GOLDIN FINANCIAL HOLDINGS LIMITED
高銀金融（集團）有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 530)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors ("**Director(s)**") of Goldin Financial Holdings Limited ("**Goldin Financial**" or the "**Company**") is pleased to present the unaudited interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 31 December 2019 together with comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
Six months ended 31 December 2019

		Six months ended 31 December	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	4	**347,763**	321,439
Cost of sales		**(117,683)**	(79,358)
Gross profit		**230,080**	242,081
Other income and gains		**7,202**	2,304
Change in fair value of investment properties		**(193,524)**	1,298,850
Selling and distribution expenses		**(5,075)**	(4,295)
Administrative expenses		**(134,193)**	(126,549)
Finance costs		**(377,338)**	(248,477)
Profit/(loss) before tax	5	**(472,848)**	1,163,914
Income tax expense	6	**(9,176)**	(24,834)
Profit/(loss) for the period		**(482,024)**	1,139,080

* *for identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)
Six months ended 31 December 2019

	Note	Six months ended 31 December 2019 HK$'000 (Unaudited)	2018 HK$'000 (Unaudited)
Other comprehensive income/(loss)			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(74,359)**	(181,323)
Total comprehensive income/(loss) for the period		**(556,383)**	957,757
Profit/(loss) for the period attributable to:			
Owners of the Company		**(478,229)**	742,439
Non-controlling interests		**(3,795)**	396,641
		(482,024)	1,139,080
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**(552,588)**	561,116
Non-controlling interests		**(3,795)**	396,641
		(556,383)	957,757
Earnings/(loss) per share attributable to owners of the Company	8		
Basic – For profit/(loss) for the period		**HK(6.84) cents**	HK10.62 cents
Diluted – For profit/(loss) for the period		**HK(6.84) cents**	HK10.59 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	Notes	**31 December 2019** *HK$'000* **(Unaudited)**	30 June 2019 *HK$'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,832,066**	1,887,471
Investment properties		**18,300,000**	18,500,000
Right-of-use assets		**44,812**	–
Prepaid land lease payments		**–**	44,007
Intangible assets		**110,685**	111,654
Vines		**14,690**	15,150
Deferred tax assets		**826**	1,210
Total non-current assets		**20,303,079**	20,559,492
CURRENT ASSETS			
Inventories		**723,732**	160,573
Properties under development		**9,448,942**	9,202,358
Trade receivables, prepayments, deposits and other receivables	9	**3,660,048**	3,985,712
Due from related companies		**728,177**	144,186
Pledged deposits		**168,982**	346,590
Cash and cash equivalents		**2,380,917**	3,884,371
Total current assets		**17,110,798**	17,723,790
CURRENT LIABILITIES			
Trade payables	10	**117,161**	388,531
Accruals and other payables		**703,357**	867,858
Due to related companies		**7,939**	8,085
Tax payable		**93,702**	87,654
Interest-bearing bank and other borrowings		**8,833,974**	8,775,972
Loan from a non-controlling shareholder		**2,137,904**	2,137,904
Total current liabilities		**11,894,037**	12,266,004
NET CURRENT ASSETS		**5,216,761**	5,457,786
TOTAL ASSETS LESS CURRENT LIABILITIES		**25,519,840**	26,017,278

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
At 31 December 2019

	31 December 2019 *HK$'000* **(Unaudited)**	30 June 2019 *HK$'000* (Audited)
NON-CURRENT LIABILITIES		
Other payables	**42,664**	42,850
Interest-bearing bank and other borrowings	**6,648,691**	6,589,225
Deferred tax liabilities	**20,246**	20,581
Total non-current liabilities	**6,711,601**	6,652,656
Net assets	**18,808,239**	19,364,622
EQUITY		
Equity attributable to owners of the Company		
Share capital	**699,065**	699,065
Reserves	**18,120,097**	18,672,685
	18,819,162	19,371,750
Non-controlling interests	**(10,923)**	(7,128)
Total equity	**18,808,239**	19,364,622

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and with the applicable disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2019.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2019, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA, which are effective for the first time for the Group's annual periods beginning on or after 1 July 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to 2015–2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

Except as described below, the adoption of these new and amendments to HKFRSs had no material effect on the results and financial position of the Group and/or disclosures set out in these unaudited condensed consolidated financial statements for the current and/or prior accounting periods.

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

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group has adopted HKFRS 16 from 1 July 2019. The Group has used the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. The reclassifications arising from the new leasing rules are therefore recognised in the opening balance on 1 July 2019.

The Group's leases consist of rentals of land and office premises, in which their existing contracts satisfy the definition of a lease under HKFRS 16. For leases previously classified as operating leases, the Group has elected to measure the right-of-use assets at the amounts equal to the lease liabilities adjusted by any prepaid or accrued lease payments. Accordingly, no adjustments were recognised to the opening balance of retained profits as at 1 July 2019, the date of initial adoption. The Group applied the following practical expedients on transition to HKFRS 16 for those leases which were previously classified as operating leases under HKAS 17.

- Applied the recognition exemption for leases for which the lease term ends within 12 months of the date of initial adoption

- Excluded the initial direct costs from the measurement of the right-of-use assets

Upon the adoption of HKFRS 16, the Group reclassified the prepaid land lease payments to right-of-use assets for presentation purpose. The table below explains the difference between operating lease commitments disclosed at 30 June 2019 by applying HKAS 17 and lease liabilities recognised at 1 July 2019 by applying HKFRS 16:

	HK$'000
Operating lease commitments at 30 June 2019 (audited)	4,251
Less: Exemption for leases for which the lease terms ends within 12 months of the date of initial adoption	(2,817)
Total lease liabilities at 1 July 2019 (unaudited)	1,434

The table below summarises the impact on the adoption of HKFRS 16:

	Increase/(decrease) *HK$'000* (Unaudited)
Assets	
Right-of-use assets	46,711
Prepaid land lease payments	(44,007)
Prepayments, deposits and other receivables	(1,270)
Total assets at 1 July 2019	1,434
Liabilities	
Accruals and other payables	1,434
Total liabilities at 1 July 2019	1,434

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and products, and has four reportable operating segments as follows:

(a) the property segment engages in property development and investment;

(b) the winery and wine related segment engages in trading of wines, wine storage, operation of vineyards and restaurants;

(c) the factoring segment engages in the provision of factoring services; and

(d) the financial investments segment engages in securities and derivatives investment and trading and investment in financial instruments.

The following tables present revenue and profit information for the Group's business segments for the six months ended 31 December 2019 and 31 December 2018, respectively.

For the six months ended 31 December 2019

	Property *HK$'000* **(Unaudited)**	**Winery and wine related** *HK$'000* **(Unaudited)**	**Factoring** *HK$'000* **(Unaudited)**	**Financial Investments** *HK$'000* **(Unaudited)**	**Eliminations** *HK$'000* **(Unaudited)**	**Consolidated** *HK$'000* **(Unaudited)**
Segment revenue:						
Sales to external customers	**112,084**	**140,651**	**95,028**	**–**	**–**	**347,763**
Intersegment sales	**17,439**	**–**	**–**	**–**	**(17,439)**	**–**
Total	**129,523**	**140,651**	**95,028**	**–**	**(17,439)**	**347,763**
Segment results:	**(97,760)**	**(8,539)**	**80,328**	**(1,250)**	**(17,439)**	**(44,660)**
Reconciliations						
Unallocated other income						**5,866**
Corporate administrative expenses						**(56,716)**
Finance costs						**(377,338)**
Loss before tax						**(472,848)**

For the six months ended 31 December 2018

	Property *HK$'000* (Unaudited)	Winery and wine related *HK$'000* (Unaudited)	Factoring *HK$'000* (Unaudited)	Financial Investments *HK$'000* (Unaudited)	Eliminations *HK$'000* (Unaudited)	Consolidated *HK$'000* (Unaudited)
Segment revenue:						
Sales to external customers	72,886	180,175	68,378	–	–	321,439
Intersegment sales	16,640	–	–	–	(16,640)	–
Total	89,526	180,175	68,378	–	(16,640)	321,439
Segment results:	1,337,077	67,387	65,597	(1,283)	(16,640)	1,452,138
Reconciliations						
Unallocated other income						15
Corporate administrative expenses						(39,762)
Finance costs						(248,477)
Profit before tax						1,163,914

4. REVENUE

An analysis of the Group's revenue is as follows:

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Sale of wines	**93,503**	135,592
Restaurant operations	**36,748**	32,790
Provision of wine storage services	**10,400**	11,793
Property management and related income	**17,559**	13,145
Project management fee income	**15,365**	–
	173,575	193,320
Interest income		
Interest income from factoring services	**95,028**	68,378
Revenue from other sources		
Gross rental income	**79,160**	59,741
	347,763	321,439

Revenue from contracts with customers

Disaggregated revenue information

For the six months ended 31 December 2019

	Winery and wine related	**Property development and investment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
	(Unaudited)	**(Unaudited)**	**(Unaudited)**
Type of goods or services			
Sale of wines	**93,503**	**–**	**93,503**
Restaurant operations	**36,748**	**–**	**36,748**
Provision of wine storage services	**10,400**	**–**	**10,400**
Property management and related income	**–**	**17,559**	**17,559**
Project management fee income	**–**	**15,365**	**15,365**
Total revenue from contracts with customers	**140,651**	**32,924**	**173,575**

	Winery and wine related *HK$'000* (Unaudited)	Property development and investment *HK$'000* (Unaudited)	Total *HK$'000* (Unaudited)
Timing of revenue recognition			
Goods transferred at a point in time	**130,251**	**–**	**130,251**
Services transferred over time	**10,400**	**32,924**	**43,324**
Total revenue from contracts with customers	**140,651**	**32,924**	**173,575**

5. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax has been arrived at after charging/(crediting):

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	**34,456**	33,471
Less: Amount included in inventory overheads	**(2,108)**	(2,164)
	32,348	31,307
Depreciation of right-of-use assets	**1,099**	–
Amortisation of intangible assets	**458**	459
Amortisation of prepaid land lease payments	**–**	638
Foreign exchange differences, net	**–**	2,757

6. INCOME TAX EXPENSE

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current – Hong Kong		
Charge for the period	**–**	11,929
Current – Elsewhere		
Charge for the period	**18,394**	12,905
Over provision in prior years	**(9,600)**	–
Deferred		
Charge for the period	**382**	–
Tax charge for the period	**9,176**	24,834

7. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2019 (six months ended 31 December 2018: Nil).

8. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share is based on:

	Six months ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings/(Loss)		
Profit/(loss) attributable to owners of the Company, used in the basic earnings/(loss) per share calculation	**(478,229)**	742,439

	Number of shares Six months ended 31 December	
	2019	2018
	'000	*'000*
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings/(loss) per share calculation	**6,990,652**	6,990,652
Effect of dilution – weighted average number of ordinary shares:		
Share options *(Note)*	**–**	19,770
Weighted average number of ordinary shares in issue during the period used in the diluted earnings/(loss) per share calculation	**6,990,652**	7,010,422

Note: The diluted loss per share amount for the period ended 31 December 2019 decreases when taking into account the exercise of share options, the exercise of share option has an anti-dilutive effect on the basic loss per share for the period ended 31 December 2019 and were ignored in the calculation of diluted loss per share for the period ended 31 December 2019. Therefore, diluted loss per share amounts are based on the loss for the period of HK$478,229,000, and the weighted average number of ordinary shares of 6,990,652,000 in issue during the period.

9. TRADE RECEIVABLES, PREPAYMENT, DEPOSITS AND OTHER RECEIVABLES

Included in the balances are trade receivables for wine trading, provision of wine storage services, provision of factoring services, leasing of investment properties, provision of property management services and project management services.

The Group allows a credit period of 120 days for factoring services and 14 to 60 days for wine trading and provision of wine storage services. The Group normally requires its customers to make payment of monthly charges in advance in relation to the leasing of its investment properties, provision of property management services and project management services. An aged analysis of trade receivables, presented based on the invoice date except for factoring service, which is the date of provision of credit, is as follows:

	31 December 2019	30 June 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Less than 121 days	**1,066,177**	3,655,553
121 to 150 days	**10,071**	4,631
151 to 180 days	**4,942**	1,699
181 to 365 days	**79,253**	142,047
Over 1 year	**185,698**	164,685
	1,346,141	3,968,615

10. TRADE PAYABLES

An aged analysis of trade payables, presented based on the invoice date except for factoring service, which is the date the liabilities assumed by the Group, is as follows:

	31 December 2019	30 June 2019
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Less than 121 days	**115,569**	385,899
121 to 150 days	**1,581**	973
151 to 180 day	**–**	–
181 to 365 days	**–**	1,648
Over 1 year	**11**	11
	117,161	388,531

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The financial year ending 30 June 2020 ("**FY2020**") can be a challenging time for all of the Group's business segments, namely the real estate business, wine and related business and factoring. During the six months ended 31 December 2019 ("**the first half of FY2020**" or "**the period under review**"), the Group recorded revenue of approximately HK$347.8 million, which represented an increase of 8.2% from the revenue of approximately HK$321.4 million for the same period in the previous financial year ("**FY2019**"). The increase was mainly due to the increase in revenues generated by the Group's real estate business and the factoring, which was however, offset by significant drop in revenue generated from the wine trading business. Gross profit for the period under review decreased by 5.0% to HK$230.1 million compared with the HK$242.1 million for the same period in FY2019. The decrease in gross profit was mainly attributable to the narrowed gross profit margin at the wine trading business for the period under review. Moreover, the Group recorded a decrease in the fair value of approximately HK$193.5 million from its investment properties, Goldin Financial Global Centre, in the period under review. This is in contrast to a fair value increase of HK$1,298.9 million which was recorded for the same period in FY2019. Besides, the Group also recorded an increase in the finance costs of approximately HK$128.9 million for the first half of FY2020 compared with those for the same period in FY2019. As a result, the Group recorded a loss of approximately HK$478.2 million attributable to the owners of the Company against the profit of approximately HK$742.4 million attributable to the owners of the Company for the first half of FY2019.

Business Review

Real Estate Business

Property Investment

The combination of global economic risks and the ongoing sociopolitical unrest in Hong Kong since June 2019 dampened significantly the leasing demand for grade-A offices in the city. Multinational corporations became cautious about taking out new leases on office spaces for relocation or business expansion. Office decentralization from the traditional central business district (CBD) in Central to the office submarkets for lower rents, particularly those in Kowloon East, slowed down during the period under review as many commercial enterprises adopted a wait-and-see approach. Also, the companies which had previously contemplated setting up offices in Hong Kong decided either to shelve the plan or to choose other cities, say Singapore, as the locations for their offices instead. By the end of 2019, the net effective rent (per sq. ft.) in the traditional prime business areas in Hong Kong declined by a double-digit percentage over that by the end of 2018. In contrast, Kowloon East, as the prominent alternative central business district ("**CBD2**"), recorded an average decrease of 3.6% in the net effective rent (per sq. ft.) for the same period. Net absorption of office spaces (in terms of net floor area in sq. ft.) in Kowloon East was 599,600 sq.ft. which accounted for 77% of the total annual net absorption of office spaces in Kowloon in 2019[#].

[#] *Source: Market statistics of CBRE, Knight Frank and Savills, Q4 2019 and January 2020*

The Group's investment properties, Goldin Financial Global Centre, which is located in the CBD2, Kowloon East, is a premium grade-A office building. It provides approximately 800,000 square feet (sq.ft.) of premium office space and approximately 100,000 sq.ft. of fine dining area. During the first half of FY2020, rental income and other relevant revenue from Goldin Financial Global Centre increased by 32.7% to HK$96.7 million from the HK$72.9 million in the first half of FY2019. The Group also generated new income in the form of project management fees which amounted to HK$15.4 million. However, the general decline in market rents and the weak investor sentiment affected the valuation of the commercial properties in Hong Kong. As a result, the Group recorded a fair value decrease of approximately HK$193.5 million for Goldin Financial Global Centre (the first half of FY2019: a fair value increase of approximately HK$1,298.9 million). The property business segment recorded a loss of HK$97.8 million against a profit of HK$1,337.1 million in the first half of FY2019.

Property Development

Kai Tak Residential Development Project

The Group's Kai Tak Residential Development Project is located at Kai Tak Area 4B Site 4, Kai Tak, Kowloon with a maximum gross floor area of 53,394 sq.m. It is currently under development by its 60%-owned joint venture, Golden Sphere Developments Limited ("**Golden Sphere**"). The formulation of development plan is underway, and the foundation work is expected to commence in the first quarter of 2020. The Kai Tak Residential Development Project is scheduled to be completed on or before 30 September 2024.

Wine and Related Businesses

In 2019, the China's wine market underwent adjustment and consolidation. According to the 中國國際啤酒網 (website of www.beerw.com), the volume and value of the total wine imports in 2019 decreased by 9.2% and 5.5% respectively. The falls had been partly caused by the exit of a number of wine import merchants from China's market in the year. The slowing economic growth, ongoing Sino-United States trade war and the increasing competition from the leading domestic brands decreased the wine imports to the country. The wine trading companies in China continued to sharpen their marketing strategies by means of streamlining the sales channel and improving the inventory turnover.

Amid the prolonged economic uncertainties caused by the Sino-United States trade negotiations, Chinese investors and wine collectors became cautious about investment in premium wines, especially the American wines on which the retaliatory tariff increased to 93% in 2019 due to the trade war between the two countries. Facing these headwinds, the Group recorded a fall in revenue from its wine trading business during the period under review. Revenues from the wine and related businesses (including income in the form of storage fees and income from its restaurant operations) decreased by 21.9% year on year to approximately HK$140.7 million (first half of FY2019: HK$180.2 million). In addition, the Group traded its premium wines at a much lower profit margin in the period under review.

The overall gross profit margin for the wine and related businesses dropped from 75% in the first half of FY2019 to 43% in the first half of FY2020. As a result, the Group recorded a loss of HK$8.5 million for the wine and related businesses for the first half of FY2020 against the profit of HK$67.4 million for the first half of FY2019.

Factoring

The escalating United States-China trade tensions as well as the exchange rate fluctuation significantly increased the credit risk for the small and medium-sized enterprises ("**SMEs**") in China. Traditional banks tightened their credit policy toward the SMEs for better risk management. This forced many small enterprises to turn to other avenues for financing, such as shadow banks. They had to pay a higher borrowing costs in order to obtain the necessary funds for their business. Amid the credit crunch, the Group had also increased the handling fees and interests charge to its factoring clients, thus increased its profit generated from this segment. For the first half of FY2020, revenue from the factoring business increased by 39% to approximately HK$95.0 million compared with the HK$68.4 million for the first half of FY2019. Profit from this business segment increased by 22.5% to approximately HK$80.3 million from the HK$65.6 million for the first half of FY2019.

Financial Review

Liquidity, Financial Resources and Gearing

As at 31 December 2019, the Group's working capital stood at approximately HK$5,216.8 million, representing a decrease of 4.4% over the HK$5,457.8 million figure recorded as at 30 June 2019. Cash and cash equivalents and pledged bank deposits totalled approximately HK$2,549.9 million, down by 39.7% compared with the HK$4,231.0 million on 30 June 2019, which was mainly due to the cash used in the general operating activities, which included general expenses, finance costs and payment for committed transaction of the Group.

As at 31 December 2019, the Group's interest-bearing bank and other borrowings amounted to approximately HK$15,482.7 million (30 June 2019: HK$15,365.2 million). The increase was mainly due to the amortization of upfront fees incurred for the arrangement of bank and other borrowings. In addition, as of 31 December 2019, the Group had an outstanding non-interest-bearing loan from a non-controlling shareholder of approximately HK$2,137.9 million (30 June 2019: HK$2,137.9 million). It represented the funding contribution from the joint venture partner (a company beneficially owned by Mr. Pan Sutong ("**Mr. Pan**")) for financing of acquisition of the Group's properties under development in FY2019.

The Group maintained a borrowing facility of US$500 million (equivalent to HK$3,893.6 million) (30 June 2019: US$500 million (equivalent to HK$3,906.0 million)) from a related company in which Mr. Pan has a beneficial interest. None of the amount of the facilities had been utilized as at 30 June 2019 and 31 December 2019.

As at 31 December 2019, the debt-to-total assets ratio, which is calculated as total bank and other borrowings ("**Total Debts**") divided by total assets of the Group, was maintained at a healthy level of 41.4%, compared with 40.1% as at 30 June 2019. The ratio of net debts (Total Debts net of cash and cash equivalents and pledged bank deposits) divided by total assets was approximately 34.6% (30 June 2019: 29.1%).

Foreign Exchange

As the Group's key operations are in Hong Kong, China, the United States and France, its major assets and liabilities are primarily denominated in Hong Kong dollar, Renminbi, the US dollar and euro. While the Group has yet to formulate a formal policy on foreign currency hedging, it will, as always, continue to monitor its exposure to foreign exchange fluctuations carefully and may introduce appropriate hedging measures should the need arises.

Contingent Liabilities and Pledge of Assets

As at 31 December 2019, there was no significant changes in contingent liabilities and pledge of assets of the Group as compared with those disclosed in the annual report of Group for the year ended 30 June 2019.

Prospect

Real Estate Business

The business environment in Hong Kong has been undermined since mid-2019. Costs control will become a key focus in 2020 for large commercial enterprises due to ongoing and increasing economic risks. According to the data from JLL, the difference between occupancy costs in Central and Kowloon East was as much as 73%#. This rental differential is estimated to remain in 2020 and will serve as an incentive for corporations to relocate to the office submarkets such as those in Kowloon East. Office decentralization will remain a priority in the long-term strategies of the commercial enterprises and large corporations in Hong Kong.

Source: JLL Global Premium Office Rent Tracker, Q4 2019

Kai Tak Station (the Tuen Ma Line Phase 1 of the Shatin-to-Central Link of the Mass Transit Railway) came into service in mid-February 2020. The Group's real estate business will be benefiting from the locality development in the Kai Tak Area together with the huge urban development projects by the Hong Kong Government's "Energizing Kowloon East Initiative" which will transform Kowloon East into a prominent smart district in Hong Kong. We are confident that the CBD2 in Kowloon East will remain promising in terms of investment value and rental income as it is bolstered by the presence of Goldin Financial Global Centre.

ln April 2019, the Company entered into a conditional sale and purchase agreement to acquire the remaining 40% equity interest in Golden Sphere, whose principal asset is the holding of the Kai Tak Residential Development Project (the "**Golden Sphere Acquisition**"). In September 2019, the Company announced the proposed acquisition of Solar Time Developments Limited that owned a land in Kowloon Bay which is currently under re-development for office purpose (the "**Solar Time Acquisition**"). The completion of the Golden Sphere Acquisition and the Solar Time Acquisition are subject to the satisfaction of certain conditions.

Wine and Related Businesses

Cautious sentiment prevailed in the global wine market in 2019 against a backdrop of the falling prices of fine wines[#] and the 11% decline[§] in worldwide wine production. The costly trade war between China and the United States abated as the world's two biggest economies signed trade deals in phase-one of their negotiation in January 2020. However, the outbreak of the fast-spreading novel coronavirus pneumonia in China since late December 2019 may undercut the country's economic growth, causing it to go below 6% for the first quarter of 2020.

Sources:

Vinexpo Newsroom

§ *International Organisation of Vine and Wine – 2019 Wine Production (First Estimations)*

Amid the headwinds in the China wine market, the Group will increase its marketing efforts and explore different sale channels to expand its wine trading business in the rest of the world. Meanwhile, the Group will continue to leverage its solid customer base by developing the wine-trading business and promoting its premium and fine wines in Hong Kong and China, in the hope that the China wine market will recover. We will continue to enhance our wine trading by refining the wine lists with new selected choices. The Group will continue to explore other possibilities for its wine and related businesses, including acquisitions in order to increase its market penetration in Hong Kong and mainland China as well as foreign countries.

Factoring

China's commercial factoring industry has been revamped for better development in the long term. The China Banking and Insurance Regulatory Commission has recently promulgated new directives and imposed new restrictions to better regulate the business activities of the commercial factoring enterprises in the country. Furthermore, the factoring contract in China is going to be enacted as an independent and civil contract in pursuance to the legislative bill of the "中華人民共和國民法典" (Civil Code of the People's Republic of China[*]). All these legislative measures are aimed at facilitating the development and growth of the factoring industry.

* *Chinese transliteration*

Nevertheless, China's commercial factoring industry is expected to remain competitive in the future. The Group will strive to maintain the competitive edge of its factoring business and continue its prudent approach to managing risks and selecting clients.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2019 (2018: Nil).

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

During the six months ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

CODE ON CORPORATE GOVERNANCE PRACTICES

Throughout the six months ended 31 December 2019, the Company has complied with all the code provisions ("**Code Provisions**") of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the deviations with considered reason as explained below.

Paragraph A.4.1 of the Code Provisions stipulated that non-executive directors should be appointed for a specific term, subject to re-election. The independent non-executive Directors are not appointed for a specific term but are subject to retirement by rotation at least once every three years at the Company's annual general meeting in accordance with the provisions of the bye-laws of the Company. The Board believes that such practice would offer stability at the Board level whilst independence is safeguarded by the statutory provisions by way of rotation, retirement and re-election subject to the shareholders' approval. Thus, the Board considers that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the Corporate Governance Code.

Pursuant to paragraph E.1.2 of the Code Provisions, the chairman of the board should attend the annual general meeting. Due to other business engagements, the Chairman of the Board was unable to attend the annual general meeting of the Company held on 21 November 2019. There were other executive Directors and the independent non-executive Directors present at the meeting for the question-and-answer session to ensure effective communication with the shareholders of the Company.

HUMAN RESOURCES

As at 31 December 2019, the Group had about 323 employees (2018: 310). Total staff costs for the six months ended 31 December 2019 were approximately HK$83.5 million (2018: HK$71.4 million). The remuneration policy and package of the Group's employees are structured in accordance to market terms and statutory requirements where appropriate. In addition, the Group also provides other staff benefits such as medical insurance, mandatory provident fund and share options to motivate and reward employees at all levels to achieve the Group's business performance targets.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising Mr. Wong Wai Leung Joseph as chairman as well as Mr. Tang Yiu Wing and Ms. Gao Min as members, has reviewed, together with the participation of the management, the accounting principles and practices adopted by the Group and discussed the financial reporting matters including the review of the unaudited consolidated interim financial statements of the Group for the six months ended 31 December 2019.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 31 December 2019 containing all the applicable information required by the Listing Rules will be despatched to the shareholders and published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.goldinfinancial.com in due course.

By order of the Board
Goldin Financial Holdings Limited
高銀金融(集團)有限公司*
Pan Sutong
Chairman

Hong Kong, 27 February 2020

As at the date of this announcement, the Board comprises Mr. Pan Sutong, JP (Chairman), Mr. Zhou Xiaojun, Mr. Huang Rui and Ms. Hui Wai Man, Shirley as the executive Directors; and Hon. Shek Lai Him Abraham (GBS, JP), Mr. Wong Wai Leung Joseph, Mr. Tang Yiu Wing and Ms. Gao Min as the independent non-executive Directors respectively.

* *for identification purposes only*