expenses		(17,727)	(18,257)
(Loss)/Profit from operations		(6,579)	1,958
Finance cost		(113)	-
(Loss)/Profit before taxation	4	(6,692)	1,958
Income tax	5	-	(154)
(Loss)/Profit for the year and attributable to owners of the Company		(6,692)	1,804
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive (loss)/income for the year attributable to owners of the Company		(6,692)	1,804
(Loss)/Earnings per share (expressed in HK cents per share)			
- Basic and diluted	6	(1.05)	0.28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		2,739	117
Rental and other deposits paid		673	1,199
		3,412	1,316
Current assets			
Trade and other receivables	7	362	1,738
Cash and cash equivalents		27,573	34,410
		27,935	36,148
Current liabilities			
Accrued expenses		200	200
Lease liabilities		2,222	-
Tax payable		155	2,193
		2,577	2,393
Net current assets		25,358	33,755
Non-current liabilities			
Lease liabilities		191	-
Provision		200	-
		391	-
NET ASSETS		28,379	35,071
Capital and reserves			
Share capital		6,400	6,400
Reserves		21,979	28,671
TOTAL EQUITY		28,379	35,071

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to the owners of the Company					
		Reserves				
	Share capital	Share premium	Merger reserve	(Accumulated losses)/ retained earrings	Subtotal	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2018	6,400	11,887	9,900	8,080	29,867	36,267
Changes in equity for 2018:						
Profit for the year	-	-	-	1,804	1,804	1,804
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	1,804	1,804	1,804
Final dividend approved in respect of previous financial year (Note 8(a))	-	-	-	(3,000)	(3,000)	(3,000)
Balance at 31 December 2018 and 1 January 2019	6,400	11,887	9,900	6,884	28,671	35,071
Changes in equity for 2019:						
Loss for the year	-	-	-	(6,692)	(6,692)	(6,692)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(6,692)	(6,692)	(6,692)
Balance at 31 December 2019	6,400	11,887	9,900	192	21,979	28,379

NOTES

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as "the Group").

Items included in the financial statements of each entity of the Group are measured using the currency of primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand except for per share data. HK$ is the Company's functional and the Group's presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of the financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a new HKFRS, HKFRS 16, Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, Lease, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

i) HKFRS 16 Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases — incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low-value assets. The lessor accounting requirements brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

a. New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

b. Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019.

To ease the transition to HKFRS 16, the Group applied the practical expedients at the date of initial application of HKFRS 16 and elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019.

At 31 December 2018, the Group's future minimum lease payments under non-cancellable operating leases amount to HK$863,000 for properties, which is payable within one year after the reporting date. Therefore, the adoption of HKFRS 16 has no significant impact on the financial position as at 1 January 2019.

c. Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in positive impact on the reported loss from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the statement of cash flow.

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16 (A)	**Add back: HKFRS 16 depreciation and interest expense (B)**	**Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note(i)) (C)**	**Hypothetical amounts for 2019 as if under HKAS 17 (D=A+B+C)**	Compared to amounts reported for 2018 under HKAS 17
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000
Financial result for year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
(Loss)/Profit from operations	**(6,579)**	**1,947**	**(2,045)**	**(6,677)**	1,958
Finance costs	(113)	113	-	-	-
(Loss)/Profit before taxation	**(6,692)**	**2,060**	**(2,045)**	**(6,677)**	1,958
(Loss)/Profit for the year	**(6,692)**	**2,060**	**(2,045)**	**(6,677)**	1,804

	2019			2018
	Amounts reported under HKFRS 16 (A) HK$'000	**Estimated amounts related to operating leases as if under HKAS 17 (note(i) & (ii)) (B) HK$'000**	**Hypothetical amounts for 2019 as if under HKAS 17 (C=A+B) HK$'000**	Compared to amounts reported for 2018 under HKAS 17 HK$'000
Line items in the consolidated statement of cash flows for year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash (used in)/generated from operations	(2,410)	(1,749)	(4,159)	1,022
Net cash (used in)/generated from operating activities	**(4,448)**	**(1,749)**	**(6,197)**	1,022
Capital element of lease rentals paid	(1,636)	1,636	-	-
Interest element of lease rentals paid	(113)	113	-	-
Net cash used in financing activities	**(1,749)**	**1,749**	**-**	(3,000)

Notes:

i) The "estimated amounts related to operating leases" is an estimate of the amounts of the operating expenses and cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

ii) In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash used in operating activities and net cash used in financing activities as if HKAS 17 still applied.

3. REVENUE AND SEGMENT REPORTING

a) Revenue

The principal activity of the Group is the provision of financial services in Hong Kong. Revenue represents income from the provision of corporate financial advisory services for the years ended 31 December 2019 and 2018.

b) Segment reporting

During the years ended 31 December 2019 and 2018, the Group operates in a single operating segment in Hong Kong, i.e. the provision of corporate financial advisory services in Hong Kong. Accordingly, operating segment and geographical information are not presented.

Revenue from customers contributing 10% or more of the total revenue of the Group are as follows:

	2019 HK$'000	2018 HK$'000
Customer A	2,928	-
Customer B	2,476	3,750
Customer C	1,540	840
Customer D	-	3,658
Customer E	-	2,500

4. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is arrived at after charging:

	2019 HK$'000	2018 HK$'000
a) Staff costs (including directors' remuneration):		
Contributions to defined contribution retirement plan	174	189
Salaries and other benefits	9,542	10,707
	9,716	10,896

	2019 HK$'000	2018 HK$'000
b) Other items:		
Auditor's remuneration		
- audit services	200	200
Depreciation of plant and equipment	303	45
Depreciation of right-of-use assets	1,947	-
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31 December 2019	1,161	-
Loss on disposal of property, plant and equipment	17	-
Operating lease charges for leases in respect of office premises previously classified as operating leases under HKAS 17	-	3,734

5. INCOME TAX

Taxation in the consolidated statement of profit or loss and other comprehensive income

	2019 HK$'000	2018 HK$'000
Current tax		
Hong Kong Profits Tax	-	154

No provision for Hong Kong Profits tax has been provided for in the financial statements as the Group has no estimated assessable profit for the year ended 31 December 2019.

The provision for Hong Kong Profits Tax for the year ended 31 December 2018 is calculated at 8.25% of the first HK$2,000,000 and 16.5% of the remaining estimated assessable profits for the year, taking into account a reduction granted by the Hong Kong SAR Government of 75% of the tax payable subject to a maximum reduction of HK$20,000 for each business.

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to income tax in the Cayman Islands.

6. (LOSS)/EARNINGS PER SHARE

a. Basic (loss)/earnings per share

The calculation of basis (loss)/earnings per share is based on the loss attributable to the owners of the Company of approximately HK$6,692,000 (2018: Profit attributable to the owners of the Company of approximately HK$1,804,000) and the weighted average of 640,000,000 (2018: 640,000,000) ordinary shares in issue during the year.

b. Diluted earnings per share

There were no dilutive potential ordinary shares in issue during the years ended 31 December 2019 and 2018, and diluted earnings per share is the same as basic earnings per share.

7. TRADE AND OTHER RECEIVABLES

	2019 HK$'000	2018 HK$'000
Trade receivables	360	1,285
Less: allowance for doubtful debts	-	-
	360	1,285
Deposits and prepayments	2	453
	362	1,738

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the date of revenue recognition and net of allowance of doubtful debts, is as follows:

	2019 HK$'000	2018 HK$'000
Within 3 months	360	1,285

Trade receivables are due within 60 days from the date of billing.

8. DIVIDENDS

a) Final dividend payable to equity shareholders of the Company attributable to the year ended 31 December 2017, approved and paid during the year ended 31 December 2018

At a meeting held on 26 March 2018, the board of directors (the "Board") recommended the payment of a final dividend of HK0.46875 cents per ordinary share (totaling HK$3,000,000) for the year ended 31 December 2017 ("2017 Final Dividend"). The 2017 Final Dividend was approved and paid and reflected as on appropriation of retained earnings during the year ended 31 December 2018.

b) The board did not recommand the payment of a final dividend for the year ended 31 December 2019 and 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

The Group continued to focus on its principal business in relation to the provisional of corporate finance related services in Hong Kong including but not limited to general corporate finance advisory, placing and underwriting as well as initial public offerings related projects. The overall business performance of the Group had been impacted, not only by the China-USA trade war but also affected by the political unrest in Hong Kong, which resulted to decrease in number of engagements for corporate finance advisory services handled by the Group and the keen competition in pricing for corporate finance advisory services deals. Despite the unstable market situations, we have completed over 18 corporate finance advisory related projects and one initial public offering project as of 31 December 2019.

FINANCIAL REVIEW

Results of the Group

The revenue of the Group was approximately HK$11.15 million during the year (2018: approximately HK$20.22 million). The net loss attributable to owners of the Company for the year ended 31 December 2019 was approximately HK$6.69 million (2018: net profit attributable to owners of the Company was approximately HK$1.80 million). The Group believes that such loss was mainly attributable to (i) the decrease in revenue from corporate financial advisory services income as a result of withholding of certain projects due to clients' financial performance deteriorated mainly because of the continuous weak business environment caused by the China-US trade war; (ii) the political unrest in Hong Kong has leaded to postponement to some of our projects as clients' worries over domestic uncertainties might have weakened investment sentiment to the local capital markets; and (iii) the increase in operating expenses due to incurred of one-off office relocation related expenses including reinstatement, renovation works and temporarily duplicated rental expenses resulting from the relocation of the head office of the Company.

As at 31 December 2019, the Group had total assets of approximately HK$31.35 million (2018: approximately HK$37.46 million). The net assets value of the Group was approximately HK$28.38 million as at 31 December 2019 (2018: approximately HK$35.07 million).

The Group stayed in a healthy and sound liquidity position. The cash and cash equivalents of the Group amounted to approximately HK$27.57 million as at 31 December 2019. It is the Group's policy to adopt a prudent financial management strategy and maintain a suitable level of liquidity to meet operation requirements and acquisition opportunities.

Capital structure

The capital of the Company comprises only ordinary shares. As at 31 December 2019, the total number of the ordinary shares of the Company in issue was 640,000,000 shares.

Charge on Group's assets

As at 31 December 2019, the Group did not have any charge on its assets (2018: nil).

Hedging

Since most of the transactions of the Group are denominated in Hong Kong dollars, no hedging or other arrangements to reduce the currency risk had been implemented during the year under review.

Information on employees

As at 31 December 2019, the Group had a workforce of 15 employees (2018: 18). The total staff costs, including the directors' emoluments, amounted to approximately HK$9.72 million for the year under review (2018: approximately HK$10.90 million).

The Group's remuneration policies were determined by reference to market terms as well as the performance, qualification and experience of each individual employee.

Contingent liabilities

As at 31 December 2019, the Group did not have any significant contingent liabilities (2018: nil).

Significant investment

The Group did not hold any significant investment for the year ended 31 December 2019 (2018: nil).

Outlook

In 2019, global and local markets were volatile and confronted a lot of unprecedented challenges and uncertainties, notably the China-USA trade war, domestic political unrest and outbreaks of epidemics (including the coronavirus disease (COVID-19)) in Hong Kong, which in turn adversely affected the general business environment and investor sentiment. The sentiments on the capital market have become more prudent in the near term. Looking forward, the business environments for the Group will continue to be unstable in 2020. The aforesaid factors will continue to adversely affect the volume of the projects and fee chargeable by the Group in the short run.

As Hong Kong is one of the leading financial centers in the world, the management remains optimistic about the prospects of corporate finance advisory services industry. Furthermore, the whole management has joined the Group for over ten years and has extensive experience in the financial industry, the management is positive on the prospect of the business of the Group in the long run. The management believes the business of the Group is viable and sustainable. The Group will continue to focus on the corporate finance advisory services as well as IPO-related projects. Meanwhile, the Group will also continue to seek for business opportunities in other financial related services so as to generate greater value for the shareholders.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to ensure a high standard of corporate governance in the interests of the shareholders and devotes considerable effort to maintain high level of business ethics and corporate governance practices.

Throughout the financial year ended 31 December 2019, the Group had complied with the code provisions in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules (the "CG Code and Report"), except for the deviations to Code Provisions A.2.1 and A.4.1 as explained in this report.

The board of Directors (the "Board") has continued to monitor and review the Group's progress in respect of corporate governance practices to ensure compliance.

AUDIT COMMITTEE

The Company's Audit Committee was formed on 22 April 2008 with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the Audit Committee are to review the Company's internal control procedures and annual report, financial statements, half-year reports and quarterly reports and to provide advice and comments thereon to the board of Directors. The Audit Committee currently comprises three Independent Non-executive Directors, Mr. Lee Wing Lun, Mr. Tam King Ho, Howard and Mr. Law Chor Yam. The Audit Committee members have reviewed this Annual Report and have provided advice and comments thereon.

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 year.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members of the Company will be closed from Thursday, 23 April 2020 to Wednesday, 29 April 2020, both days inclusive, during which period no transfers of shares shall be effected. In order to qualify for attending the forthcoming annual general meeting, all transfers of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 22 April 2020.

By order of the Board
Vinco Financial Group Limited
Chung Ho Yan
Chairman

Hong Kong, 23 March 2020

As at the date hereof, the Board comprises Mr. Chung Ho Yan and Mr. Lam Yick Hing being executive directors of the Company; and Mr. Lee Wing Lun, Mr. Tam King Ho, Howard and Mr. Law Chor Yam being the independent non-executive directors of the Company.

This announcement will remain on the GEM website at http://www.hkgem.com on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and on the website of the Company at http://www.vinco.com.hk.