CEFC Hong Kong Financial Investment Company Limited
香港華信金融投資有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1520)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

– Revenue of the Group for the year ended 31 December 2019 was approximately HK$158,714,000 (2018: HK$203,892,000), representing a decrease of approximately 22.2% as compared with the previous year.

– The loss attributable to the owners of the Company for the year ended 31 December 2019 was approximately HK$76,680,000 (2018: HK$60,032,000), representing an increase in loss attributable to the owners of the Company of approximately HK$16,648,000 or 27.7%. The increase in loss attributable to the owners of the Company for the year ended 31 December 2019 was primarily attributable to (i) decrease in revenue and (ii) impairment loss on goodwill.

– Loss per share of the Company for the year ended 31 December 2019 was approximately HK$4.54 cents (2018: loss per share of HK$3.55 cents).

– The Directors do not recommend the payment of any final dividend for the year ended 31 December 2019.

RESULTS

The board of Directors (the "Board") hereby announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 together with the comparative figures for the corresponding period in 2018 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
Revenue	5	**158,714**	203,892
Cost of sales		**(126,518)**	(161,412)
Gross profit		**32,196**	42,480
Other income, and gains and losses	5	**10,947**	4,661
Impairment of goodwill		**(30,290)**	–
Selling and distribution expenses		**(17,698)**	(26,551)
Administrative expenses		**(65,328)**	(82,729)
Finance costs		**(875)**	(39)
Loss before income tax	6	**(71,048)**	(62,178)
Income tax (expense)/credit	7	**(5,632)**	2,146
Loss for the year attributable to owners of the Company		**(76,680)**	(60,032)
Other comprehensive income, net of tax, attributable to owners of the Company			
Item that may be reclassified subsequently to profit or loss:			
Exchange loss on translation of financial statements of foreign operations		**(541)**	(1,388)
Total comprehensive income for the year attributable to owners of the Company		**(77,221)**	(61,420)
Loss per share attributable to owners of the Company	9		
Basic and diluted loss per share (HK cents)		**(4.54)**	(3.55)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 HK$'000	2018 HK$'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**11,535**	23,465
Right-of-use assets		**9,822**	–
Payments for leasehold land held for own use under operating lease		**–**	1,661
Goodwill	*10*	**57,366**	87,656
Intangible asset		**800**	800
Loans and interest receivables	*13*	**1,472**	4,901
Deferred tax assets		**1,591**	5,333
		82,586	123,816
Current assets			
Inventories	*11*	**14,987**	9,007
Trade and bills receivables	*12*	**24,099**	18,548
Loans and interest receivables	*13*	**111,029**	100,438
Deposits, prepayments and other receivables		**13,630**	19,896
Pledged bank deposits		**3,726**	3,314
Cash and bank balances		**100,997**	152,597
		268,468	303,800
Current liabilities			
Trade and bills payables	*14*	**22,900**	20,273
Accruals, other payables and receipts in advance		**11,680**	18,893
Contract liabilities		**2,089**	2,031
Lease liabilities	*15*	**5,568**	–
Interest-bearing borrowings		**–**	218
Provision for taxation		**641**	2,930
		42,878	44,345
Net current assets		**225,590**	259,455
Total assets less current liabilities		**308,176**	383,271
Non-current liabilities			
Lease liabilities	*15*	**2,979**	–
Interest-bearing borrowings		**–**	853
		2,979	853
Net assets		**305,197**	382,418
EQUITY			
Equity attributable to owners of the Company			
Share capital		**16,900**	16,900
Reserves		**288,297**	365,518
Total equity		**305,197**	382,418

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Share capital *HK$'000*	Share premium *HK$'000*	Merger reserve *HK$'000*	Statutory reserve *HK$'000*	Translation reserve *HK$'000*	Retained earnings/ (accumulated losses) *HK$'000*	Total *HK$'000*
At 1 January 2018	16,900	375,963	2,988	3,180	2,071	42,736	443,838
Loss for the year	–	–	–	–	–	(60,032)	(60,032)
Other comprehensive income							
– Exchange loss on translation of financial statements of foreign operations	–	–	–	–	(1,388)	–	(1,388)
Total comprehensive income for the year	–	–	–	–	(1,388)	(60,032)	(61,420)
Profit appropriation to reserve	–	–	–	164	–	(164)	–
At 31 December 2018	**16,900**	**375,963**	**2,988**	**3,344**	**683**	**(17,460)**	**382,418**
Loss for the year	–	–	–	–	–	**(76,680)**	**(76,680)**
Other comprehensive income							
– Exchange loss on translation of financial statements of foreign operations	–	–	–	–	**(541)**	–	**(541)**
Total comprehensive income for the year	–	–	–	–	**(541)**	**(76,680)**	**(77,221)**
At 31 December 2019	**16,900**	**375,963**	**2,988**	**3,344**	**142**	**(94,140)**	**(305,197)**

1. GENERAL

CEFC Hong Kong Financial Investment Company Limited (the "Company") was incorporated as an exempted company with limited liability in the Cayman Islands on 19 June 2013. The addresses of the registered office and principal place of business of the Company are Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KYI-IIII, Cayman Islands and Room 706, 7/F, Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong respectively. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited.

The parent of the Company is New Seres CEFC Investment Fund LP ("New Seres"), an exempted limited liability partnership registered in Cayman Islands. To the best of the directors' knowledge, information and belief, the ultimate controlling party of the Company is Shanghai Zhong'an United Investment Fund Co., Ltd.

The Company is an investment holding company and its subsidiaries (together the "Group") are principally engaged in manufacturing and trading of apparels and provision of money lending services.

The financial statements for the year ended 31 December 2019 were approved for issue by the board of directors on 27 March 2020.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 Adoption of new/revised HKFRSs – effective 1 January 2019

In the current year, the Group has applied the new/revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") that are first effective and relevant for the Group's financial statements for the annual period beginning on 1 January 2019.

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features and Negative Compensation
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015-2017 Cycle

The impact of the adoption of HKFRS 16 Leases and HK(IFRIC)-Int 23 Uncertainty over Income Tax Treatments have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the group's accounting policies.

(i) Impact of adoption of HKFRS 16 – Lease

HKFRS 16, which supersedes HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in operational periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised the right-of-use asset at the amount equal to the lease liability, adjusted by the amount of any prepayments or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

As permissible under HKFRS 16, the Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date/adoption date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The following tables summarise the impact of transition to HKFRS 16 on consolidated statement of financial position as of 31 December 2018 to that of 1 January 2019 (increase/(decrease)):

	HK$'000
Consolidated statement of financial position as at 1 January 2019	
Property, plant and equipment	(1,060)
Right-of-use assets	22,452
Payments for leasehold land held for own use under operating leases (non-current)	(1,661)
Payments for leasehold land held for own use under operating leases (current)	(54)
Other payables	(814)
Lease liabilities (current)	9,629
Lease liabilities (non-current)	11,933
Obligations under finance leases (current)	(218)
Obligations under finance leases (non-current)	(853)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 January 2019:

	HK$
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as of 31 December 2018	9,398
Less: short term leases for which lease terms end within 31 December 2019	(231)
Less: future interest expenses	(1,169)
Add: adjustments as a result of a different treatment of extension and termination option	12,493
Add: finance lease liabilities as of 31 December 2018	1,071
Total lease liabilities as of 1 January 2019	21,562

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 is 5%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise leases which are short-term leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. Except for right-of-use asset that meets the definition of an investment property or a class of property, plant and equipment to which the Group applies the revaluation model, the Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application.

The Group has also applied the follow practical expedients:

(i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics;

(ii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review;

(iii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases;

(iv) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019; and

(v) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease; and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

The Group has also leased its office equipment which previously were classified as finance leases under HKAS 17. As the Group has elected to adopt the cumulative effect method over the adoption of HKFRS 16, for those finance leases under HKAS 17, the right-of-use assets and the corresponding lease liabilities at 1 January 2019 were the carrying amount of the lease assets and lease liabilities under HKAS 17 immediately before that date. For those leases, the Group has accounted for the right-of-use assets and the lease liabilities applying HKFRS 16 from 1 January 2019.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

2.2 New/revised HKFRSs in issue but not yet effective

The following new/revised HKFRSs have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]

[1] Effective for annual periods beginning on or after 1 January 2020

[2] The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

The Group is in the process of making an assessment of what the impact of these new or revised HKFRSs is expected to be in the period of initial application. So far the directors of the Company do not expect the adoption of new HKFRSs will have any significant impact on the Group's financial statements.

3. BASIS OF PREPARATION

The financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements include applicable disclosure required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The financial statements have been prepared under historical cost convention.

It should be noted that accounting estimates and assumptions are used in the preparation of the financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

The financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company. All values are rounded to the nearest thousand except when otherwise indicated.

4. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is identified on the basis of the internal management reporting information that is provided to and regularly reviewed by the Group's chief operating decision maker in order to allocate resources and assess performance of the segment. During the year, the Company has identified design, manufacture and trading of apparels and provision for money lending services as the reportable operating segments.

Each of these operating segments is managed separately as each of them requires different business strategies.

For the purposes of monitoring segment performance and allocating resources between segments:

– all assets are allocated to operating segments other than certain cash and bank balances and cash and other corporate assets not attributable to the reportable segments;

– all liabilities are allocated to operating segments other than certain interest-bearing borrowings and other corporate liabilities not attributable to the reportable segments; and

– segment results represent the loss or profit incurred or earned by each segment without allocation of certain other income, certain administrative expenses, such as the Group's headquarter rental expenses and forfeiture of deposits, and certain finance costs.

The segment information provided to the executive directors for the reportable segments during the year is as follows:

	Design, Manufacturing and trading of apparels *HK$'000*	Money lending services *HK$'000*	Total *HK$'000*
Year ended 31 December 2019			
Revenue from external customers	**146,995**	**11,719**	**158,714**
Segment loss	**(15,733)**	**(26,506)**	**(42,239)**
Reconciliation			
Bank interest income			**773**
Unallocated corporate expenses			**(28,707)**
Finance costs			**(875)**
Loss before tax			**(71,048)**
At 31 December 2019			
Segment assets	**83,915**	**190,802**	**274,717**
Other corporate assets			**76,337**
Total assets			**351,054**
Segment liabilities	**41,008**	**2,507**	**43,515**
Other corporate liabilities			**2,342**
Total liabilities			**45,857**
Other segment information			
Year ended 31 December 2019			
Impairment on inventories	**(1,456)**	**–**	**(1,456)**
Provision for expected credit loss ("ECL") on trade receivable	**(246)**	**–**	**(246)**
Provision for ECL on loan and interest receivables	**–**	**(989)**	**(989)**
Impairment on goodwill	**–**	**(30,290)**	**(30,290)**
Depreciation	**(4,594)**	**(1,806)**	**(6,400)**
Capital expenditure	**916**	**2,120**	**3,036**

	Design, Manufacturing and trading of apparels *HK$'000*	Money lending services *HK$'000*	Total *HK$'000*
Year ended 31 December 2018			
Revenue from external customers	187,041	16,851	203,892
Segment (loss)/profit	(31,616)	8,706	(22,910)
Reconciliation			
Bank interest income			295
Unallocated corporate expenses			(39,524)
Finance costs			(39)
Loss before tax			(62,178)
At 31 December 2018			
Segment assets	103,300	219,724	323,024
Other corporate assets			104,592
Total assets			427,616
Segment liabilities	40,119	2,930	43,049
Other corporate liabilities			2,149
Total liabilities			45,198
Other segment information			
Year ended 31 December 2018			
Depreciation and amortisation	(1,723)	(1,099)	(2,822)
Written off of trade receivables	(464)	–	(464)
Reversal of ECL on trade receivables	232	–	232
Reversal of ECL on loans and interest receivables	–	55	55
Capital expenditure	1,719	–	1,719

The Company is an investment holding company and the principal places of the Group's operations are in the PRC (including Hong Kong). Management determines the Group is domiciled in Hong Kong, the PRC, which is the Group's principal operating location.

The Group's revenue from external customers is divided into the following geographical areas:

	2019	2018
	HK$'000	*HK$'000*
The USA	**130,894**	162,309
Hong Kong	**22,912**	37,207
Others	**4,908**	4,376
	158,714	203,892

Geographical location of external customers is based on the location at which the customers are domiciled.

The principal non-current assets held by the Group are located in the PRC (including Hong Kong).

Revenue from each of the major customers which accounted for 10% or more of the Group's revenue for the year is set out below:

	2019	2018
	HK$'000	*HK$'000*
Customer A	**82,648**	88,819
Customer B	**16,163**	28,316
Customer C	**N/A***	25,534

* Accounted for less than 10% of the Group's revenue

As at 31 December 2019, 5% (2018: 7%) of the Group's trade receivables was due from these customers.

5. REVENUE, AND OTHER INCOME AND GAINS

Revenue represents the interest income from loans receivables, sales of apparels, net of returns, discounts and sales related taxes.

The Group's sale of goods revenue from contracts with customers recognised at a point in time, interest income from loans receivables and other income and gains are as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**146,995**	187,041
Interest income from loans receivables	**11,719**	16,851
	158,714	203,892
Other income, and gains and losses		
Gain on disposals of property, plant and equipment	**12**	20
Gain on lease modification	**496**	–
Bank interest income	**773**	295
Subcontracting income	**8,814**	2,264
Sundry income	**852**	2,082
	10,947	4,661

The performance obligation of sale of goods is satisfied upon dispatch of the apparels products and payment is generally due within 10-180 days from delivery. Some contracts provide customers with a right of return which give rise to variable consideration subject to constraint.

The disaggregation of the Group's revenue from contracts with customers are as follows:

Design, manufacturing and trading of apparels

	2019	2018
	HK$'000	*HK$'000*
Geographical markets		
The USA	**130,894**	162,309
Hong Kong	**11,193**	20,356
Others	**4,908**	4,376
Total revenue from contracts with customers	**146,995**	187,041

The following table provides information about trade receivables and contract liabilities from contracts with customers.

	2019	2018
	HK$'000	*HK$'000*
As at 31 December		
Trade and bills receivables	**24,099**	18,548
Contract liabilities	**2,089**	2,031

The Group has applied the practical expedient to its sales contracts of apparels production and therefore no information are disclosed for revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for apparels production that had an original expected duration of one year or less.

6. LOSS BEFORE INCOME TAX

Loss before income tax is arrived at after charging/(crediting):

	2019	2018
	HK$'000	*HK$'000*
Amortisation of payments for leasehold land held for own use under operating lease	**–**	54
Cost of inventories recognised as expense	**126,518**	161,412
Depreciation of property, plant and equipment	**4,164**	4,980
Written-off of property, plant and equipment	**6,122**	–
Depreciation of right-of-use assets	**9,372**	–
Foreign exchange gain, net	**(156)**	(506)
Impairment on inventories	**1,456**	–
Written-off of trade receivables	**–**	464
Provision for/(reversal of) ECL on trade receivables	**246**	(232)
Provision for/(reversal of) ECL on loans and interest receivables	**989**	(55)
Forfeiture of deposit related to the possible acquisition of companies	**–**	5,000
Operating lease charges in respect of land and buildings	**–**	14,839
Short term lease expense	**1,364**	–
Employee benefit expense (including directors' emoluments)		
– Wages and salaries	**52,309**	69,962
– Pension scheme contribution – defined contribution plans	**2,082**	3,037
– Other benefits	**2,090**	3,045
	56,481	76,044

7. INCOME TAX EXPENSE/(CREDIT)

	2019	2018
	HK\$'000	*HK\$'000*
Current income tax charged/(credited) for the year:		
Hong Kong profits tax	**597**	953
PRC enterprise income tax ("EIT")	**–**	725
USA corporate income tax ("CIT")	**6**	–
Under/(over)-provision in respect of prior years	**1,287**	(2)
	1,890	1,676
Deferred tax	**3,742**	(3,822)
	5,632	(2,146)

(i) Pursuant to the rules and regulations of the British Virgin Islands ("BVI") and the Cayman Islands, the Group is not subject to any taxation under these jurisdictions.

(ii) Hong Kong profits tax is calculated at 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong, except for the first HK$2,000,000 of qualified entity's assessable profit is calculated at 8.25% (2018: 8.25%), which is in accordance with the new two-tiered profits tax rates regime with effect from the year of assessment 2018/19.

(iii) PRC EIT is provided at 25% (2018: 25%) on the estimated assessable profits of the Group's PRC subsidiary for the year.

Under the law of the PRC on EIT, corporate withholding income tax is levied on the foreign investor for the dividends distributed out of the profits generated by the foreign investment enterprises. The Group's applicable withholding income tax rate is 5% (2018: 5%).

(iv) The USA corporate income tax comprises federal income tax calculated at 15% and state and local income tax calculated at various rates on the estimated assessable profits of the Group's subsidiary in the USA.

8. DIVIDENDS

No interim dividend was declared during the year (2018: Nil) and the board of directors of the Company does not recommend the payment of any final dividend for the year ended 31 December 2019 (2018: Nil).

9. LOSS PER SHARE

The calculations of basic loss per share are based on the loss for the year attributable to owners of the Company of approximately HK$76,680,000 (2018: HK$60,032,000) and the weighted average of 1,690,000,000 (2018: 1,690,000,000) shares in issue during the year.

Diluted loss per share are the same as the basic loss per share as there were no dilutive potential ordinary shares in existence during the years.

10. GOODWILL

	2019	2018
	HK$'000	*HK$'000*
Cost at 1 January and 31 December	**99,109**	99,109
Accumulated impairment loss	**(41,743)**	(11,453)
Carrying amount as at 31 December	**57,366**	87,656

For the purpose of impairment testing, goodwill is allocated to the CGU in relation to the Group's provision of money lending services ("Money Lending CGU") in Hong Kong.

The recoverable amount of Money Lending CGU has been determined from value-in-use calculation based on cash flow projections from formally approved budgets covering a five-year period. The discount rate applied to the cash flow projections is 11.4% (2018: 13.4%). Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2018: 3%), which does not exceed the long-term growth rate for market in Hong Kong. The discount rate used is pre-tax and reflect specific risks relating to the relevant Money Lending CGU. The growth rate within the five-year period have been based on past experience.

During the year ended 31 December 2019, the Money Lending CGU lost one major customer. This had an adverse impact on the estimated value-in-use of that CGU and an impairment loss on goodwill of HK$30,290,000 was recognised.

11. INVENTORIES

	2019	2018
	HK$'000	*HK$'000*
Raw materials and consumables	**2,778**	2,575
Work in progress	**623**	742
Finished goods	**11,586**	5,690
	14,987	9,007

12. TRADE AND BILLS RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**21,727**	15,725
Less: written off of trade receivables	**–**	(464)
Less: impairment loss	**(653)**	(407)
	21,074	14,854
Bills receivables	**3,025**	3,694
	24,099	18,548

Trade receivables are recognised at their original invoice amounts which represented their fair values at initial recognition. The Group's trade receivables are attributable to a number of independent customers with credit terms. Bills receivables are received from independent customers under the ordinary course of business. The Group normally allows a credit period ranging from 10 to 180 days (2018: 10 to 180 days) to its customers. Trade and bills receivables are non-interest bearing.

Ageing analysis of trade receivables based on invoice date and net of loss allowance is as follows:

	2019	2018
	HK$'000	*HK$'000*
0 to 30 days	**5,290**	3,215
31 to 60 days	**2,659**	5,895
61 to 90 days	**5,034**	717
91 to 180 days	**3,466**	2,120
Over 180 days	**4,625**	2,907
	21,074	14,854

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

	HK$'000
At 1 January 2018	—
Impact of initial application of HKFRS 9	639
Reversal of loss allowance recognised during the year	(232)
At 31 December 2018 and 1 January 2019	**407**
Loss allowance recognised during the year	**246**
At 31 December 2019	**653**

The Group provided for impairment loss on individual assessment based on the accounting policy under HKFRS 9 for the year ended 31 December 2019 and 2018. The Group did not hold any collateral as security over the trade receivables. However, in order to minimise the credit risk of not receiving payments from its customers, the Group has entered into arrangements with a financial institution in the USA and a bank in Hong Kong (which in turn entered into certain arrangement with an insurance company in this connection), and Hong Kong Export Credit Insurance Corporation ("ECIC") (provides Hong Kong exporters with insurance protection against non-payment risks arising from commercial and political events), which offered trade receivable credit protection arrangement against the Group's trade receivables for certain major customers. As at 31 December 2019, trade receivables of approximately HK$7,584,000 (2018: HK$9,439,000) were under such arrangements of which if the Group ultimately becomes unable to collect the trade receivables, the Group will be entitled to receive compensation for the trade receivables from the financial institution or the bank.

13. LOANS AND INTEREST RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Non-current		
Loans receivables	**1,472**	4,901
Current		
Loans receivables	**111,068**	100,190
Interest receivables	**2,749**	2,047
Less: impairment loss	**(2,788)**	(1,799)
	111,029	100,438
	112,501	105,339

The Group's loans and interest receivables, which arise from the money lending business of providing corporate loans, personal loans and property mortgage loans in Hong Kong, are denominated in HK$.

As at 31 December 2019, loans and interest receivables of HK$73,560,000 (2018: HK$60,578,000) were unsecured while remaining loans and interest receivables of HK$38,941,000 (2018: HK$44,761,000) were secured by charges over certain properties in Hong Kong and personal properties such as diamonds and jewelries, and guaranteed by certain independent third parties. The interest rates on all loans receivables are from 2.3% to 36% (2018: 2.3% to 36%) per annum and loans receivables is due within 12 to 60 months and contains repayment on demand clause. The maximum exposure to credit risk at each of the reporting date is the carrying value of the loans and interests receivables mentioned above.

Before granting loans to outsiders, the Group uses an internal credit assessment process to assess the potential borrower's credit quality and defines credit limits granted to borrowers. Limits attributed to borrowers are reviewed by the management regularly.

As at the reporting date, the Group reviewed its loans and interest receivables for evidence of impairment on both individual and collective basis. The Group recognised impairment loss on individual assessment based on the accounting policy under HKFRS 9 for the years ended 31 December 2019 and 2018.

The movements for impairment on loans and interest receivables are as follows:

	2019	2018
	HK$'000	*HK$'000*
At beginning of year	**1,799**	–
Impact on initial application of HKFRS 9	**–**	1,854
	1,799	1,854
Provision for/(reversal of) impairment losses, net	**989**	(55)
At end of year	**2,788**	1,799

14. TRADE AND BILLS PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**10,481**	9,227
Bills payables	**12,419**	11,046
	22,900	20,273

Credit periods of trade payables normally granted by its suppliers were ranging from 15 to 120 days (2018: from 15 to 120 days).

Ageing analysis of trade payables as at the end of the reporting period based on invoice date is as follows:

	2019	2018
	HK$'000	*HK$'000*
0 to 30 days	**6,077**	4,728
31 to 60 days	**171**	1,929
61 to 90 days	**851**	881
91 to 180 days	**2,337**	981
Over 180 days	**1,045**	708
	10,481	9,227

Bills payable are normally settled on 180-day (2018: 180-day) credit terms.

15. LEASE LIABILITIES

	Office premises *HK$'000*	Office equipment *HK$'000*	Total *HK$'000*
At 31 December 2018	–	–	–
Adjustment on adoption of HKFRS 16	20,490	1,072	21,562
Restated balance as at 1 January 2019	20,490	1,072	21,562
Addition	4,204	–	4,204
Effect of modification to lease terms	(7,922)	–	(7,922)
Interest expense	827	48	875
Lease payments	(9,906)	(266)	(10,172)
At 31 December 2019	7,693	854	8,547

The carrying amount of future lease payments as at 31 December 2019 is repayable:

	HK$'000
Within one year	5,568
In the second to fifth years	2,979
	8,547

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group principally engages in (i) design, manufacture and trading of apparel, namely apparel operation; and (ii) provision of money lending business, namely money lending operation.

REVENUE

Affected by intensified trade tensions between China and the United States, coupled with local social campaign that dealt a heavy blow to Hong Kong, revenue of the Group for the year ended 31 December 2019 decreased by approximately 22.2% or HK$45,178,000 to approximately HK$158,714,000 (2018: HK$203,892,000).

APPAREL OPERATION

Revenue from apparel operation is principally derived from the sales of apparel products. The Group's products can be classified into two categories, namely, private label products and own brand products. Private label products are those designed and manufactured under the private labels owned or specified by the Group's customers, while own brand products are those designed and manufactured under the Group's proprietary labels.

Trades dispute between China and the United States has intensified in 2019, before showing some signs of stabilisation towards the end of the year. The twists and turns of the trade tensions between China and the United States have not only curbed international trade activities, but have also taken a toll on business atmosphere among exporters with China production bases.

Our apparel products are manufactured in China and most of our apparel products are exported to the United States. Prolonged and intensified trade frictions lead to a slowdown on demand for China apparel products. Customers from the United States increased their demands for the apparel products to be manufactured from non-China production bases, or requested suppliers of China production bases to absorb all or most of the tariff imposed by the United States.

Our apparel operation is unavoidably affected by this complex and unfavourable external environment. There was a decline of the orders by the key customers of the Group in 2019. On the other hand, we successfully found new customers and received orders from those new customers during the year. Although the orders from new customers cannot fully compensate the decline of orders of existing key customers, this alleviated certain adverse impact on the Group arisen from tariff.

Our apparel operation remained the largest contributor to the Group's business, accounting for 92.6% of total revenue. The revenue from apparel operation for 2019 was approximately HK$146,995,000 (2018: HK$187,041,000), declined by approximately 21.4%.

APPAREL OPERATION — PRIVATE LABEL PRODUCTS

Revenue from certain major private label customers dropped in 2019, resulting in the revenue from private label products for the year ended 31 December 2019 decreased by approximately 16.3% to approximately HK$104,760,000 (2018: HK$125,227,000). Private label products continued to be the core business of the Group, contributing 71.3% (2018: 67.0%) of the total revenue from apparel operation in 2019. The gross profit derived from private label products decreased by 8.1% to approximately HK$8,405,000 for the year ended 31 December 2019 (2018: HK$9,149,000) and the gross profit margin increased to approximately 8.0% in 2019, compared with approximately 7.3% in 2018.

APPAREL OPERATION — OWN BRAND PRODUCTS

Own brand products accounted for 28.7% (2018: 33.0%) of the total revenue from apparel operation for the year 2019. For the year 2019, revenue from own brand products decreased by approximately 31.7% to approximately HK$42,235,000 (2018: HK$61,814,000) and gross profit decreased by 26.8% to approximately HK$12,072,000 (2018: HK$16,480,000). The gross profit margin for own brand products increased from approximately 26.7% in 2018 to approximately 28.6% in 2019.

MONEY LENDING OPERATION

Our money lending operation primarily offers loans to individual consumers and small businesses in Hong Kong.

The Hong Kong economy went through a difficult year in 2019. Amid elevated trade tensions between China and the United States, coupled with local social campaign that dealt a heavy blow to Hong Kong, the Hong Kong economy declined by 1.2% for 2019, the first annual economic contraction since 2009.

As we focus on individual consumers and small businesses in Hong Kong, our money lending business is closely bound up with the Hong Kong economy. Revenue from money lending operation contracted by approximately HK$5,132,000 or approximately 30.5%, from approximately HK$16,851,000 for the year ended 31 December 2018 to approximately

HK$11,719,000 for the year ended 31 December 2019. The decrease in revenue of money lending operation was mainly due to (i) weak demand for our loan services for the reporting period as a result of fragile Hong Kong economy, and (ii) we did not re-enter into a new agreement with a major customer, which contributed revenue of approximately HK$5,499,000 in 2018, after the old loan agreement expired in the second half of 2018.

Our loans and interest receivables increased by approximately 6.8%, from approximately HK$105,339,000 as at 31 December 2018 to approximately HK$112,501,000 as at 31 December 2019.

COST OF SALES

As there was no direct cost incurred for our money lending operation, cost of sales was incurred entirely for our apparel operation only.

In our apparel operation, material costs and direct labour costs recorded declines of relatively larger degrees, and those declines were partly offset by a rise in subcontracting costs. Overall, the cost of sales decreased by approximately 21.6%, from approximately HK$161,412,000 for the year ended 31 December 2018 to approximately HK$126,518,000 for the year ended 31 December 2019.

The decrease in cost of sales for 2019 was mainly due to decline in revenue from apparel operation for the period.

GROSS PROFIT AND GROSS PROFIT MARGIN

Gross profit for the year ended 31 December 2019 was approximately HK$32,196,000 (2018: HK$42,480,000), representing a decrease of approximately HK$10,284,000 or 24.2% as compared to the corresponding period in 2018. The gross profit margin decreased from approximately 20.8% for the year ended 31 December 2018 to 20.3% for the year ended 31 December 2019. During the year, apparel operation contributed approximately HK$20,477,000 (2018: HK$25,629,000) to the gross profit, and money lending operation contributed approximately HK$11,719,000 (2018: HK$16,851,000) to the gross profit.

The gross profit from apparel operation decreased by approximately HK$5,152,000 or 20.1% to approximately HK$20,477,000 for the year ended 31 December 2019. The gross profit margin of apparel operation increased slightly to 13.9% for the year ended 31 December 2019 (2018: 13.7%).

The gross profit from money lending operation retreated by approximately HK$5,132,000, from HK$16,851,000 for the year ended 31 December 2018 to HK$11,719,000 for the year ended 31 December 2019, as there was decline in revenue from money lending operation in the year. The gross profit margin was 100% for money lending operation for the year ended 31 December 2019 (2018: 100%), as there was no direct cost incurred in generating revenue in the money lending operation.

OTHER INCOME AND GAINS

Other income and gains increased by approximately HK$6,286,000 or 134.9%, from approximately HK$4,661,000 in 2018 to approximately HK$10,947,000 in 2019. Due to low utilization of capacity of our Jiaxing factory as a result of sluggish manufacturing demand, we has processed outside subcontracting orders since 2018 in a bid to increase income. In 2019, there was subcontracting income of approximately HK$8,814,000 (2018: HK$2,264,000), increased by approximately HK$6,550,000 or 289.3%.

IMPAIRMENT LOSS ON GOODWILL

Goodwill arose on the acquisition of our money lending operation in November 2016, which was the fair value of consideration exceeding the fair value of the net identifiable assets of the acquiree.

Impairment loss on goodwill of approximately HK$30,290,000 (2018: nil) was incurred in 2019. This arose from our downward update on future revenue growth assumptions based on (i) negative outlook of Hong Kong economy, and (ii) we lost one major customer in 2019. Our money lending business primarily offers loans to individual consumers and small businesses in Hong Kong. The risks to the Hong Kong economy skewed to the downside, and this would unavoidably pose negative impact on our money lending business.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses mainly consist of (i) import duty and transportation costs for delivery of the products; (ii) staff costs for our sales representatives; and (iii) depreciation on of showroom tenancy as right-of use assets. The selling and distribution expenses incurred in the reporting period were approximately HK$17,698,000 (2018: HK$26,551,000), decreased by approximately HK$8,853,000 or 33.3% on a year to year basis. In 2019, we adopted certain cost-cutting measures to reduce our operation costs. Most of the selling and distribution expenses recorded declines for the period, in particular staff cost and related expenses. As a percentage of revenue, selling and distribution expenses decreased to 11.2% for the year ended 31 December 2019 from 13.0% for the year ended 31 December 2018.

ADMINISTRATIVE EXPENSES

Administrative expenses primarily consist of (i) staff costs; (ii) depreciation of right-of-use assets; (iii) property, plant and equipment written off, (iv) professional fees; and (v) depreciation of property, plant and equipment. The administrative expenses for the year ended 31 December 2019 were approximately HK$65,328,000 (2018: HK$82,729,000), decreased by approximately 21.0% or HK$17,401,000. In 2019, we adopted certain cost-cutting measures to reduce our operation costs and most of the administrative expenses registered decreases for the period. Decline in administrative expenses was mainly attributable to decrease in staff cost and related expenses. On the other hand, we have scrapped and written off property, plant and equipment of approximately HK$6,122,000 due to our relocation of the head office. Most of the scrapped assets are leasehold improvements and furniture.

FINANCE COSTS

Finance costs for the year ended 31 December 2019 were approximately HK$875,000 (2018: HK$39,000), increased by approximately 2,143.6% or HK$836,000. Finance costs were the interests on lease liabilities.

The significant increase in finance costs of HK$836,000 was due to the adoption of HKFRS 16, where the Group as a lessee is required to recognise interest expenses accrued on the outstanding balance of the lease liabilities.

LOSS FOR THE YEAR ATTRIBUTABLE TO THE OWNERS OF THE COMPANY

The loss attributable to the owners of the Company for the year ended 31 December 2019 was approximately HK$76,680,000 (2018: HK$60,032,000), representing an increase in loss attributable to the owners of the Company of approximately HK$16,648,000 or 27.7%. The increase in loss attributable to the owners of the Company for the year ended 31 December 2019 was primarily attributable to revenue decrease and goodwill impairment as previously discussed.

GOODWILL

Goodwill arose on the acquisition of our money lending operation in November 2016, which was the fair value of consideration exceeding the fair value of the net identifiable assets of the acquiree. Goodwill is subject to impairment review periodically.

Impairment loss on goodwill of approximately HK$30,290,000 (2018: nil) was incurred in 2019. This arose from our downward update on future revenue growth assumptions based on (i) negative outlook of Hong Kong economy, and (ii) we lost one major customer in 2019. Goodwill was valued at approximately HK$57,366,000 at 31 December 2019 (2018: HK$87,656,000).

INVENTORY

The following table set out a summary of the Group's inventory balances as at respective financial position dates below:

	As at 31 December 2019 *HK$'000*	As at 31 December 2018 *HK$'000*
Raw materials and consumables	**2,778**	2,575
Work in progress	**623**	742
Finished goods	**11,586**	5,690
	14,987	9,007
Inventory turnover day	**43**	20

The Group's inventories increased by approximately HK$5,980,000 or 66.4%, from approximately HK$9,007,000 as at 31 December 2018 to approximately HK$14,987,000 as at 31 December 2019. The inventory turnover day increased from 20 days as at 31 December 2018 to 43 days as at 31 December 2019. In 2019 certain obsolete inventories of approximately HK$1,456,000 were written off.

TRADE AND BILL RECEIVABLES

The following table set out a summary of the Group's trade and bills receivables balances as at respective financial position dates below:

	As at 31 December 2019	As at 31 December 2018
	HK$'000	*HK$'000*
Trade receivables	**21,074**	14,854
Bill receivables	**3,025**	3,694
	24,099	18,548
Trade receivables turnover day	**48**	26

The Group's trade and bills receivables increased by approximately HK$5,551,000 or 29.9% from approximately HK$18,548,000 as at 31 December 2018 to approximately HK$24,099,000 as at 31 December 2019, as well as trade receivables turnover day increased from 26 days as at 31 December 2018 to 48 days as at 31 December 2019.

LOAN AND INTEREST RECEIVABLES

The Group's loans and interest receivables increased by approximately 6.8%, from HK$105,339,000 at 31 December 2018 to approximately HK$112,501,000 at 31 December 2019. The loans receivables as at 31 December 2019 mainly comprised mortgage loans receivables, secured loans receivables and personal loans receivables.

DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

The Group's deposits, prepayments and other receivables decreased by approximately HK$6,266,000 or 31.5% from approximately HK$19,896,000 as at 31 December 2018 to approximately HK$13,630,000 as at 31 December 2019, primarily due to less trade deposits were placed to our suppliers to purchase raw materials and finished goods.

TRADE AND BILL PAYABLES

The following table set out a summary of the Group's trade and bills payables balances as at respective financial position dates below:

	As at 31 December 2019 *HK$'000*	As at 31 December 2018 *HK$'000*
Trade payables	**10,481**	9,227
Bill payables	**12,419**	11,046
	22,900	20,273
Trade payables turnover day	**30**	21

The Group's trade and bills payables decreased by approximately HK$2,627,000 or 13.0% from approximately HK$20,273,000 as at 31 December 2018 to approximately HK$22,900,000 as at 31 December 2019. The trade payables turnover day increased from 21 days as at 31 December 2018 to 30 days as at 31 December 2019.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2019, pledged bank deposits and cash and bank balances amounted to approximately HK$104,723,000 (2018: HK$155,911,000). Total lease liabilities of the Group as at 31 December 2019 was approximately HK$8,547,000 of which approximately HK$5,568,000 would be repayable within one year and all remaining lease liabilities of approximately HK$2,979,000 would be repayable after one year.

Total interest-bearing borrowings of the Group as at 31 December 2018 was approximately HK$1,071,000 of which approximately HK$218,000 would be repayable within one year and all remaining lease liabilities of approximately HK$853,000 would be repayable after one year.

The current ratio of the Group was approximately 6.26 as at 31 December 2019 (2018: 6.85)

GEARING RATIO

The gearing ratio of the Group, calculated as total lease liabilities over total equity was approximately 2.8% as at 31 December 2019. On the other hand, the gearing ratio of the Group, calculated as total interest-bearing borrowings over total equity was approximately 0.3% as at 31 December 2018.

On the adoption of HKFRS 16, the Group recognised the commitments under operating leases for future periods as lease liabilities, whereas, under the previous accounting standard, no such liabilities were required to be recorded.

CHARGE ON ASSETS

As at 31 December 2019, the Group's time deposits of HK$3,726,000 (2018: HK$3,314,000) were pledged as securities for the Group's bills payables. Buildings and leasehold land with net carrying value of approximately HK$5,317,000 (2018: HK$5,874,000) were pledged as securities for the Group's bills payables.

CONTINGENT LIABILITIES

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

TREASURY POLICY

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FOREIGN EXCHANGE EXPOSURE

The Group derives the majority of its revenue in US$ while substantial portion of our costs are denominated in Renminbi ("RMB"). Appreciation of RMB against US$ will therefore directly decrease the profit margin of the Group if the Group is unable to increase the selling prices of its products accordingly. If the Group increases the selling prices of its products as a result of the appreciation of RMB, it may in turn affect the Group's competitiveness against its other business competitors. To the extent that the Company needs to convert future financing into RMB for the Group's operations, appreciation of the RMB against the relevant foreign currencies would have an adverse effect on the purchasing power of the RMB amount that the Company would receive from the conversion.

The exchange rates between RMB and US$ are subject to changes in the PRC Government's policies and global political and economic conditions.

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

There was no material acquisition or disposal of subsidiaries and affiliated companies during the year ended 31 December 2019.

THE SUBSCRIPTION AND THE USE OF PROCEEDS

As disclosed in the joint announcement issued by the Company and New Seres CEFC Investment Fund LP ("New Seres") dated 15 February 2017 (the "Joint Announcement") and the circular of the Company dated 10 April 2017 (the "Circular"), the Company entered into an agreement with New Seres on 26 January 2017 in relation to the subscription of 860,000,000 new shares in the Company by New Seres (the "Subscription"). The Subscription was completed on 2 May 2017, raising net proceeds of approximately HK$195,720,000. Set out below are the details of the utilisation of the net proceeds from the Subscription during the financial year ended 31 December 2019:

	Intended use of the net proceeds as disclosed in the Joint Announcement and the Circular *HK$'000*	**Actual use of the net proceeds up to 31 December 2019** *HK$'000*	**Unutilised net proceeds as at 31 December 2019** *HK$'000*
(i) for the development of the loan financing business of the Group including but not limited to:			
— the provision of loans of larger principal amount and longer term (e.g. mortgage loans)	103,432	143,240	Over-utilised of HK$39,808 *(Note 1)*
— the expansion of sales and customer service team and the overheads for the loan financing business	9,000	4,383	4,617 *(Note 1)*
— the marketing campaign for the loan financing business	5,000	1,063	3,937 *(Note 1)*

	Intended use of the net proceeds as disclosed in the Joint Announcement and the Circular *HK$'000*	Actual use of the net proceeds up to 31 December 2019 *HK$'000*	Unutilised net proceeds as at 31 December 2019 *HK$'000*
(ii) for the development of the securities and asset management business of the Group including but not limited to:			
— the settlement of the outstanding consideration for the Acquisition	28,900	3,000 *(Note 3)*	25,900 *(Note 2)*
— the business development of Prior Securities and Prior Asset	11,388	—	11,388 *(Note 2)*
— the grant of securities margin financing loans	38,000	—	38,000 *(Note 2)*
	195,720	151,686	44,034

Notes:

1. As the development of the financing business has exceeded expectation, no significant additional expenses were expected to be incurred on expansion of sales and customer service team and marketing campaign, and the unutilised proceeds as at 31 December 2019 had accordingly been used principally towards provision of loans to clients.

2. On 25 January 2017, the Group entered into two sale and purchase agreements (as supplemented and amended) thereof (the "Agreements") with a vendor in relation to the acquisition (the "Acquisition") of the entire share capital of Prior Securities Limited ("Prior Securities") and Prior Asset Management Limited ("Prior Asset"). The conditions precedent pursuant to the Agreements were not fulfilled or satisfied by 31 July 2018, being the long stop date of the Agreements, therefore the Acquisition was not completed and the Agreements were automatically terminated.

   The amount of HK$5,000,000 which represented payments of non-refundable deposit for the Acquisition was forfeited after the termination of the Agreements. The forfeiture of the nonrefundable deposit was reflected in the annual result for the year ended 31 December 2018.

   The unutilised proceeds, amounting to HK$75,288,000, which were originally allocated for the development of the securities and asset management business (including the Acquisition), have been retained by the Group for its future acquisition(s), and business development and/or working capital purposes. As there was no suitable merger and acquisition opportunity arising in the meantime to deploy the unutilised proceeds, the unutilised proceeds were re-allocated to working capital purposes after 31 December 2019 of which (i) approximately HK$45,000,000 is for purchase of raw materials and/or garments for the apparel operation of the Group; (ii) approximately HK$20,000,000 is for staff costs; (iii) approximately HK$5,000,000 is for rental and lease payments and; (iv) approximately HK$5,288,000 is for other operating expenses. The remaining unutilised proceeds are estimated to be fully utilised within the year 2020.

3. Up to 31 December 2019, the amount of HK$3,000,000 was utilised which represented payment of the second non-refundable deposit for the Acquisition in accordance with the terms of the Agreements.

CAPITAL COMMITMENTS

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, the Group had a total of 293 employees (2018: 332 employees). Total staff costs (including Directors' emoluments) for the year ended 31 December 2019 were approximately HK$56,481,000, as compared to approximately HK$76,044,000 for the year ended 31 December 2018. Remuneration is determined with reference to market norms as well as individual employees' performance, qualification and experience.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 31 December 2019 (31 December 2018: nil).

FINAL DIVIDEND

The Board of Directors did not recommend any payment of a final dividend for the year ended 31 December 2019.

EVENTS AFTER THE REPORTING DATE

After the outbreak of a respiratory illness caused by the COVID-19 coronavirus in early 2020 which was later characterised as a pandemic (the "Pandemic"), a series of precautionary and control measures have been and continued to be implemented across the country. The Group will pay close attention to the development of the Pandemic and evaluate its impact on the financial position and operating results of the Group. Pending development of such subsequent non-adjusting event, the Group's financial results may be affected, the extent to which could not be estimated as at the date of this announcement.

Except as disclosed elsewhere in this announcement, there is no material subsequent event untaken by the Group after 31 December 2019.

FUTURE PROSPECTS

Although China and the United States signed Phase One trade deal in January 2020, trade disputes between the two largest economies are far from fully settled. We expect the trade negotiations will continue over periods. The rise of trade protectionism in the United States has weighed on global economic sentiment, and caused negative impact on our apparel operation. The challenges to our apparel operation arisen from the trade tensions between China and the United States is likely to continue in 2020.

Other than the trade disputes, an outbreak of a respiratory illness caused by the COVID-19 coronavirus was identified in January 2020.

Since the outbreak of epidemic, the China government has taken various emergency public health measures and other actions to prevent its spread, including extending the Chinese New Year holiday and restricting the resumption of work.

The Group's production base is located in Jiaxing of Zhejiang Province. The Group has not established production base in regions seriously affected by the epidemic, such as Hubei Province. Following the resumption of operation of the Group's factory in February 2020, our workers have gradually returned to work.

We expect the temporary suspension of the Group's factory in China will not significantly affect the Group's ability to deliver its orders for the whole year, as our production peak season starts in mid-second quarter of each year.

However, the Pandemic has now becoming a global health emergency. If the Pandemic cannot be contained globally, we believe this may cause severe disruptions to the global economy, the Group's business may also be affected. We will continue to closely monitor in this regard and react actively to its impacts on the operation and financial position of the Group.

Facing the grave and complicated environment, we will continue to steer our business with prudent operation strategy. We may adopt further cost-cutting measures to reduce our operation costs.

Whilst the Group is dedicated to improving the performance of its existing businesses amid the challenges and uncertainties ahead, the Group will continue to cautiously explore and assess potential business opportunities with a view to enhancing returns to shareholders in the years to come.

OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2019.

CORPORATE GOVERNANCE CODE

The Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year. The Board will keep reviewing and updating such practices from time to time to ensure compliance with legal and commercial standards.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the audited consolidated annual results of the Company for the year ended 31 December 2019 and considered that the Company had complied with all applicable accounting standards and requirements and had made adequate disclosure.

AUDITOR'S PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the announcement of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO 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 BDO Limited on the preliminary announcement.

By order of the Board
CEFC Hong Kong Financial Investment Company Limited
Guo Lin
Chairman & Executive Director

Hong Kong, 27 March 2020

As at the date of this announcement, the executive directors of the Company are Mr. Guo Lin, Mr. Jiang Mingsheng, Mr. Jiang Tianqing, Ms. Tin Yat Yu Carol (formerly known as Tin Yuen Sin Carol) and Mr. Cheung Ka Lung; and the independent non-executive directors of the Company are Mr. Lyu Hongbing, Mr. Tang Shu Pui Simon, Mr. Hon Ming Sang and Professor Wu Fei.