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website: <http://www.irasia.com/listco/hk/greaterchina/index.htm>

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

SUMMARY OF RESULTS

The board (the “Board”) of directors (the “Directors”) of Greater China Financial Holdings Limited (the “Company”) announces that the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2019, together with the comparative figures for the corresponding period in 2018 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	NOTES	Six months ended 30 June	
		2019 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)
Revenue	3	64,708	58,106
Cost of sales		<u>(32,824)</u>	<u>(20,846)</u>
Gross profit		31,884	37,260
Other income, gains and losses	4	12,534	20,533
Administrative and other operating expenses		(59,932)	(56,336)
Finance costs	5	(4,542)	(7,966)
Share based payment expenses		–	(40,313)
Over-provision (provision) for financial guarantees, net		240	(1,146)
Impairment loss, net of reversal		5,472	(1,185)
Impairment loss on goodwill		<u>(17,274)</u>	<u>–</u>
Loss before tax		(31,618)	(49,153)
Income tax expense	6	<u>(3,591)</u>	<u>(2,294)</u>

		Six months ended 30 June	
		2019	2018
	<i>NOTES</i>	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Loss for the period	7	<u>(35,209)</u>	<u>(51,447)</u>
Other comprehensive income (expense), net of tax			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		136	(5,675)
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Change in fair value of financial assets at fair value through other comprehensive income		<u>1,311</u>	<u>(7,559)</u>
Other comprehensive income (expense) for the period		<u>1,447</u>	<u>(13,234)</u>
Total comprehensive expense for the period		<u>(33,762)</u>	<u>(64,681)</u>
Loss for the period attributable to:			
Owners of the Company		(35,209)	(51,447)
Non-controlling interests		<u>–</u>	<u>–</u>
		<u>(35,209)</u>	<u>(51,447)</u>
Total comprehensive expense for the period attributable to:			
Owners of the Company		(33,762)	(64,681)
Non-controlling interests		<u>–</u>	<u>–</u>
		<u>(33,762)</u>	<u>(64,681)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share			
– Basic	9	<u>(0.51)</u>	<u>(0.75)</u>
– Diluted		<u>(0.51)</u>	<u>(0.75)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2019

	<i>NOTES</i>	30.6.2019 <i>HK\$'000</i> (unaudited)	31.12.2018 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		93,474	99,266
Prepaid lease payments		–	22,302
Goodwill	<i>10</i>	126,705	143,979
Intangible assets		8,688	9,249
Right-of-use assets		53,606	–
Interests in associates		–	–
Financial assets at fair value through other comprehensive income		9,704	15,872
Financial assets at fair value through profit or loss		38,376	37,552
Contingent consideration receivables		–	4,927
Deferred tax assets		8,484	11,368
Deposits		255	3,505
		<hr/> 339,292 <hr/>	<hr/> 348,020 <hr/>
Current assets			
Loans and interests receivables	<i>11</i>	183,381	113,952
Trade and other receivables	<i>12</i>	19,778	59,674
Prepaid lease payments		–	719
Prepayments and deposits		96,030	65,485
Financial assets at fair value through profit or loss		4,726	40,143
Contingent consideration receivables		3,761	8,759
Tax receivables		1,552	927
Cash held on behalf of clients		1,126	1,263
Restricted bank deposits		12,935	2,136
Bank balances and cash		208,040	269,578
		<hr/> 531,329 <hr/>	<hr/> 562,636 <hr/>
Current liabilities			
Trade payables, other payables and accruals	<i>13</i>	79,272	81,659
Lease liabilities		13,711	–
Contract liabilities		314	96
Liabilities from financial guarantees		39,931	49,870
Deferred consideration		5,514	20,450
Borrowings		11,380	8,538
Tax payables		367	555
		<hr/> 150,489 <hr/>	<hr/> 161,168 <hr/>

	<i>NOTE</i>	30.6.2019 HK\$'000 (unaudited)	31.12.2018 <i>HK\$'000</i> (audited)
Net current assets		<u>380,840</u>	<u>401,468</u>
Total assets less current liabilities		<u>720,132</u>	<u>749,488</u>
Non-current liabilities			
Deferred consideration		–	5,175
Lease liabilities		14,015	–
Borrowings		<u>73,970</u>	<u>79,688</u>
		<u>87,985</u>	<u>84,863</u>
Net assets		<u><u>632,147</u></u>	<u><u>664,625</u></u>
Capital and reserves			
Share capital	<i>14</i>	6,924	6,915
Reserves		<u>625,223</u>	<u>657,710</u>
Equity attributable to owners of the Company		632,147	664,625
Non-controlling interests		<u>–</u>	<u>–</u>
Total equity		<u><u>632,147</u></u>	<u><u>664,625</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 Interim Financial Reporting (“HKAS 34”) 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 (the “Listing Rules”).

The condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2018.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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

2.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 Leases (“HKAS 17”), and the related interpretations.

2.1.1 Transition and summary of effects arising from initial application of HKFRS 16

As a lessee

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of HK\$25,952,000 and right-of-use assets of HK\$51,965,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 6.37%.

	At 1 January 2019 HK\$'000
Operating lease commitments disclosed as at 31 December 2018	<u>29,037</u>
Lease liabilities discounted at relevant incremental borrowing rates	27,755
Less: Recognition exemption – short-term leases	<u>(1,803)</u>
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 as at 1 January 2019	<u>25,952</u>
Analysed as	
Current	15,911
Non-current	<u>10,041</u>
	<u>25,952</u>

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets HK\$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	25,515
Reclassified from prepaid lease payments	23,021
Reclassified from deposits	<u>3,429</u>
	<u>51,965</u>
By class:	
Leasehold land	23,021
Office premises	<u>28,944</u>
	<u>51,965</u>

		Carrying amounts previously reported as at 31 December 2018	Adjustment	Carrying amounts under HKFRS 16 at 1 January 2019
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets				
Right-of-use assets		–	51,965	51,965
Prepaid lease payments	<i>(a)</i>	22,302	(22,302)	–
Deposits	<i>(b)</i>	3,505	(3,250)	255
Current assets				
Prepaid lease payments	<i>(a)</i>	719	(719)	–
Trade and other receivables	<i>(b)</i>	59,674	(179)	59,495
Current liabilities				
Trade payable, other payables and accruals	<i>(c)</i>	(81,659)	39	(81,620)
Lease liabilities		–	(15,911)	(15,911)
Non-current liabilities				
Lease liabilities		–	(10,041)	(10,041)
Capital and reserves				
Accumulated losses		1,175,321	398	1,175,719

- (a) Upfront payments for leasehold land in PRC in which the Group obtained relevant land use certificate were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the non-current and current portions of prepaid lease payments amounting to HK\$22,302,000 and HK\$719,000 respectively were reclassified to right-of-use assets.
- (b) Before application of HKFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right-of-use assets.
- (c) These relate to accrued lease liabilities for leases of properties in which the lessors provided rent-free period. The carrying amount of the lease incentive liabilities as at 1 January 2019 was adjusted to right-of-use assets at transition.

Further details of the new principal accounting policies are set out in the Company's 2019 Interim Report which will be published on the Company website in September 2019.

New and amendments to HKFRSs in issue but not yet effective

The Group has not applied the following new and amendments to HKFRSs that have been issued but are not yet effective, in these interim financial statements:

HKFRS 17	Insurance Contracts ²
Amendments to HKFRS 3	Definition of a Business ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1 and HKAS 8	Definition of Material ¹

¹ Effective for annual periods beginning on or after 1 January 2020.

² Effective for annual periods beginning on or after 1 January 2021.

³ Effective date to be determined.

⁴ Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

The directors of the Company do not anticipate that the application of these new and amendments to HKFRSs will have any material impact on the condensed consolidated financial statements.

3. SEGMENT INFORMATION

The Group's operations are organised into securities brokerage, asset management, insurance brokerage, loan financing, industrial property development and general trading. Information reported to the chief operating decision maker ("CODM") for the purpose of resources allocation and assessment of segment performance is prepared on such basis. The Group is organised into the following reportable and operating segments:

- Industrial property development segment represents the operation of warehouse in the People's Republic of China (the "PRC").
- General trading segment represents trading of consumable goods in the PRC.
- Loan financing segment represents the provision of financial guarantee, loan financing, loan referral and consultancy services in Hong Kong and the PRC.
- Securities brokerage segment represents the operation of securities brokerage, margin financing, underwriting and placements in Hong Kong.
- Asset management segment represents in the provision of asset management services in Hong Kong.
- Insurance brokerage segment represents the provision of the insurance brokerage and agency services in Hong Kong.

Segment revenue and results

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

Six months ended 30 June 2019 (unaudited)

	Industrial property development <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Securities brokerage <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Insurance brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>
SEGMENT REVENUE							
Recognised at a point in time	-	33,968	14,607	102	93	3,200	51,970
Recognised over time	7,507	-	2,958	-	-	-	10,465
Recognised from other source	-	-	2,077	196	-	-	2,273
	<u>7,507</u>	<u>33,968</u>	<u>19,642</u>	<u>298</u>	<u>93</u>	<u>3,200</u>	<u>64,708</u>
SEGMENT RESULTS	<u>(1,681)</u>	<u>1,150</u>	<u>15,849</u>	<u>(1,453)</u>	<u>(2,051)</u>	<u>(61)</u>	<u>11,753</u>
Unallocated corporate income							11
Unallocated corporate expenses							(24,508)
Unallocated finance costs							(1,651)
Fair value change on contingent consideration receivables							(773)
Fair value change on financial assets at fair value through profit or loss							824
Impairment loss on goodwill							(17,274)
Loss before tax							(31,618)
Income tax expense							(3,591)
Loss for the period							<u>(35,209)</u>

Six months ended 30 June 2018 (unaudited)

	Industrial property development <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Securities brokerage <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Insurance brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>
SEGMENT REVENUE							
Recognised at a point in time	-	22,012	20,822	310	249	3,329	46,722
Recognised over time	5,545	-	3,970	-	-	-	9,515
Recognised from other source	-	-	1,671	198	-	-	1,869
	<u>5,545</u>	<u>22,012</u>	<u>26,463</u>	<u>508</u>	<u>249</u>	<u>3,329</u>	<u>58,106</u>
SEGMENT RESULTS	<u>(4,089)</u>	<u>1,398</u>	<u>14,650</u>	<u>(797)</u>	<u>(615)</u>	<u>(517)</u>	<u>10,030</u>
Unallocated corporate income							47
Unallocated corporate expenses							(25,430)
Unallocated finance costs							(3,059)
Fair value change on contingent consideration receivables							3,101
Fair value change on financial assets at fair value through profit or loss							6,471
Share-based payment expenses							(40,313)
Loss before tax							(49,153)
Income tax expense							(2,294)
Loss for the period							<u>(51,447)</u>

All of the segment revenue reported above are from external customers.

Segment assets and liabilities

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

At 30 June 2019 (unaudited)

	Industrial property development <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Securities brokerage <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Insurance brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>
ASSETS							
Segment assets	119,859	37,346	481,006	12,467	2,607	3,674	656,959
Unallocated bank balances and cash							7,847
Unallocated property, plant and equipment							3,914
Unallocated other receivables, prepayments and deposits							906
Unallocated right-of-use assets							23,815
Unallocated goodwill							126,705
Unallocated financial assets at fair value through other comprehensive income							8,338
Unallocated financial assets at fair value through profit or loss							38,376
Unallocated contingent consideration receivables							3,761
							<hr/>
Consolidated total assets							<u>870,621</u>
LIABILITIES							
Segment liabilities	86,844	83	122,523	1,219	-	570	211,239
Unallocated other payables and accruals							664
Unallocated deferred consideration							5,514
Unallocated lease liabilities							21,057
							<hr/>
Consolidated total liabilities							<u>238,474</u>

At 31 December 2018 (audited)

	Industrial property development <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Securities brokerage <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Insurance brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>
ASSETS							
Segment assets	142,297	40,292	476,090	15,839	2,539	2,769	679,826
Unallocated bank balances and cash							11,090
Unallocated property, plant and equipment							5,277
Unallocated other receivables, prepayments and deposits							4,754
Unallocated goodwill							143,979
Unallocated financial assets at fair value through other comprehensive income							14,492
Unallocated financial assets at fair value through profit or loss							37,552
Unallocated contingent consideration receivables							13,686
							<u>910,656</u>
LIABILITIES							
Segment liabilities	90,419	22	124,501	1,418	40	443	216,843
Unallocated other payables and accruals							3,563
Unallocated deferred consideration							25,625
							<u>246,031</u>

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Fair value change on financial assets at fair value through profit or loss	2,543	6,471
Fair value change on contingent consideration receivables	(773)	3,101
Handling fee income	16	41
Impairment loss on amount due from associates	(2)	(2)
Investment income from National Debt Reverse Repurchase products	153	1,188
Loss on disposal of financial assets at fair value through profit or loss	(921)	–
Bank interest income	227	763
Entrusted loan interest income	713	244
Other loans interest income	5,635	7,033
Loss on property, plant and equipment written off	–	(18)
Net foreign exchange loss	(21)	(86)
Service fee income	1,276	1,397
Management service income	3,504	–
Sundry income	184	3
Write-off of other payables	–	566
Write-off of other receivables	–	(168)
	<u>12,534</u>	<u>20,533</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
Effective interest on convertible notes	–	296
Imputed interest on deferred consideration	889	2,762
Interest on lease liabilities	762	–
Interest on bank loans	2,891	3,081
Interest on other loans	–	1,827
	<u>4,542</u>	<u>7,966</u>

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
Current tax:		
PRC Enterprise Income Tax	404	1,436
Under provision in prior periods:		
PRC Enterprise Income Tax	259	142
Deferred tax:		
Current period	2,928	716
	<u>3,591</u>	<u>2,294</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the six months ended 30 June 2018 and 2019. No provision for Hong Kong Profits Tax has been made as its subsidiaries of the Company in Hong Kong incurred tax loss for the six months ended 30 June 2018 and 2019.

PRC Enterprise Income Tax (“EIT”) is calculated at the applicable rates based on estimated taxable income earned by the PRC subsidiaries of the Company with certain tax concession, based on existing legislation, interpretation and practice in respect thereof.

Under the Law of the PRC on Enterprises Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the applicable PRC EIT rate of the Group’s PRC subsidiaries is 25% for both the six months ended 30 June 2018 and 2019.

7. LOSS FOR THE PERIOD

Loss for the period has been arrived at after charging the following items:

	Six months ended 30 June	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
Amortisation of prepaid lease payments	–	389
Amortisation of intangible assets	567	604
Depreciation of property, plant and equipment	5,840	5,739
Depreciation of right-of-use assets	5,494	–
Legal and professional fee	2,549	1,904
Staff costs including directors' emoluments	27,787	24,352

8. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

9. LOSS PER SHARE

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

	Six months ended 30 June	
	2019 <i>HK\$'000</i> (unaudited)	2018 <i>HK\$'000</i> (unaudited)
Loss		
Loss for the period attributable to owners of the Company for the purpose of basic loss per share	(35,209)	(51,447)
Effect of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax)	–	–
Loss for the purpose of diluted loss per share	(35,209)	(51,447)

	Six months ended 30 June	
	2019	2018
	'000	'000
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	6,923,779	6,874,085
Effect of dilutive potential ordinary shares:		
– Share options	–	–
– Convertible notes	–	–
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of diluted loss per share	6,923,779	6,874,085
	<hr/> <hr/>	<hr/> <hr/>

The calculation of basic loss per share is based on the loss attributable to owners of the Company, and the weighted average number of approximately 6,923,779,000 ordinary shares (six months ended 30 June 2018: 6,874,085,000) in issue.

Diluted loss per share for the six months period ended 30 June 2019 did not assume the exercise of the share options during the period since the exercise would have an anti-dilutive effect. Accordingly, the diluted loss per share is same as the basic loss per share for the six months ended 30 June 2019.

Diluted loss per share for the six months period ended 30 June 2018 did not assume the exercise of the share options during the period since the exercise would have an anti-dilutive effect. No adjustment was made in calculating diluted loss per share for the six months period ended 30 June 2018 as conversion of convertible notes would result in a decrease in loss per share. Accordingly, the diluted loss per share is same as the basic loss per share.

10. GOODWILL

	30.6.2019	31.12.2018
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Cost		
Balance at beginning of the period/year	165,772	165,772
Arising on acquisition of subsidiaries	–	–
	<hr/>	<hr/>
Balance at end of the period/year	165,772	165,772
	<hr/>	<hr/>
Accumulated impairment losses		
Balance at beginning of the period/year	21,793	14,650
Impairment loss recognised for the period/year	17,274	7,143
	<hr/>	<hr/>
Balance at end of the period/year	39,067	21,793
	<hr/>	<hr/>
Carrying amounts		
Balance at end of the period/year	126,705	143,979
	<hr/> <hr/>	<hr/> <hr/>

11. LOANS AND INTERESTS RECEIVABLES

	30.6.2019 <i>HK\$'000</i> (unaudited)	31.12.2018 <i>HK\$'000</i> (audited)
Entrusted loan	–	10,245
Mortgage loans	1,500	9,500
Factoring loans receivables with recourse	17,357	41,512
Other loans	165,929	57,968
	<hr/>	<hr/>
	184,786	119,225
Less: impairment loss	(1,405)	(5,273)
	<hr/>	<hr/>
	183,381	113,952
	<hr/> <hr/>	<hr/> <hr/>

An ageing analysis of the loans and interests receivables that are individually not considered to be impaired as at the end of the reporting period, based on payment due date, is as follows:

	30.6.2019 <i>HK\$'000</i> (unaudited)	31.12.2018 <i>HK\$'000</i> (audited)
Neither past due nor individually impaired	182,896	103,390
Less than 1 month past due	28	9,761
1 to 3 months past due	228	–
3 to 6 months past due	–	801
6 months to less than 1 year past due	229	–
	<hr/>	<hr/>
	183,381	113,952
	<hr/> <hr/>	<hr/> <hr/>

The movements in impairment loss of loans and interests receivables are as follows:

	30.6.2019 <i>HK\$'000</i> (unaudited)	31.12.2018 <i>HK\$'000</i> (audited)
Balance at beginning of the period/year	5,273	62,420
Amounts recognised during the period/year	1,145	5,273
Reversal during the period/year	(5,013)	–
Amounts written off during the period/year as uncollectible	–	(62,420)
	<hr/>	<hr/>
Balance at end of the period/year	1,405	5,273
	<hr/> <hr/>	<hr/> <hr/>

12. TRADE AND OTHER RECEIVABLES

	30.6.2019 <i>HK\$'000</i> (unaudited)	31.12.2018 <i>HK\$'000</i> (audited)
Trade receivables arising from:		
Business of dealing in securities: <i>(Note a)</i>		
– Cash clients	12	11
– Margin clients	3,258	5,519
– Clearing house and brokers	–	125
Loan referral and consultancy services <i>(Note b)</i>	12,759	33,810
Financial guarantee services <i>(Note c)</i>	584	1,376
Insurance brokerage business <i>(Note d)</i>	241	131
Asset management business <i>(Note e)</i>	74	103
	<hr/>	<hr/>
	16,928	41,075
Less: Impairment loss	(99)	(2,007)
	<hr/>	<hr/>
	16,829	39,068
	<hr/>	<hr/>
Other receivables	3,381	20,751
Less: Impairment loss	(432)	(145)
	<hr/>	<hr/>
	2,949	20,606
	<hr/>	<hr/>
Total trade and other receivables	<u>19,778</u>	<u>59,674</u>

Notes:

- (a) Trade receivables from cash clients normally takes two days to settle after trade date of securities transactions. These outstanding unsettled trades due from clients are reported as trade receivables from clients.

Trade receivables from margin clients net of impairment loss amounting to HK\$3,241,000 as at 30 June 2019 (31 December 2018: HK\$5,508,000) are secured by clients' pledged securities with fair value of HK\$19,909,000 as at 30 June 2019 (31 December 2018: HK\$39,827,000). Management has assessed the market value of the pledged securities of each individual customer who has margin shortfall regularly. No impairment loss is considered necessary for the remaining margin loans based on the Group's evaluation of their collectability.

Trade receivables from margin clients of the securities brokerage business are repayable on demand subsequent to settlement date.

- (b) The normal settlement terms of trade receivables from consultancy services are within 30 days upon the performance of contractual obligation.
- (c) The normal settlement terms of trade receivables from financial guarantee services are mainly within 60 to 90 days upon performance of contractual obligation.
- (d) The normal settlement terms of trade receivables from product issuers arising from the provision of insurance brokerage services are mainly within 45 to 60 days upon execution of the insurance policies and/or receipt of statements from product issuers.
- (e) Credit terms with customers of asset management are within 30 days or a credit period mutually agreed between the contracting parties.

No ageing analysis of margin loans is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of this business.

An ageing analysis of the remaining balance of trade receivables net of impairment loss as at the end of the reporting period, based on the trade dates, is as follows:

	30.6.2019 <i>HK\$'000</i> (unaudited)	31.12.2018 <i>HK\$'000</i> (audited)
0 – 30 days	1,499	14,238
31 – 60 days	278	5,481
61 – 90 days	–	6,017
Over 90 days	11,811	7,824
	13,588	33,560

An ageing analysis of the remaining balance of trade receivables that are not individually nor collectively considered to be impaired is as follows:

	30.6.2019 <i>HK\$'000</i> (unaudited)	31.12.2018 <i>HK\$'000</i> (audited)
Neither past due nor impaired	1,499	14,700
Less than 1 month past due	278	5,395
1 to 3 months past due	377	7,353
3 to 6 months past due	5,553	5,980
6 months to less than 1 year past due	5,881	132
	13,588	33,560

The Group has not fully provided for all trade receivables over 90 days because historical experience indicated that such receivables would be recovered.

The movements in impairment loss on trade receivables are as follows:

	30.6.2019 <i>HK\$'000</i> (unaudited)	31.12.2018 <i>HK\$'000</i> (audited)
Balance at beginning of the period/year	2,007	405
Amounts recognised during the period/year	57	2,007
Amounts written off during the period/year as uncollectible	–	(384)
Reversal during the period/year	(1,964)	–
Exchange realignment	(1)	(21)
	<hr/>	<hr/>
Balance at end of the period/year	99	2,007
	<hr/> <hr/>	<hr/> <hr/>

The movements in impairment loss on other receivables are as follows:

	30.6.2019 <i>HK\$'000</i> (unaudited)	31.12.2018 <i>HK\$'000</i> (audited)
Balance at beginning of the period/year	145	4,099
Amounts recognised during the period/year	301	14
Amounts written off during the period/year as uncollectible	–	(3,756)
Reversal during the period/year	(14)	–
Exchange realignment	–	(212)
	<hr/>	<hr/>
Balance at end of the period/year	432	145
	<hr/> <hr/>	<hr/> <hr/>

13. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	30.6.2019 <i>HK\$'000</i> (unaudited)	31.12.2018 <i>HK\$'000</i> (audited)
Trade payables from:		
Business of dealing in securities: <i>(Note a)</i>		
– Cash clients	455	712
– Margin clients	609	654
– Clearing houses	144	–
Insurance brokerage business <i>(Note b)</i>	364	436
	<hr/>	<hr/>
Total trade payables	1,572	1,802
	<hr/>	<hr/>
Other payables and accruals:		
Accrued expenses	2,657	3,767
Deposits received <i>(Note c)</i>	62,610	58,741
Other payables	12,433	17,349
	<hr/>	<hr/>
Total other payables and accruals	77,700	79,857
	<hr/>	<hr/>
Total trade payables, other payables and accruals	79,272	81,659
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) Trade payables to securities brokerage clients represent the monies received from and repayable to brokerage clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have an enforceable right to offset these payables with the deposits placed.

The majority of the trade payables balance are repayable on demand except for certain balances relating to margin deposits received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

The settlement terms of trade payables, except for margin clients, arising from the securities brokerage business are two days after trade date.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business.

- (b) Trade payables to consultants arising from provision of insurance brokerage service, are generally settled within 30 days to 120 days upon receipt of payments from product issuers by the Group.

An ageing analysis of trade payables from insurance brokerage business at the end of reporting period is as follows:

	30.6.2019 <i>HK\$'000</i> (unaudited)	31.12.2018 <i>HK\$'000</i> (audited)
0 – 30 days	316	285
31 – 60 days	–	120
61 – 90 days	5	17
Over 90 days	43	14
	<hr/> 364 <hr/>	<hr/> 436 <hr/>

- (c) Included in deposits received, amount of HK\$47,779,000 (31 December 2018: HK\$36,540,000) were received from customers as collateral security for the financial guarantees issued by the Group. These deposits will be refunded to customers upon expiry of the corresponding guarantee contracts. According to the contract, these deposits are expected to be settled within one year.

14. SHARE CAPITAL

	Number of shares '000	Nominal amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 each		
At 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	2,109,890,000	2,109,890
Preference shares of HK\$0.001 each		
At 1 January 2018, 30 June 2018, 1 January 2019 and 30 June 2019	110,000	110
Issued and fully paid:		
Ordinary shares of HK\$0.001 each		
At 1 January 2018 (audited)	6,870,057	6,870
Exercise of share options (<i>Note a</i>)	13,170	13
Conversion of convertible notes (<i>Note b</i>)	31,850	32
At 30 June 2018 (unaudited)	6,915,077	6,915
At 1 January 2019 (audited)	6,915,077	6,915
Exercise of share options (<i>Note c</i>)	9,000	9
At 30 June 2019 (unaudited)	6,924,077	6,924

Notes:

- (a) On 17 May and 19 June 2018, upon the exercise of the share options at an exercise price of HK\$0.187 per share, the Company allotted and issued 11,670,000 new shares of HK\$0.001 each.

On 19 June 2018, upon the exercise of the share options at an exercise price of HK\$0.188 per share, the Company allotted and issued 1,500,000 new shares of HK\$0.001 each.

- (b) On 15 June 2018, upon the exercise of the conversion rights attached to the 2014 Convertible Note and 2015 Convertible Note in an aggregate principal amount of HK\$7,644,106 at the conversion price of HK\$0.24 per share, the Company allotted and issued 31,850,442 shares in aggregate to the noteholders.
- (c) In December 2018, 9,000,000 share options were exercised at an exercise price of HK\$0.187 per share but such share of HK\$0.001 each was allotted in 7 January 2019.

All shares issued during the period rank *pari passu* with the existing shares in all respects.

15. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group:

	30.6.2019 HK\$'000 (unaudited)	31.12.2018 <i>HK\$'000</i> (audited)
Property, plant and equipment	88,234	92,416
Prepaid lease payments	–	23,021
Right-of-use assets	22,654	–
	<hr/> 110,888 <hr/>	<hr/> 115,437 <hr/>

16. CONTINGENT ASSETS AND LIABILITIES

The Group had no significant contingent assets or liabilities as at 30 June 2019 and 31 December 2018.

17. GUARANTEES ISSUED

At 30 June 2019, the total maximum amount of financial guarantees was RMB633,296,000 (approximately HK\$720,691,000) (31 December 2018: RMB492,300,000 (approximately HK\$560,434,000)). The total maximum amount of financial guarantees issued represent the maximum potential loss amount that would be recognised if counterparties failed completely to perform as contracted.

18. EVENTS AFTER THE REPORTING PERIOD

There is no significant event affecting the Company that have occurred since the end of the financial period.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (the “Period”) (for the six months ended 30 June 2018: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in investment holding, industrial property development, general trading of consumable goods, securities brokerage, insurance brokerage, asset management and loan financing operation includes loan financing, financial guarantee services, loan referral and consultancy services.

Revenue and segment results of the Group for the Period are stated in the table below:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Revenue from:		
Industrial property development	7,507	5,545
General trading	33,968	22,012
Securities brokerage	298	508
Insurance brokerage	3,200	3,329
Asset management	93	249
Loan financing	19,642	26,463
	<u>64,708</u>	<u>58,106</u>
Segment (loss) profit from:		
Industrial property development	(1,681)	(4,089)
General trading	1,150	1,398
Securities brokerage	(1,453)	(797)
Insurance brokerage	(61)	(517)
Asset management	(2,051)	(615)
Loan financing	15,849	14,650
	<u>11,753</u>	<u>10,030</u>

Industrial Property Development

The revenue from industrial property development segment mainly represented the warehouse storage income generated from the warehouse operation. The warehouse of the Group is located in Taicang, Jiangsu Province, the People's Republic of China (the "PRC"). It is divided into 6 units and the total area is approximately 48,600 square meters. Revenue from the warehouse operation recorded an increase of HK\$1,962,000 to HK\$7,507,000 for the Period (30 June 2018: HK\$5,545,000) and its segment loss for the Period is HK\$1,681,000 (30 June 2018: HK\$4,089,000). The average occupancy rate for the Period was over 92% and primarily used as storage of raw materials. Although the Sino-US trade war continues and has brought negative effect on the general trading and exporting business during the Period, as the customers of the Group's warehousing operation mainly focus on local trading business, there is no material effect on the Group's income generated from the warehouse operation.

General Trading

The Group continues to co-operate with a major distribution agent of Moutai, a reputable distilled Chinese liquor brand, to sell Moutai and other popular Chinese liquors in 2019. The revenue generated from the liquors trading for the Period amounted to HK\$33,968,000 (30 June 2018: HK\$22,012,000), resulting in segment profit of HK\$1,150,000 (30 June 2018: HK\$1,398,000).

During the Period, as the strong demand for Moutai in the PRC continued and there is limited number of authorized distribution agent, the price of Moutai has continued to increase. The increase in price is expected to continue in the liquors market in the PRC this year. In light of our long term business relationship with our supplier, we were supplied with more Moutai for trading in the Period. We are actively negotiating with our supplier to secure a stable supply in the future. With the stable and continued growth in the demand for Chinese liquors, especially for Moutai, the Group will continue the liquors trading business and further develop the sales network to increase its volume and profitability gradually.

Securities Brokerage

The Group's securities brokerage services in Hong Kong comprises securities brokerage, securities trading and margin financing. Revenue from the segment for the Period was HK\$298,000 (30 June 2018: HK\$508,000) and resulted in segment loss of HK\$1,453,000 (30 June 2018: HK\$797,000).

Investor confidence is affected by uncertainties in the market including the Sino-US trade war as well as continuous depreciation of Renminbi ("RMB"). Our operation faces keen competition with low profit margin on regular securities trading business. In order to tackle with the challenges, we had established a new sales and operation team to expand our business presence. At the same time, we are looking into new products including but not limited to fixed income and structured products trading in order to broaden our products mix.

Insurance Brokerage

During the Period, we provided tailor-made financial solutions and independent advisory services in connection with insurance products to our client and operate long term (including linked long term) insurance and general insurance business plus Mandatory Provident Fund products.

Revenue from the segment for the Period was HK\$3,200,000 (30 June 2018: HK\$3,329,000) and resulted in segment loss of HK\$61,000 (30 June 2018: HK\$517,000). Our stringent measures on costs control improved the profit margin and lower our loss, but the insurance brokerage business is still facing challenge of keen competition in the market. According to the Insurance Authority of Hong Kong, the number of authorized insurance brokers in Hong Kong was increased from 778 as at 31 March 2018 to 798 as at 31 March 2019. Thus, the Group will continue to strengthen the existing sales team and to develop different clientele and foster close relationship with insurance companies and offer diversified products to our customers to achieve a stable growth of the business.

Asset Management

Our asset management segment manages a hedge fund, “Spruce Light Absolute Return Fund”, its net value of assets under management as at 30 June 2019 was approximately US\$6.7 million. Revenue of the segment for the Period was HK\$93,000 (30 June 2018: HK\$249,000) and resulted in segment loss of HK\$2,051,000 (30 June 2018: HK\$615,000). Due to the fund size decreased approximately 33% during the Period, the management fee income for the asset management decreased significantly.

Since 2019, the macroeconomic policies in the PRC have become more favorable to private enterprise, such as the implementation of government service charge and corporate tax reduction. Meanwhile, the interest rate has declined gradually and the Sino-US trade war continues, as such the growth of the general economy declines. Fixed asset investments for the first half of the year increased to 5.8% year-on-year, representing a growth rate with 0.2% drop as compared with the same period last year. The growth rate for total retail sales of consumer goods was 8.4% year-on-year, representing a growth rate with 1% drop as compared with the same period last year. The total value of imports and exports denominated in RMB increased 3.9% as compared with the same period last year. Hence, the trade surplus has continued to expand. As the major onshore and offshore stock indexes have increased, the overall performance of Spruce Light Absolute Return Fund recorded positive returns.

Looking forward to the second half of 2019, the economy in the PRC may improve with continuing stimulus of economic policies but may be affected by other external factors, including the uncertainties of Sino-US trade war which may continue to bring fluctuations to the stock market. In the long run, companies in the PRC with corporate governance, management and being competitive will continue to grow, while underperforming companies may face on-going challenges. The asset management team will continue to explore business opportunity to achieve growth in scale and performance.

Loan Financing

Our loan financing services comprise financing guarantee services, loan financing, financing consultancy and loan referral services in Hong Kong and the PRC.

Revenue of the segment for the Period was HK\$19,642,000 (30 June 2018: HK\$26,463,000) and resulted in segment profit of HK\$15,849,000 (30 June 2018: HK\$14,650,000). The decrease in segment revenue was mainly due to less financing guarantee business and financial consultancy business in the PRC.

In April 2018, the four supporting rules of the “Measures for the Supervision and Administration of Financing Guarantee Companies” 《融資擔保公司監督管理條例》 was promulgated. It refines the conditions and procedures for issuing, renewing, revoking, and canceling the business license for financing guarantee business, stipulates the measurement for the liability from financing guarantee, prescribes the asset ratio in financing guarantee company and regulates the business cooperation between bank and financing guarantee companies. With the regulation and the four supporting rules in effect, stringent supervision on financial guarantee company will led to the closure of financial guarantee companies, which cannot fulfill the regulatory requirements, and create a better business environment and opportunity for qualified companies. In the government report of the Second Session of the 13th National People’s Congress, the PRC government announced reform in improving the money and credit supply mechanism, guiding financial institutions to extend credit quota and reducing the cost of loans by utilizing quantitative and pricing monetary policy, such as reserve requirement ratio and interest rates and releasing funds to support the development of private enterprises and small and micro enterprises. With the synergy between our loan referral services and financing guarantee services in the PRC, new business opportunity could be brought to our supply chain financing services, import car business, as well as factoring business in the PRC. Our loan financing team in the PRC has established corresponding credit policy and operation procedures and has conducted due diligence and credit review routinely on existing and potential customers. Our financing team will also require sufficient pledge of assets. The management believe that these policies will have a positive impact on the financing and credit market in the PRC and will benefit the Group’s supply chain finance business and financial advisory services business in the PRC.

During the Period, Hong Kong property market has undergone a modest correction and the Sino-US trade war has adversely affected Hong Kong’s economy growth. Our loan financing operations in Hong Kong provides mortgage loan services. To remain competitive while mitigating the overall credit risk, we adopted a stringent credit approval policy and worked closely with external property valuation professionals in valuing the subject property to ensure the loan to value ratio of the relevant properties are maintained at a reasonable level. In addition, we installed tools to monitor the trend in the property market, which will provide alert to our credit team in case of significant fluctuation or irregularity is noted in the mortgage under supervision. Credit assessment includes full review of credit history and personal TransUnion credit report of the potential customers is performed. The Group will continue to implement a prudent strategy with stringent internal loan management system, including credit assessment and risk management and cooperate closely with external professionals for property valuation, credit check and legal counsel and maintain the Group’s focus on high net worth customers through our partnership with business partners such as loan referral agents.

As at 30 June 2019, the balance of the loans and interest receivables was approximately HK\$183,381,000 (31 December 2018: HK\$113,952,000). Interest rate of the loans for the Period ranged from 5% to 24% (2018: 6% to 30%) per annum. As at 30 June 2019, the total guarantee issued by our financing guarantee operation was approximately RMB633 million (as at 30 June 2018: RMB518 million).

Litigation

PRC

- (I) The Company has appointed PRC legal advisers and the applications for arbitration in enforcing the variable interest entity contracts (the “VIE Contracts”) have been filed and accepted by 上海仲裁委員會 (Shanghai Arbitration Commission, “SAC”) in August 2016 (the “Arbitration”). Details of the applications are set out in the Company’s announcement dated 18 August 2016. On 22 February 2017, the PRC legal advisers received three decisions issued by the SAC to suspend the Arbitration as (i) 上海新盛典當有限公司 (Shanghai Xinsheng Pawnshop Limited, “Xinsheng”), 上海快鹿投資(集團)有限公司 (Shanghai Kuailu Investment Group Company Limited, “Shanghai Kuailu”) and 上海中源典當有限公司 (Shanghai Zhongyuan Pawnshop Company Limited, “Zhongyuan”) are involved in a criminal investigation conducted by the public security authority of Shanghai, the PRC; and (ii) the shares of Xinsheng and Zhongyuan were frozen by such public security authority. As such, it was stated that such circumstances would create obstacles for submitting evidence to SAC, and SAC agreed to suspend the Arbitration with effect from 21 February 2017. As we are not a party of the abovementioned criminal investigation, we have no access to the latest status and/or information of such investigation. As of the date of this announcement, the Arbitration is still being suspended and the PRC legal advisers has not received any oral or written updates from SAC on the Arbitration nor the criminal investigation. Since the Group controls the two subsidiaries through the VIE Contracts, in order to re-gain control of the subsidiaries, the Company should enforce the VIE Contracts through the Arbitration. The PRC legal advisers will closely monitor the latest development of the cases and would proceed with the Arbitration once the criminal investigation is completed. The financial impacts of the de-consolidation resulting from the incident has been fully reflected in the financial year ended 31 December 2016 and the suspension of the Arbitration is not expected to create any adverse impact on the Group as whole.

- (II) A PRC subsidiary of the Company, which primarily engages in the financing guarantee business, has commenced a litigation against a P2P platform in Beijing, the PRC in relation to the guarantee deposit paid to and withheld by a P2P platform in the course of our financial guarantee business. The hearing commenced in March 2019 and no judicial decision has been promulgated up to the date of this announcement. The Board believe that there is no significant financial impact on the Group.

Financial Review

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly consist of operating expenses of industrial property development, general trading, loan financing, securities brokerage and insurance brokerage and administrative expenses, which including the office utilities and administration, legal and professional fee, employee benefit expenses, depreciation of right-of-use assets and property, plant and equipment and amortization. Administrative and other operating expenses amounted to approximately HK\$59,932,000 during the Period, which is increased by HK\$3,596,000 as compared to the six months ended 30 June 2018. The increase mainly resulted from the increase in staff salary and overall expenses due to the growth in different operations of the Group. The management will continue to act on its stringent measures on costs control to maintain the administrative and other expenses at a reasonable level.

Finance Costs

Finance costs have decreased from approximately HK\$7,966,000 for the six months ended 30 June 2018 to approximately HK\$4,542,000 for the Period. The decrease in the finance costs was caused by repayment of bank and other loans during the period and decrease in imputed interest on deferred consideration.

Liquidity and Financial Resources

The Group adopts the policy of prudence in managing its working capital. The operation of the Group was primarily financed by internally generated cash flow and external financing. As at 30 June 2019, the shareholders' fund and net current assets of the Group amounted to approximately HK\$632,147,000 (31 December 2018: HK\$664,625,000) and HK\$380,840,000 (31 December 2018: HK\$401,468,000) respectively. On the same date, the Group's bank balances and cash amounted to HK\$208,040,000 (31 December 2018: HK\$269,578,000) which were principally denominated in Hong Kong dollars and Renminbi and the current ratio was 3.54 (31 December 2018: 3.49). The main reason for the decrease in bank balances was the increase in other loans receivable for the Period.

As at 30 June 2019, the Group's total borrowings were denominated in RMB at the fixed rate of 6.37% amounted to approximately HK\$85,350,000 (31 December 2018: HK\$88,226,000) of which approximately HK\$11,380,000 is repayable within 1 year, approximately HK\$11,380,000 is repayable between 1 to 2 years, approximately HK\$39,830,000 is repayable between 2 to 5 years and approximately HK\$22,760,000 is repayable over 5 years. The gearing ratio, measured on the basis of total borrowings over net assets, was 13.5% as at 30 June 2019 (31 December 2018: 13.3%). The decrease in borrowings because we made RMB2,500,000 repayment during the Period.

There was no capital commitment in respect of the acquisition and construction of property, plant and equipment as at 30 June 2019 (30 June 2018: nil).

The Group does not anticipate any material foreign exchange exposure since its cash, borrowings, revenue and expenses are mainly in Hong Kong dollars and RMB. Therefore, the Group did not use any financial instruments for hedging purposes.

Actual use of proceeds of 2017 Open Offer

In June 2017, the Company completed an open offer on the basis of one offer share for every two existing shares of the Company at a subscription price of HK\$0.10 per offer shares (the "2017 Open Offer") and a net amount of approximately HK\$222 million was raised. Up to the date of this announcement, all proceeds has been utilised as intended.

Assets impairment loss

The impairment loss on goodwill of approximately HK\$17,274,000 (the "Impairment") recorded for the Period was mainly related to the impairment loss on goodwill of a PRC subsidiary, which provides financial consultancy and loan referral services (the "Impaired Operations"). The Impaired Operations were acquired by the Group in 2016 with the objective to expand into the PRC's financial services sector. However, due to a litigation proceeding in relation to a P2P platform, the business slow down and unable to achieve the growth rate forecast for the Period. Hence, the valuation conducted by our external valuer has adjusted and resulted in the impairment loss for the Period.

Fund Investments

Our investment portfolio is classified according to HKFRS 9. The carrying amounts of the financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss were approximately HK\$9,704,000 and HK\$43,102,000 respectively as at 30 June 2019 (as at 31 December 2018: HK\$15,872,000 and HK\$77,695,000). The investment portfolio includes; (i) unlisted investment funds, which primarily invested in listed equity in the PRC and Hong Kong, (ii) listed equity in the PRC and Hong Kong, and (iii) property development project in the PRC.

Contingent Liabilities

There are no significant contingent liabilities noted as at 30 June 2019.

Capital Structure

In December 2018, 9,000,000 share options were exercised at an exercise price of HK\$0.187 per share. Such shares were allotted and issued in January 2019.

Charges on Assets

Our warehouse located in Taicang, the PRC with the following carrying amounts have been pledged to secure general banking facilities granted to the Group:

	30.6.2019	31.12.2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	88,234	92,416
Prepaid lease payments	–	23,021
Right-of-use assets	22,654	–
	<hr/> 110,888 <hr/>	<hr/> 115,437 <hr/>

Save for the above, the Group does not charge other assets to secure its borrowings.

Foreign currency exposure

As confirmed by the Directors, the Group's present operations are mainly carried out in the PRC and HK, and all of the Group's receipts and payments in relation to the operations are basically denominated in RMB and Hong Kong dollars. The Group does not use derivative financial instruments to hedge its foreign currency risks. The management will continue to monitor its foreign exchange exposure and take appropriate measures if needed.

Employees and Remuneration Policies

As at 30 June 2019, the Group has 175 employees (31 December 2018: 138 employees). Remuneration is determined by reference to their respective qualifications and experiences and according to the prevailing industry practice. In addition to salary payments, our staff benefits include contribution of mandatory provident fund, a discretionary bonus program and a share option scheme. As required by the regulations in the PRC, the Group makes contributions to mandatory social security funds for the benefit of the Group's employees in the PRC, including pension insurance, medical insurance, unemployment insurance, personal injury insurance, maternity insurance and housing funds.

Future Plans for material investments or capital assets

Save as disclosed in this announcement, as at 30 June 2019, there was no specific plan for material investments and acquisition of capital assets. However, the Group will continue to seek for new business development opportunities especially in developing financial services related business.

Events after the reporting period

There is no significant event affecting the Group that have occurred since the end of the Period.

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

During the Period, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

During the Period, the Company has complied with all the code provisions (the "Code Provisions") as set out in the Corporate Governance Code (the "CG Code") and Corporate Governance Report contained in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. The Company has made specific enquiry of all Directors whether they have complied with the required standard set out in the Model Code regarding Directors' securities transactions and all Directors confirmed that they have complied with the Model Code throughout the Period.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the Code Provisions of the CG Code. The Audit Committee currently comprises three independent non-executive Directors, including Mr. Kwan Kei Chor (chairman of the Audit Committee), Dr. Lyu Ziang and Mr. Zhou Liangyu.

The Group's interim results for the Period have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The Audit Committee recommended the Board to adopt the same.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated interim results of the Group for the six months ended 30 June 2019 were prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have also been reviewed by the Audit Committee. Such financial information has been reviewed by HLM CPA Limited, the independent auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our staff for their dedication, loyalty and integrity towards the Group. I would also like to express my gratitude to our Shareholders, customers and other business partners and professional consultants for their support to the Group.

By order of the Board of
Greater China Financial Holdings Limited
Liu Kequan
Chairman

Hong Kong, 27 August 2019

As at the date of this announcement, the Board comprises Mr. Liu Kequan, Mr. Yang Dayong and Mr. Zhang Peidong as executive Directors and Mr. Kwan Kei Chor, Dr. Lyu Ziang and Mr. Zhou Liangyu as independent non-executive Directors.