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

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

SUMMARY OF RESULTS

The board (the “Board”) of directors (the “Directors”) of Greater China Financial Holdings Limited (the “Company”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	<i>NOTES</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	4	151,005	152,595
Cost of sales		(62,402)	(56,703)
Gross profit		88,603	95,892
Other income, gains and losses	6	63,476	30,923
Administrative and other operating expenses		(141,642)	(115,836)
Finance costs	7	(8,232)	(11,560)
Share based payments		–	(40,313)
Provision for financial guarantees		(84,120)	(1,302)
Impairment loss, net of reversal		(18,384)	(7,523)
Impairment loss on goodwill		(111,257)	(7,143)
Impairment loss on intangible assets		(5,722)	–
Loss before taxation		(217,278)	(56,862)
Income tax credit (expense)	8	10,883	(1,741)
Loss for the year	9	(206,395)	(58,603)

	<i>NOTE</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Other comprehensive expense, net of tax			
<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		(1,961)	(17,108)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of operations outside Hong Kong		(5,797)	(23,220)
Other comprehensive expense for the year		(7,758)	(40,328)
Total comprehensive expense for the year		(214,153)	(98,931)
Loss for the year attributable to:			
Owners of the Company		(206,395)	(58,603)
Non-controlling interests		–	–
		(206,395)	(58,603)
Total comprehensive expense for the year attributable to:			
Owners of the Company		(214,153)	(98,931)
Non-controlling interests		–	–
		(214,153)	(98,931)
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	<i>11</i>		
Basic		(2.98)	(0.85)
Diluted		(2.98)	(0.85)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 HK\$'000	2018 HK\$'000
Non-current assets			
Property, plant and equipment		86,351	99,266
Prepaid lease payments		–	22,302
Right-of-use assets		43,075	–
Goodwill	12	32,722	143,979
Intangible assets		2,277	9,249
Interests in an associate		–	–
Financial assets at fair value through other comprehensive income		6,369	15,872
Financial assets at fair value through profit or loss	13	28,664	37,552
Contingent consideration receivables		–	4,927
Deferred tax assets	14	22,555	11,368
Deposits	17	3,505	3,505
		<u>225,518</u>	<u>348,020</u>
Current assets			
Loans and interest receivables	15	152,449	113,952
Trade and other receivables	16	24,895	59,674
Prepaid lease payments		–	719
Prepayments and deposits	17	81,487	65,485
Financial assets at fair value through profit or loss	13	1,596	40,143
Contingent consideration receivables		39,136	8,759
Tax receivables		517	927
Cash held on behalf of clients		843	1,263
Restricted bank deposits		54,056	2,136
Bank balances and cash		205,530	269,578
		<u>560,509</u>	<u>562,636</u>
Current liabilities			
Trade payables, other payables and accruals	18	133,564	81,659
Contract liabilities		52	96
Lease liabilities		14,536	–
Liabilities from financial guarantees	19	94,594	49,870
Deferred consideration		5,853	20,450
Borrowings		11,186	8,538
Tax payables		100	555
		<u>259,885</u>	<u>161,168</u>
Net current assets		<u>300,624</u>	<u>401,468</u>
Total assets less current liabilities		<u>526,142</u>	<u>749,488</u>

	<i>NOTE</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current liabilities			
Deferred consideration		–	5,175
Lease liabilities		7,289	–
Borrowings		67,116	79,688
		<u>74,405</u>	<u>84,863</u>
Net assets		<u>451,737</u>	<u>664,625</u>
Capital and reserve			
Share capital	<i>20</i>	6,924	6,915
Reserves		444,813	657,710
		<u>451,737</u>	<u>664,625</u>
Equity attributable to owners of the Company		451,737	664,625
Non-controlling interests		–	–
Total equity		<u>451,737</u>	<u>664,625</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the Company's registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda and its principal place of business in Hong Kong is Suites 3001-11, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

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 including loan financing, financial guarantee services, loan referral and consultancy services.

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is also the functional currency of the Company. In addition, the functional currencies of certain group entities that operate outside Hong Kong are determined based on the currency of the primary economic environment in which the group entities operate.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year.

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 year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

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 incremental borrowing rates applied by the Group at 6.37%.

	At 1 January 2019 HK\$'000
Operating lease commitments disclosed as at 31 December 2018	29,037
Lease liabilities discounted at relevant incremental borrowing rates	27,755
Less: Practical expedient – lease with lease term ending within 12 months from the date of initial application	(1,803)
Lease liabilities as at 1 January 2019	25,952
Analysed as	
Current	15,911
Non-current	10,041
	25,952

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	<u>23,021</u>
	<u>48,536</u>
By class:	
Leasehold lands	23,021
Office premises	<u>25,515</u>
	<u>48,536</u>

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	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	–	48,536	48,536
Prepaid lease payments	(a) 22,302	(22,302)	–
Current assets			
Prepaid lease payments	(a) 719	(719)	–
Current liabilities			
Trade payables, other payables and accruals	(b) (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

Notes:

- (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) 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.

New and Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 3	Definition of a Business ²
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 ⁴
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform ⁴

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

² 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.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of these new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

4. REVENUE

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Sales of goods	66,002	60,043
Warehouse storage income	13,444	13,342
Income from loan financing business		
– Loan referral and consultancy services fee	32,370	56,731
– Interest income from loans receivables	2,320	5,529
– Guarantee fee income from financial guarantees	27,730	7,762
Income from securities brokerage business		
– Interest income from margin financing	271	332
– Commission income from securities dealing	125	378
– Commission income from underwriting	9	–
Commission income from insurance brokerage	8,596	8,007
Commission income from asset management	138	471
	<u>151,005</u>	<u>152,595</u>

5. SEGMENT INFORMATION

The Group's operations are organised into securities brokerage, asset management, insurance brokerage, loan financing, industrial property development business 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 a warehouse in the People's Republic of China (the "PRC").
- General trading segment includes 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 engages in the provision of asset management services in Hong Kong.
- Insurance brokerage segment represents the provision of insurance brokerage and agency services in Hong Kong.

Segment revenues and results

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

For the year ended 31 December 2019

	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	-	66,002	32,370	134	138	8,596	107,240
Recognised over time	13,444	-	27,730	-	-	-	41,174
Recognised from other source	-	-	2,320	271	-	-	2,591
	<u>13,444</u>	<u>66,002</u>	<u>62,420</u>	<u>405</u>	<u>138</u>	<u>8,596</u>	<u>151,005</u>
SEGMENT RESULTS	<u>(5,949)</u>	<u>2,872</u>	<u>(82,800)</u>	<u>(2,470)</u>	<u>(2,983)</u>	<u>267</u>	<u>(91,063)</u>
Unallocated corporate income							193
Unallocated corporate expenses							(48,135)
Unallocated finance costs							(2,594)
Fair value change on contingent consideration receivables							34,602
Fair value change on financial assets at fair value through profit or loss							986
Impairment loss on amounts due from associates							(10)
Impairment loss on goodwill							<u>(111,257)</u>
Loss before tax							(217,278)
Income tax credit							<u>10,883</u>
Loss for the year							<u><u>(206,395)</u></u>

For the year ended 31 December 2018

	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	–	60,043	56,731	378	471	8,007	125,630
Recognised over time	13,342	–	7,762	–	–	–	21,104
Recognised from other source	–	–	5,529	332	–	–	5,861
	<u>13,342</u>	<u>60,043</u>	<u>70,022</u>	<u>710</u>	<u>471</u>	<u>8,007</u>	<u>152,595</u>
SEGMENT RESULTS							
	<u>(6,925)</u>	<u>4,255</u>	<u>54,605</u>	<u>(2,287)</u>	<u>(5,405)</u>	<u>(435)</u>	43,808
Unallocated corporate income							187
Unallocated corporate expenses							(47,660)
Unallocated finance costs							(4,628)
Fair value change on contingent consideration receivables							3,807
Fair value change on financial assets at fair value through profit or loss							(4,858)
Impairment loss on amounts due from associates							(9)
Impairment loss on goodwill							(7,143)
Share-based payments							(40,313)
Loss on written off of property, plant and equipment							(8)
Other receivables written off							(590)
Other payables written back							545
							<u>(56,862)</u>
Loss before tax							(56,862)
Income tax expense							<u>(1,741)</u>
							<u>(58,603)</u>
Loss for the year							<u>(58,603)</u>

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

Segment assets and liabilities

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

At 31 December 2019

	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	109,082	37,302	491,156	11,864	2,648	2,835	654,887
Unallocated bank balances and cash							4,521
Unallocated property, plant and equipment							2,544
Unallocated other receivables, prepayments and deposits							4,612
Unallocated right-of-use asset							15,257
Unallocated goodwill							32,722
Unallocated financial assets at fair value through other comprehensive income							3,684
Unallocated financial assets at fair value through profit or loss							28,664
Unallocated contingent consideration receivable							39,136
Consolidated total assets							<u>786,027</u>
LIABILITIES							
Segment liabilities	80,389	243	230,208	861	–	227	311,928
Unallocated other payables							506
Unallocated deferred consideration							5,853
Unallocated lease liabilities							16,003
Consolidated total liabilities							<u>334,290</u>

At 31 December 2018

	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 receivable							<u>13,686</u>
Consolidated total assets							<u><u>910,656</u></u>
LIABILITIES							
Segment liabilities	90,419	22	124,501	1,418	40	443	216,843
Unallocated other payables							3,563
Unallocated deferred consideration							<u>25,625</u>
Consolidated total liabilities							<u><u>246,031</u></u>

6. OTHER INCOME, GAINS AND LOSSES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Fair value change on:		
Contingent consideration receivables	34,602	3,807
Financial assets at fair value through profit or loss	682	1,389
Interest income from:		
Bank deposits	413	1,486
Entrusted loan	719	850
Other loans	14,561	14,885
Investment income from:		
Financial asset at fair value through profit or loss	166	376
Nation Debt reserve Repurchase products	155	1,465
Net foreign exchange loss	(27)	(22)
Other receivables written off	–	(1,888)
Other payables written back	–	1,486
Service fee income	2,263	2,192
Management service income	7,381	3,857
Bad debt recovered	1,882	–
Impairment loss on amounts due from associate	(10)	(9)
Sundry income	689	1,049
	<u>63,476</u>	<u>30,923</u>

7. FINANCE COSTS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Effective interest on convertible notes	–	296
Imputed interest on deferred consideration	1,228	4,332
Imputed interest on lease liabilities	1,405	–
Interest on bank loans	5,599	6,072
Interest on other loans	–	860
	<u>8,232</u>	<u>11,560</u>

8. INCOME TAX (CREDIT) EXPENSE

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax:		
PRC Enterprise Income Tax	425	858
Under provision in prior years:		
PRC Enterprise Income Tax	76	193
Deferred tax (<i>Note 14</i>):		
Current year	<u>(11,384)</u>	<u>690</u>
	<u><u>(10,883)</u></u>	<u><u>1,741</u></u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No.7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profit of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profit Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profit Tax has been made as the Group’s subsidiaries in Hong Kong have no estimated assessable profits for the year ended 31 December 2019 and 2018.

PRC Enterprise Income Tax (“EIT”) is calculated at the applicable rates based on estimated taxable income earned by subsidiaries of the Group in the PRC 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 years.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Enterprise Income Tax Policies for Xinjiang Uygur Autonomous Region and Xinjiang Kashgar Autonomous Region (《財政部、國家稅務總局關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知》) promulgated by the State Council on 29 November 2011, if a corporate enterprise is newly established within calendar years 2010 to 2020 in two specific regions with business fallen within the scope of the Catalogue of Preferred Enterprise Income Tax for Key Encouraged Industries in Poor Areas of Xinjiang (《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄》), the corporate enterprise can enjoy a preferential tax treatment (that is, 5-year exemption) from the first year when the entity begins to generate revenue. Two subsidiaries incorporated in Khorgos are exempted from income tax upon the approval by the State Taxation Bureau of the Xinjiang Uygur Autonomous Region in 2017 and 2018.

9. LOSS FOR THE YEAR

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Amortisation of prepaid lease payments	–	750
Amortisation of intangible assets	1,113	1,165
Auditor's remuneration		
– audit services	1,300	1,100
– other services	1,140	800
Cost of inventories recognised as expenses	62,399	56,702
Depreciation of right-of-use assets	12,971	–
Depreciation of property, plant and equipment	11,494	11,358
Total minimum lease payments for leases previously classified as operating lease under HKAS 17 (<i>Note</i>)	–	15,096
Lease payments for short-term lease not included in the measurement of lease liabilities (<i>Note</i>)	2,314	–
Staff costs including directors' emoluments	48,025	50,626
Share-based payments	–	40,313
	<u> </u>	<u> </u>

Note:

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. After initial recognition of right-of-use assets at 1 January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2.

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2019, nor has any dividend been proposed since the end of the reporting period (2018: HK\$Nil).

11. 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:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic loss per share	(206,395)	(58,603)
Effect of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax)	–	–
	<u> </u>	<u> </u>
Loss for the purpose of diluted loss per share	<u>(206,395)</u>	<u>(58,603)</u>

	2019 '000	2018 '000
Number of shares		
Weighted average number of ordinary shares	<u>6,923,930</u>	<u>6,894,750</u>

The calculation of basic loss per share is based on the loss attributable to owners of the Company, and the weighted average number of shares of approximately 6,923,930,000 ordinary shares (2018: 6,894,750,000) in issue.

Diluted loss per share for the year ended 31 December 2019 did not assume the exercise of the outstanding share options since this would result in a decrease in loss per share. Accordingly, the diluted loss per share is the same as the basic loss per share.

Diluted loss per share for the year ended 31 December 2018 did not assume the exercise of the outstanding share options since this would result in a decrease in loss per share. No adjustment was made in calculating the diluted loss per share for the year ended 31 December 2018 for the conversion of the outstanding convertible notes as it would result in a decrease in loss per share. Accordingly, the diluted loss per share is the same as the basic loss per share.

12. GOODWILL

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Cost		
Balance at beginning and end of the year	<u>165,772</u>	<u>165,772</u>
Accumulated impairment losses		
Balance at beginning of the year	21,793	14,650
Impairment loss recognised for the year	<u>111,257</u>	<u>7,143</u>
Balance at end of the year	<u>133,050</u>	<u>21,793</u>
Carrying amount		
Balance at end of the year	<u>32,722</u>	<u>143,979</u>

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Unlisted investments funds	<u>30,260</u>	<u>77,695</u>
Analysed for reporting purposes as:		
Current assets	1,596	40,143
Non-current assets	<u>28,664</u>	<u>37,552</u>
	<u>30,260</u>	<u>77,695</u>

As at 31 December 2019, the balance of HK\$28,664,000 (2018: HK\$37,552,000) represents the unlisted investment fund established in the Cayman Islands which primary objectives are to provide absolute returns through pursuing different strategies, investing primarily in equity and equity related instruments of companies listed in Hong Kong and the PRC. The fair value of the unlisted investment fund was made with reference to the prices quoted by the fund administrator based on the quoted market price of the underlying listed investments which reflect the net assets value of the fund. During the year, the Group redeemed partial of the fund and received the principal of HK\$10,000,000.

As at 31 December 2019, the balance of HK\$1,596,000 (2018: HK\$40,143,000) represents the Group's interest in the unlisted investment fund established in PRC. The fair value of the unlisted investment fund was determined by an independent valuer, using a discounted cash flow method. The assets of the fund primarily represent an investment in 20% equity interest in the registered capital of an unlisted company incorporated in the PRC which is engaged in property development projects. In January 2018, the privately-offered fund offered to subscribers in PRC was established. During the year, the Group redeemed partial of the fund and received the principal and interest of RMB33,600,000 (approximately HK\$38,133,000).

During the year ended 31 December 2019, an unrealised gain of HK\$682,000 (2018: HK\$1,389,000) arising from fair value changes in unlisted investment funds was recognised in profit or loss.

14. DEFERRED TAX ASSETS

	Provision for financial guarantee <i>HK\$'000</i>
At 1 January 2018	12,689
Credited to profit or loss for the year	(690)
Exchange realignment	<u>(631)</u>
At 31 December 2018 and 1 January 2019	11,368
Charged to profit or loss for the year	11,384
Exchange realignment	<u>(197)</u>
At 31 December 2019	<u>22,555</u>

15. LOANS AND INTEREST RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Entrusted loans	336	10,245
Mortgage loans	1,700	9,500
Factoring loan receivables with recourse	–	41,512
Other loans (<i>Note</i>)	169,695	57,968
	171,731	119,225
Less: Impairment loss	(19,282)	(5,273)
	152,449	113,952

Note: Other loans are loans denominated in RMB made to independent third parties and, amounting to approximately HK\$136,943,000 (2018: HK\$32,770,000), are secured, bearing interest ranging from 5% to 6% (2018: 6% to 18%) per annum. Other loans amounting approximately HK\$32,752,000 (2018: HK\$25,198,000) are loans denominated in RMB made to independent third parties and, are unsecured, bearing interest at rates ranging from 6% to 9% (2018: 6% to 15%) per annum.

Before granting a loan, the Group uses an internal credit assessment process to assess the potential borrower's credit quality and defines its credit limits to be granted to the borrowers. The credit limits attributed to each borrower are reviewed by the management regularly.

The Group has a policy for assessing the impairment on the loan receivables on an individual basis. The assessment also includes evaluation of collectability and on management's judgment, including the current creditworthiness, collateral and past collection history of each borrower.

In determining the recoverability of the loan receivables, the Group considers any change in the credit quality of the loan receivables from the date of credit was initially granted up to the reporting date. This includes assessing the credit history of the borrowers, such as financial difficulties or default in payments, current market conditions and the fair values of the pledged collateral or guarantees received.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Neither past due nor individually impaired	150,722	103,390
Less than 1 month past due	1,727	9,761
1 to 3 months past due	–	–
3 to 6 months past due	–	801
6 months to less than 1 year past due	–	–
	152,449	113,952

Loans receivables that were neither past due nor individually impaired relate to a number of diversified borrowers for whom there was no recent history of default.

In respect of the loans which have been past due for less than one month, the amounts mainly represent occasional delay in repayment and are not indication of significant deterioration of credit quality of these loans.

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Balance at beginning of the year	5,273	62,420
Amounts recognised during the year	17,523	5,273
Reversal during the year	(3,423)	–
Amount written off during the year as uncollectible	–	(62,420)
Exchange realignment	(91)	–
	<u>19,282</u>	<u>5,273</u>
Balance at end of the year	<u>19,282</u>	<u>5,273</u>

The amount written off in 2018 as uncollectible represents a borrower in loan financing business in Hong Kong who was wound up, the loans and interest receivables were not expected to be recoverable. In 2019, subsequent recovery of HK\$1,882,000 was recognised in the profit or loss.

16. TRADE AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables from:		
Business of dealing in securities: <i>(Note a)</i>		
– Cash clients	7	11
– Margin clients	1,246	5,519
– Clearing houses and brokers	–	125
Loan referral and consultancy services <i>(Note b)</i>	24,122	33,810
Financial guarantee services <i>(Note c)</i>	3,049	1,376
Insurance brokerage business <i>(Note d)</i>	35	131
Asset management business <i>(Note e)</i>	75	103
	<u>28,534</u>	41,075
Less: Impairment loss	(6,213)	(2,007)
	<u>22,321</u>	39,068
Other receivables	2,704	20,751
Less: Impairment loss	(130)	(145)
	<u>2,574</u>	20,606
Total trade and other receivables	<u>24,895</u>	<u>59,674</u>

Notes:

- (a) For trade receivables from cash clients, it 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\$1,243,000 as at 31 December 2019 (2018: HK\$5,508,000) are secured by clients' securities with a total fair value of HK\$21,383,000 (2018: HK\$39,827,000). Management has assessed the market value of the pledged securities of each individual customer who has a margin shortfall as at the year end.

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

- (b) The normal settlement terms of trade receivables from loan referral and consultancy services are within 30 days upon the contractual obligation being performed.
- (c) The normal settlement terms of trade receivables from financial guarantee services are mainly within 60 to 90 days upon the contractual obligation being performed.
- (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 the execution of the insurance policies and/or receipt of statements from product issuers.
- (e) Credit terms granted to customers of asset management business are within 30 days or as mutually agreed between the 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 date, is as follows:

	2019 HK\$'000	2018 <i>HK\$'000</i>
0 – 30 days	6,570	14,238
31 – 60 days	1,146	5,481
61 – 90 days	1,195	6,017
Over 90 days	12,167	7,824
	<hr/> 21,078 <hr/>	<hr/> 33,560 <hr/>

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Neither past due nor impaired	6,860	14,700
Less than 1 month past due	1,048	5,395
1 to 3 months past due	8,472	7,353
3 to 6 months past due	4,441	5,980
6 months to less than 1 year past due	257	132
	<u>21,078</u>	<u>33,560</u>

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

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Balance at beginning of the year	2,007	405
Amounts recognised during the year	6,144	2,007
Reversal during the year	(1,903)	–
Amounts written off during the year as uncollectible	–	(384)
Exchange realignment	(35)	(21)
	<u>6,213</u>	<u>2,007</u>

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Balance at beginning of the year	145	4,099
Amounts recognised during the year	1	14
Reversal during the year	(13)	–
Amounts written off during the year as uncollectible	–	(3,756)
Exchange realignment	(3)	(212)
	<u>130</u>	<u>145</u>

17. PREPAYMENTS AND DEPOSITS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Prepayments	2,422	2,349
Rental and utilities deposits	4,543	4,143
Statutory deposits	255	255
Other deposits (<i>Note</i>)	<u>78,052</u>	<u>62,472</u>
	85,272	69,219
Less: Impairment loss	<u>(280)</u>	<u>(229)</u>
Total prepayments and deposits	<u><u>84,992</u></u>	<u><u>68,990</u></u>
Analysed for reporting purposes as:		
Current assets	81,487	65,485
Non-current assets	<u>3,505</u>	<u>3,505</u>
	<u><u>84,992</u></u>	<u><u>68,990</u></u>

Note:

As at 31 December 2019, other deposits mainly consist of deposits paid to co-operators in relation to the Group's guarantee and trading business, amounted to HK\$77,975,000 (2018: HK\$62,366,000).

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Balance at beginning of the year	229	–
Amounts recognised during the year	272	229
Reversal during the year	(217)	–
Exchange realignment	<u>(4)</u>	<u>–</u>
Balance at end of the year	<u><u>280</u></u>	<u><u>229</u></u>

18. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables from:		
Business of dealing in securities: <i>(Note a)</i>		
– Cash clients	386	712
– Margin clients	421	654
– Clearing house	47	–
Insurance brokerage business <i>(Note b)</i>	221	436
	<hr/>	<hr/>
Total trade payables	1,075	1,802
	<hr/>	<hr/>
Accrued expenses	2,915	3,767
Deposits received <i>(Note c)</i>	110,348	58,741
Other payables	19,226	17,349
	<hr/>	<hr/>
Total other payables and accruals	132,489	79,857
	<hr/>	<hr/>
Total trade payables, other payables and accruals	133,564	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 separate bank balances received and held for clients in the course of the conduct of the Group's regulated activities. However, the Group does not currently 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 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 the Group's business.

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

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
0 – 30 days	86	285
31 – 60 days	48	120
61 – 90 days	22	17
Over 90 days	65	14
	<hr/>	<hr/>
	221	436
	<hr/> <hr/>	<hr/> <hr/>

- (c) Included in deposits received was an amount of HK\$98,426,000 (2018: HK\$36,540,000) which was received from customers as collateral security for the financial guarantees issued by the Group. These deposits will be refunded to the customers upon expiry of the corresponding guarantee contracts. According to the contracts, these deposits are expected to be settled within one year.

19. LIABILITIES FROM FINANCIAL GUARANTEES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Deferred income	58	714
Provision for guarantee losses	94,536	49,156
	<u>94,594</u>	<u>49,870</u>

20. SHARE CAPITAL

	Number of shares <i>'000</i>	Nominal amount <i>HK\$'000</i>
Authorised:		
Ordinary shares of HK\$0.001 each At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	<u>2,109,890,000</u>	<u>2,109,890</u>
Preference shares of HK\$0.001 each At 1 January 2018, 31 December 2018, 1 January 2019 and 31 December 2019	<u>110,000</u>	<u>110</u>
Issued and fully paid:		
Ordinary shares of HK\$0.001 each At 1 January 2018	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
	<u>6,915,077</u>	<u>6,915</u>
At 31 December 2018 and 1 January 2019 Exercise of share options (<i>Note c</i>)	9,000	9
	<u>6,924,077</u>	<u>6,924</u>

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 shares of HK\$0.001 each were allotted on 7 January 2019.

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

21. PLEDGE OF ASSETS

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

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Property, plant and equipment	82,650	92,416
Prepaid lease payments	–	23,021
Right-of-use assets – leasehold lands	21,914	–
	<u>104,564</u>	<u>115,437</u>

22. GUARANTEES ISSUED

At 31 December 2019, the total maximum amount of financial guarantees issued was RMB875,709,000 (approximately HK\$979,568,000)(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.

23. CONTINGENT ASSETS AND LIABILITIES

The Group had no significant contingent assets or liabilities as at 31 December 2019 and 2018 other than those described in Note 22.

24. EVENTS AFTER THE REPORTING PERIOD

(i) Major acquisition

On 16 November 2019, a wholly-owned subsidiary of the Company (“Purchaser”) entered into the acquisition agreement in relation to the acquisition of Xin Yunlian Investment Limited (“Target Company”) and its subsidiaries (“Target Group”) under which the vendor conditionally agreed to sell and the Purchaser conditionally agreed to acquire the entire issued share capital of Target Company and the sale loan, being all such sum of money due and owing by the Target Company to the vendor as at completion date, all free and clear of any encumbrances, at the consideration, which will be settled by the Company by way of issuing of the convertible notes. The Target Group is principally engaged in financial service, advertising business and e-commerce business in respect of non-cigarette products. The Company, the Purchaser and the consultant also conditionally entered into the consultancy agreement, pursuant to which 100,000,000 Shares will be issued under general mandate to settle the consultancy fee in relation to the consultancy services provided by the consultant to the Group in relation to the acquisition. Please refer to the announcement for the details of the acquisition agreement and the consultancy agreement dated 16 November 2019.

As at the date of issuance of these consolidated financial statements, the acquisition has not yet completed.

(ii) Impact of Novel Coronavirus Outbreak to the Group

Since January 2020, the outbreak of Novel Coronavirus (“COVID-19”) has impact on the global business environment. Up to the date of these financial results, COVID-19 has not resulted in material impact to the Group. Pending on the development and spread of COVID-19 subsequent to the date of these financial results, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these financial results. The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

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 year ended 31 December 2019 (“FY2019”) are stated in the table below:

	For the year ended	
	31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from:		
Industrial property development	13,444	13,342
General trading	66,002	60,043
Securities brokerage	405	710
Insurance brokerage	8,596	8,007
Asset management	138	471
Loan financing	62,420	70,022
	<u>151,005</u>	<u>152,595</u>
Segment (loss) profit from:		
Industrial property development	(5,949)	(6,925)
General trading	2,872	4,255
Securities brokerage	(2,470)	(2,287)
Insurance brokerage	267	(435)
Asset management	(2,983)	(5,405)
Loan financing	(82,800)	54,605
	<u>(91,063)</u>	<u>43,808</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 ("PRC"). It is divided into 6 units and the total areas is approximately 48,600 square meters. Revenue from the warehouse operation recorded an increase of HK\$102,000 to HK\$13,444,000 for FY2019 (for the year ended 31 December 2018 ("FY2018"): HK\$13,342,000) and a segment loss of HK\$5,949,000 has resulted (FY2018: segment loss of HK\$6,925,000). The average occupancy rate for FY2019 was over 84% and primarily used as storage of raw materials and textile products. Although the Sino-US trade war in 2019 has brought negative effect on the general trading and exporting business in China, 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. As the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") in the PRC, our warehouse operation has been reduced as instructed by the local government after the Chinese New Year holiday. Due to rigorous quarantined policy, the process of renewal of the warehouse rental was suspended. Nonetheless, when COVID-19 in the PRC is under control, the management will continue to identify new customers as tenant of our 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 FY2019 amounted to HK\$66,002,000 (FY2018: HK\$60,043,000), resulting in segment profit of HK\$2,872,000 (FY2018: segment profit of HK\$4,255,000).

The revenue increased but the segment profit decreased because of the impairment loss on other deposits and the decrease in other investment income in trading segment in 2019. The domestic demand for Chinese liquors was further discouraged by the outbreak of COVID-19 in the PRC before the Chinese New Year in February 2020. We anticipated that the market demand for Chinese liquors will recover when COVID-19 is under control. Meanwhile, we continue to negotiate with our supplier to secure a stable supply in the future. The Group will continue the Chinese 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 FY2019 was HK\$405,000 (FY2018: HK\$710,000) and resulted in segment loss of HK\$2,470,000 (FY2018: segment loss of HK\$2,287,000). Investor confidence is affected by uncertainties in the market including the Sino-US trade war as well as continuous depreciation of Renminbi ("RMB") against United States Dollar ("USD") in 2019. Our operation faces keen competition with low profit margin on regular securities trading business. In order to tackle with the challenges, we confirmed to implement cost saving measures to reduce the cost of operation. At the same time, we are looking into new products including but not limited to IPO placement and underwriting, custodian services for stock loan, odd lot trading, fixed income and structured products trading in order to broaden our products mix.

Insurance Brokerage

During the year, we continue to provide 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 FY2019 was HK\$8,596,000 (FY2018: HK\$8,007,000) and resulted a segment profit of HK\$267,000 (FY2018: segment loss of HK\$435,000) as a result of our stringent measures on costs control improved the profit margin. However, 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 798 as at 31 March 2019 to 824 as at 31 December 2019. Looking forward, the whole world will be pre-occupied with COVID-19 and its impact on the already very fragile global economy in the first half of 2020. The travel restriction to contain the scale of COVID-19 has significantly decrease new customers coming from the PRC to Hong Kong to purchase insurance policies. Despite the challenges ahead, 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 in order to stay competitive in the market until COVID-19 is under control.

Asset Management

Our asset management segment manages a hedge fund established in the Cayman Islands, “Spruce Light Absolute Return Fund” (the “Fund”). The Fund is investing primarily in equity and equity related instruments of companies listed in Hong Kong and the PRC and its net value of assets under management as at 31 December 2019 was approximately US\$5.5 million. Revenue from the segment for FY2019 was HK\$138,000 (FY2018: HK\$471,000) and resulted in segment loss of HK\$2,983,000 (FY2018: segment loss of HK\$5,405,000). Due to some redemption made by certain fund investors during the year, the size of the Fund decreased by approximately 43% in 2019. Therefore, the management fee income for the asset management decreased significantly.

In 2019, the overall macro-economy of the PRC has been gradually picking up as a result of the reduction in government service charge, corporate tax and the interest rate, although the continuous depreciation of RMB against USD. Despite there is still uncertainty on future development in Sino-US trade war, the tensions is expected to ease after the phase-one trade deal was signed by the PRC and the US. The PRC has achieved an economic growth rate of 6.1% in 2019, and its economic structure has continued to improve. In term of the securities market in the PRC, as the major onshore and offshore PRC stock indexes rose, the general performance of the fund under management of asset management team recorded positive returns.

Amid the great uncertainty in the global economy in 2020, development landscape restructuring may arise in various economies due to the challenges faced by their public health system during COVID-19. Opportunities and risks coexist in the PRC. On one hand, the domestic economy in the PRC is expected to improve attributable to its huge domestic demand, favourable government policies and relatively lower reliance on other countries. As such, in the long run, companies in the PRC with excellent management and competitive landscape could still achieve outstanding performance growth. On the other hand, the companies, which fail to keep up with the market development, will be less competitive and unable to tackle with the continuing challenges. The asset management business segment of the Company will continue to explore opportunities and innovated investment strategies for the stable growth in both 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 from the segment for FY2019 was HK\$62,420,000 (FY2018: HK\$70,022,000) and resulted in segment loss of HK\$82,800,000 (FY2018: segment profit of HK\$54,605,000). The decrease in segment revenue was mainly due to less loan referral and financial consultancy business in the PRC and partially offset by more financial guarantee business. The segment loss was mainly due to the increase in the provision against the outstanding guarantee issued and impairment loss on loans and interest receivable.

As at 31 December 2019, the Group balance of the loans and interest receivables was approximately HK\$152,449,000 (FY2018: HK\$113,952,000), interest rate of the loans ranged from 5% to 20.4% (FY2018: 6% to 30%) per annum and the total guarantee issued by our financing guarantee operation was RMB875,709,000 (approximately HK\$979,568,000) (2018: RMB492,300,000 (approximately HK\$560,434,000)).

Loan Financing Business in Hong Kong

During the year, 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 is mainly on the provision of mortgage loan. 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. We 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.

Loan Financing Business in the PRC

In order to achieve the target of “supporting small and micro enterprises (“SMEs”) and agriculture-related entities”, the State Council published the Guideline Opinions Concerning Effective Implementation of Government-backed Financing Guarantee Funds to Support the Development of SMEs and “Agriculture, Rural Areas and Farmers” (《關於有效發揮政府性融資擔保基金作用切實支持小微企業和“三農”發展的指導意見》) in 2019, which set out the business scope and size of government-backed financing guarantee and re-guarantee companies and instructed them to focus on the principal financing guarantee operations that facilitate the development of SMEs and agriculture-related entities. In October 2019, Supplementary Regulations on Supervision and Administration of Financing Guarantee Companies (《融資擔保公司監督管理補充規定》) (the “Supplementary Regulations”) were jointly issued by the members of the Inter-ministerial Joint Council for Regulation of Financing Guarantee Business (融資性擔保業務監管部際聯席會議). In line with existing laws and regulations, the Supplementary Regulations stipulate that the principle regulatory obligations shall be performed by the Supervision and Administration Departments of financing guarantee companies, and the regulatory scope will be extended to cover institutes such as housing purchase guarantee companies and credit promotion companies which have not obtained the business license of financing guarantee business but actually engage in financing guarantee business. By imposing supervision on credit promotion companies, the issuance of Supplementary Regulations will enable to further regulate the financing guarantee operations and facilitate the steady development of financing guarantee industry.

Looking forward in 2020, our financing guarantee services and financing consultancy business in PRC will focus on small to micro enterprise financing and personal consumer loan services. We will develop our business and deepen our relationship with clients by providing tailored financial products. We will take various measures to further optimize the organizational structure, improve our market knowledge and risk control, that to improve customer satisfaction to support the implementation of new projects and ensure compliance and stable operations.

Non-fulfillment of profit guarantee of Sino Wealth Group

Pursuant to the agreements in relation to the acquisition of Sino Wealth Investment Co., Limited (“Sino Wealth”, together with its subsidiaries, the “Sino Wealth Group”), New Wealth Investment Co., Limited (“Sino Wealth Vendor”) had guaranteed that the audited net profit after tax of 北京安家世行融資擔保有限公司 for FY2019 would be not less than RMB30 million. If the Sino Wealth Group recorded an actual loss for FY2019, the amount of actual profit for the calculation of compensation for the non-fulfilment of profit guarantee shall be deemed as zero.

Due to the adverse situation in the financial sector in the PRC, which has tightened the funding source, the operation of the provision of financing guarantee and the consultancy services of Sino Wealth Group had encountered severe challenges, particularly in sourcing funds and generating revenue. In addition, the Sino Wealth Group recognized a provision for financial guarantee of approximately HK\$84,120,000 for FY2019. As a result, Sino Wealth Group failed to meet the said profit guarantees.

After deducting the third installment of the consideration in the sum of HK\$6 million to be paid by the Group to Sino Wealth Vendor, a cash compensation in the sum of approximately HK\$33.9 million (being 1.2 times of the profit guarantee of RMB30 million) payable by Sino Wealth Vendor to the Company.

The Group has entered into negotiation with the Sino Wealth Vendor in respect of the compensation in light of the non-fulfilment of the profit guarantee. The Group will make further announcements in accordance with the Listing Rules.

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, our 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. Hence, the Arbitration has been suspended since 21 February 2017.

In respect of the case against Shanghai Kuailu, our PRC legal advisers understood from SAC that SAC received a court decision in respect of the criminal case against Shanghai Kuailu, its chairman and the certain parties, pursuant to which they are convicted of fraud, in late 2019. Subsequently, SAC provided our PRC legal advisers copies of the court decisions. As at the date of this announcement, SAC has yet to provide to our PRC legal advisers any direction on the resumption of the Arbitration. In respect of the case against Xinsheng and Zhongyuan, our PRC legal advisers has not received any oral or written updates from SAC on the Arbitration nor the criminal investigation. The PRC legal advisers will closely monitor the latest development of the cases and further announcement will be made if there is any updates on the Arbitration.

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 proceeding against a P2P platform in Beijing, the PRC in respect of the guarantee deposit paid to and withheld by the P2P platform in the course of our financial guarantee business. In 2019, our PRC subsidiary appealed against the first instance decision in favour of the P2P platform that the P2P platform has a right to withhold the guarantee deposit paid by our PRC subsidiary for securing the loan advanced to the clients. In December 2019, the appeal court dismissed the appeal of our PRC subsidiary. The financial impacts of the case has been fully reflected in the financial year ended 31 December 2019 and is not expected to create any adverse impact on the Group as whole.

FINANCIAL REVIEW

Administrative and Other Operating Expenses

Other operating expenses mainly consist of operating expenses of industrial property development, general trading, loan financing, securities brokerage and insurance brokerage. Administrative expenses include 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\$141,642,000 during FY2019, which is increased by HK\$25,806,000 as compared to HK\$115,836,000 during FY2018. The increase mainly resulted from the increase in legal and professional expenses in relation to the Company's major transaction during FY2019 and overall expenses due to the growth in financial guarantee operation 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\$11,560,000 during FY2018 to approximately HK\$8,232,000 during FY2019. The decrease in the finance costs was caused by repayment of bank and other loans during the year 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 externally generated cash flow and external financing. As at 31 December 2019, the shareholders' fund and net current assets of the Group amounted to approximately HK\$451,737,000 (2018: HK\$664,625,000) and HK\$300,624,000 (2018: HK\$401,468,000) respectively. On the same date, the Group's bank balances and cash amounted to HK\$205,530,000 (2018: HK\$269,578,000) which were principally denominated in Hong Kong dollars and Renminbi and the current ratio was 2.16 (2018: 3.49). The main reasons for the decrease in bank balances were the settlement of consideration payable and increase in loans receivable during FY2019.

As at 31 December 2019, the Group's total borrowings were denominated in RMB at the fixed rate of 6.37% amounted to approximately HK\$78,302,000 (2018: HK\$88,226,000) of which approximately HK\$11,186,000 is repayable within 1 year, approximately HK\$11,186,000 is repayable between 1 to 2 years, approximately HK\$44,744,000 is repayable between 2 to 5 years and approximately HK\$11,186,000 is repayable over 5 years. The gearing ratio, measured on the basis of total borrowings over net assets, was 17.3% as at 31 December 2019 (2018: 13.3%). The decrease in borrowings because we made RMB7,500,000 repayment during FY2019.

There was no capital commitment in respect of the acquisition and construction of property, plant and equipment as at 31 December 2019 (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.

Impairment Loss on Goodwill

The impairment loss on goodwill of approximately HK\$111,257,000 (the “Impairment”) recorded for FY2019 in respect of the three cash generating units (“CGU”), namely the financing referral CGU, the financial guarantee CGU and the assets management CGU of the Group, which provides financial consultancy and loan referral services and asset management operation (the “Impaired Operations”). The Impaired Operations in PRC and Hong Kong were acquired by the Group in 2016 and 2017 with the objective to expand into the PRC’s financial services sector and asset management operation in Hong Kong. However, due to the Sino-US trade war in 2019 which lead to the business slowdown in PRC and Hong Kong, the Impaired Operations were unable to achieve the growth rate forecast for the year. Therefore, the valuation conducted by our external independent valuer has adjusted and resulted in the impairment loss on the goodwill for those Impaired Operations.

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\$6,369,000 and HK\$30,260,000 respectively as at 31 December 2019 (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) unlisted investment fund, which primarily represent an investment in 20% equity interest in the registered capital of an unlisted company incorporated in the PRC which is engaged in property development project in the PRC.

Important Events After the End of the Year

Saved as disclosed in note 24 to the consolidated financial statements in this announcement, there are no important events affecting the Group after the end of FY2019.

Contingent Liabilities

There are no significant contingent liabilities noted as at 31 December 2019 except for the guarantees issued in note 22 of the consolidated financial statements.

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, Jiangsu Province, the PRC with the following carrying amounts have been pledged to secure general banking facilities granted to the Group:

	For the year ended 31 December	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	82,650	92,416
Prepaid lease payments	–	23,021
Right-of-use assets – leasehold lands	21,914	–
	<hr/>	<hr/>
	104,564	115,437
	<hr/>	<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 31 December 2019, the Group has 174 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.

DIVIDEND

The Board does not recommend the payment of a final dividend for FY2019 (FY2018: nil).

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the “2020 AGM”) is scheduled to be held on Thursday, 18 June 2020. For determining the entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Monday, 15 June 2020 to Thursday, 18 June 2020, both days inclusive, during which period no transfer of shares of the Company will be registered. In order for a Shareholder to be eligible to attend and vote at the 2020 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Tricor Tengis Limited of Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 12 June 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has applied the principles and complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

AUDIT COMMITTEE REVIEW

The audit committee of the Company has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the financial statements for FY2019.

SCOPE OF WORK OF HLM CPA LIMITED

The work performed by HLM CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLM CPA Limited on the preliminary result announcement. The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for FY2019 as set out in this preliminary announcement have been agreed by the Group’s auditor, HLM CPA Limited.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the year, there were no purchase, sale or redemption of the Company’s listed securities by the Company or any of its subsidiaries.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the “Model Code for Securities Transactions by Directors of Listed Issuers” (the “Model Code”) as set out in Appendix 10 of the Listing Rules as the Company’s code of conduct regarding securities transactions by the Directors. Having made specific enquiry, all Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout the FY2019.

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

Hong Kong, 24 March 2020

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