GOLDSTREAM INVESTMENT LIMITED
金涌投資有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1328)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS

- Aggregated customer relationship management ("CRM") services income and investment management ("IM") services income was approximately HK$310,170,000, representing an increase of approximately 14.5% as compared with approximately HK$270,915,000 in 2018.

- Loss attributable to equity holders of the Company was approximately HK$38,852,000, while profit attributable to equity holders of the Company was approximately HK$$76,446,000 in 2018. The profit attributable to equity holders of the Company for the year ended 31 December 2018 was mainly attributable to the gains on (i) the distribution in specie of shares in Global Link Communications Holdings Limited; and (ii) the disposal of the entire issued share capital of Sunward Telecom Limited and Mzone Network Limited.

- Basic loss per share was HK0.34 cents, while basic earnings per share was HK0.82 cents in 2018.

- The Board does not recommend the payment of a final dividend for the year ended 31 December 2019.

RESULTS

The board of Directors (the "Board") of Goldstream Investment Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019, all of which have been reviewed by the audit committee, together with the comparative figures for the corresponding period of last year, as follows:

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December 2019

		2019	2018 (Restated) (Note 2(iii))
	Note	***HK$'000***	*HK$'000*
Continuing operations			
Income			
CRM services income		**239,412**	268,975
IM services income		**70,758**	1,940
Dividend income from investments	*11*	**1,636**	–
Net fair value gains on financial assets at fair value through profit or loss	*11*	**2,511**	–
	4(a)	**314,317**	270,915
Other income	*4(b)*	**10,745**	6,334
Expenses			
Employee benefits expenses		**(254,732)**	(238,119)
Depreciation and amortisation expenses		**(37,715)**	(10,706)
Impairment provision for intangible assets		**(6,876)**	(10,078)
Written off of intangible assets		**(7,952)**	–
(Provision for)/reversal of loss allowances		**(204)**	240
Subcontracting charges		**(13,080)**	(382)
Operating lease charges		**(6,270)**	(11,195)
Utilities		**(4,724)**	(5,296)
Legal and professional fees		**(5,675)**	(8,263)
Other expenses		**(36,017)**	(21,684)
Total expenses		**(373,245)**	(305,483)
Operating loss		**(48,183)**	(28,234)
Finance income		**6,875**	2,609
Finance costs		**(4,511)**	(54)

	Note	2019	2018 (Restated) (Note 2(iii))
		HK$'000	HK$'000
Finance income, net		**2,364**	2,555
Loss before income tax		**(45,819)**	(25,679)
Income tax credit/(expenses)	6	**6,967**	(840)
Loss from continuing operations		**(38,852)**	(26,519)
Profit from discontinued operations	9	**–**	100,908
(Loss)/profit for the year		**(38,852)**	74,389
(Loss)/profit attributable to:			
Owners of the Company			
– Continuing operations		**(38,852)**	(26,519)
– Discontinued operations		**–**	102,965
		(38,852)	76,446
Non-controlling interests			
– Discontinued operations		**–**	(2,057)
		–	(2,057)
(Loss)/earning per share attributable to the owners of the Company during the year (expressed in HK cents per share)			
Basic and diluted	8		
Continuing operations		**(0.34)**	(0.29)
Discontinued operations		**–**	1.11
Total	8	**(0.34)**	0.82

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2019

	Note	**2019** **HK$'000**	2018 HK$'000
(Loss)/profit for the year		**(38,852)**	74,389
Other comprehensive loss			
Item that may be reclassified to profit or loss			
Continuing operations:			
– Currency translation differences		**(3,539)**	(6,955)
Discontinued operations:			
– Currency translation differences	*9(a)*	**–**	(6,253)
– Exchange reserves released upon disposals of businesses	*9(a)*	**–**	(86,241)
Other comprehensive loss for the year, net of tax		**(3,539)**	(99,449)
Total comprehensive loss for the year, net of tax		**(42,391)**	(25,060)
Total comprehensive loss for the year is attributable to			
– Owners of the Company		**(42,391)**	(22,291)
– Non-controlling interests		**–**	(2,769)
		(42,391)	(25,060)
Total comprehensive (loss)/income for the year is attributable to the owners of the Company arises from:			
Continuing operations		**(42,391)**	(33,474)
Discontinued operations		**–**	11,183
Total		**(42,391)**	(22,291)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**43,105**	47,379
Goodwill	*10(b)*	**197,833**	197,833
Intangible assets		**72,775**	115,208
Right-of-use assets		**7,676**	–
Long term deposits	*12*	**490**	615
Financial assets at fair value through profit or loss	*11*	**78,000**	–
		399,879	361,035
Current assets			
Trade receivables	*12*	**110,430**	98,294
Prepayments, deposits and other receivables	*12*	**50,213**	44,017
Financial assets at fair value through profit or loss	*11*	**89,125**	–
Cash and cash equivalents		**484,375**	460,352
		734,143	602,663
Total assets		**1,134,022**	963,698
EQUITY			
Capital and reserves attributable to owners of the Company			
Share capital		**113,465**	113,465
Reserves		**679,477**	721,868
Total equity		**792,942**	835,333

	Note	**2019**	2018
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Borrowings from a former director	*14*	**–**	47,445
Lease liabilities		**4,114**	–
Deferred tax liabilities		**12,008**	18,891
		16,122	66,336
Current liabilities			
Borrowings from a former director	*14*	**209,617**	–
Trade and other payables	*13*	**110,505**	60,935
Lease liabilities		**3,793**	–
Contract liabilities		**370**	309
Income tax payable		**673**	785
		324,958	62,029
Total liabilities		**341,080**	128,365
Total equity and liabilities		**1,134,022**	963,698

Notes:

1. GERENAL INFORMATION

Goldstream Investment Limited (formerly known as "International Elite Ltd.") (the "Company") and its subsidiaries (collectively, the "Group") is principally engaged in the provision of CRM services, which include inbound services and outbound services, to companies in various service-oriented industries, and the provision of IM services following the acquisition of Goldstream Capital Management Limited ("GCML") and Goldstream Securities Limited ("GSL") ("Goldstream Companies") in November 2018. To support the growth of IM business, the Group commenced to engage in strategic direct investment ("SDI") during the year.

The Group is no longer engaged in passenger information management system ("PIMS") business and radio-frequency subscriber identity module ("RF-SIM") business following the completion of disposal of interest in Global Link Communications Holdings Limited ("GLCH") through distribution in specie in October 2018 and disposal of interest in Sunward Telecom Limited in November 2018 respectively.

The Company was incorporated in the Cayman Islands on 18 September 2000 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is the Grand Pavilion Commercial Centre, Oleander Way, 802 West Bay Road, Grand Cayman KY1-1208, Cayman Islands. The Company has been listed on the Main Board of the Hong Kong Stock Exchange since 25 May 2009.

These consolidated financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise stated.

2. BASIC OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost basis, except for financial assets at fair value through profit or loss measured at fair value.

The preparation of the consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(i) New, amended standards and interpretation adopted by the Group

The following new, amended standards and interpretation have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2019:

Annual improvements project	Annual Improvements to IFRSs 2015 – 2017 cycle
IAS 19 (Amendment)	Plan Amendment, Curtailment or Settlement
IAS 28 (Amendment)	Long-term Interests in Associates and Joint Ventures
IFRS 9 (Amendment)	Prepayment Features with Negative Compensation
IFRS 16	Leases
IFRIC – Int 23	Uncertainty over Income Tax Treatments

The Group had to change its accounting policies as a result of adopting IFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in Note 3 below.

The adoption of other amended standards and new interpretation did not have any material impact on the current year or any prior periods.

(ii) New and amended standards and new interpretation that have been issued but are not yet effective during the year and have not been early adopted by the Group

		Effective for accounting periods beginning on or after
IAS 1 and IAS 8 (Amendments)	Definition of Material	1 January 2020
IFRS 10 and IAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2020
IFRS 3 (Amendment)	Definition of a Business	1 January 2020
IFRS 17	Insurance Contracts	1 January 2021
Conceptual Framework for financial report 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020

The Group will adopt the new and amended standards and conceptual framework when they become effective. The Group has already commenced an assessment of the related impact of adopting the above new and amended standards and conceptual framework, none of which is expected to have a significant effect on the consolidated financial statements of the Group.

(iii) Changes in presentation of the consolidated income statement

In previous years, the Group presented an analysis of the Group's income and expenses on the face of its consolidated income statement using a classification based on their function within the Group.

Following the disposals of manufacturing and trading businesses and acquisition of investment management business in 2018, the directors reviewed the presentation of the Group's consolidated income statement taking into account of the changes that the Group's core business become mainly engaging in providing service to customers and the presentation adopted by certain companies within the same industry, and concluded that to present an analysis of the Group's income and expenses using a classification based on their nature would be more appropriate to the Group's circumstances and more relevant to users of the Group's consolidated financial statements. Consequently, the presentation of the consolidated income statement for the year from 1 January 2019 to 31 December 2019 has been revised and the comparative figures have been reclassified in order to conform to the current year's presentation.

The changes in presentation of the consolidated income statement did not have any impact on the Group's loss for the year or the calculation of the Group's loss per share.

3. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of adoptions of IFRS 16 on the Group's consolidated financial statements.

As indicated in Note 2(i) above, the Group has adopted IFRS 16 "Leases" retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.35% to 4.41%.

(a) Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, the Group relied on its assessment made applying IAS 17 and Interpretation 4 "Determining whether an Arrangement contains a Lease".

(b) Measurement of lease liabilities

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	**3,110**
Less: short-term leases and low value leases not recognised as a liability	**(1,018)**
Add: adjustments as a result of a different treatment of extension and termination options	**10,636**
Discounted using the lessee's incremental borrowing rate of at the date of initial application	**(1,019)**
Lease liabilities recognised as at 1 January 2019	**11,709**
Of which are:	
Current lease liabilities	**4,787**
Non-current lease liabilities	**6,922**
	11,709

(c) Measurement of right-of-use assets

Right-of-use assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	1 January 2019
	HK$'000
Properties	10,663
Equipment	1,046
Total right-of-use assets	11,709

(d) Adjustments recognised in the consolidated statement of financial position on adoption on 1 January 2019

The change in accounting policy affected the following items in the consolidated statement of financial position on 1 January 2019:

- Right-of-use assets – increase by HK$11,709,000
- Lease liabilities – increase by HK$11,709,000

4. INCOME

(a) The amount of each category of income recognised during the year is as follows:

	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
– CRM services income	**239,412**	268,975
– IM services income	**70,758**	1,940
– Dividend income from investments *(Note 11)*	**1,636**	–
– Net fair value gains on financial assets at fair value through profit or loss ("FVPL") *(Note 11)*	**2,511**	–
	314,317	270,915

The Group has four customers whose transactions accounted for 10% or more of the Group's aggregate CRM services income and IM services income for 2019 (2018: three customers). The amounts of income from the customers are as follows:

	2019	2018
	HK$'000	*HK$'000*
Customer 1	**65,811**	108,998
Customer 2	**54,077**	54,000
Customer 3	**43,726**	78,837
Customer 4	**33,661**	N/A

(b) **Other income**

	2019	2018
	HK$'000	*HK$'000*
Continuing operations		
Bank interest income	**6,730**	2,649
Government grants *(Note a)*	**2,739**	2,564
Rental income	**700**	700
Others	**576**	421
	10,745	6,334

Note:

(a) Government grants were provided by the local authorities to support the Group's enhancement of service provision to overseas customers and the Group's application of technical patents. There are no unfulfilled conditions or contingencies relating to these grants.

5. SEGMENT INFORMATION

Operating segment is reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the key management team of the Group. The CODM reviews the Group's internal reports in order to assess performance, allocate resources and determine the operating segments.

The CODM assesses the performance of the operating segments based on the results and assets attributable to each operating segment. Interest expense are not allocated to segment, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

The CODM has determined the operating segments based on these reports. The Group is organised into three operating segments:

(i) CRM services ("CRMS") business: this segment includes (a) inbound services which include customer hotline services and built-in secretarial services, a personalised message taking services; and (b) outbound services which include telesales services and market research services.

(ii) IM business: this segment includes (a) the provision of advisory services on securities and asset management; and (b) securities trading.

(iii) SDI business: this segment includes proprietary investments in the financial markets.

The Group no longer carried on the RF-SIM business and PIMS business following the disposals as disclosed in Note 9. The result of these businesses were classified as discontinued operations of the Group for the year ended 31 December 2018.

(iv) RF-SIM business: this segment includes (a) research and development, production and sales of RF-SIM products; (b) licensing of the RF-SIM operation rights; and (c) research and development and technology transfer of CA-SIM application rights to customers.

(v) PIMS business: this segment includes sales of PIMS products.

No other operating segments have been aggregated to form the operating segments.

(a) Segment results and assets

The CODM assesses the performance of the operating segments based on the income and reportable segment profit (i.e. earnings before interest, tax, amortisation and impairment provision for and written off of intangible assets). In prior year, the CODM reviewed the reportable segment profit as income less cost of sales and services. With the change in the CODM's assessment on segment income and reportable segment (loss)/profit, certain prior year comparatives in this note are therefore restated.

Income and expenses are allocated to the reportable segments with reference to income generated by those segments and the expenses incurred by those segments including depreciation of assets attributable to those segments.

Segment assets include all tangible, intangible assets and current assets with the exception of deferred tax assets and other corporate assets.

Information relating to segment liabilities is not disclosed as such information is not regularly reported to the CODM.

The following tables present income, reportable segment (loss)/profit and certain assets and expenditure information for the Group's business segments for the years ended 31 December 2019 and 2018:

	Continuing operations			
	IM business *HK$'000*	**CRMS business** *HK$'000*	**SDI business** *HK$'000*	**Total** *HK$'000*
For the year ended 31 December 2019				
CRM services income	**–**	**239,479**	**–**	**239,479**
Inter-CRM segment services income	**–**	**(67)**	**–**	**(67)**
IM services income	**70,783**	**–**	**–**	**70,783**
Inter-IM segment services income	**(25)**	**–**	**–**	**(25)**
Dividend income from investments	**–**	**–**	**1,636**	**1,636**
Net fair value gains on financial assets at FVPL	**–**	**–**	**2,511**	**2,511**
Total segment income	**70,758**	**239,412**	**4,147**	**314,317**
Reportable segment (loss)/profit	**(8,643)**	**2,889**	**6,879**	**1,125**
Depreciation and amortisation	**29,148**	**8,006**	**561**	**37,715**
Provision for loss allowances	**–**	**204**	**–**	**204**
Reportable segment assets	**331,787**	**133,090**	**184,770**	**649,647**
Additions to non-current segment assets during the year	**2,890**	**11,258**	**78,000**	**92,148**

	Continuing operations			Discontinued operations				
	IM business	CRMS business	Total	RF-SIM business	PIMS business	CRMS business	Total	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2018								
CRM services income	–	268,975	268,975	–	–	29	29	269,004
IM services income	1,940	–	1,940	–	–	–	–	1,940
RF-SIM income	–	–	–	6,195	–	–	6,195	6,195
PIMS income	–	–	–	–	96,926	–	96,926	96,926
Total segment income	1,940	268,975	270,915	6,195	96,926	29	103,150	374,065
Reportable segment (loss)/profit (Restated)	(1,296)	(8,078)	(9,374)	(32,422)	(1,170)	29	(33,563)	(42,937)
Depreciation and amortisation	1,796	8,910	10,706	2,527	2,952	–	5,479	16,185
(Reversal of loss allowances)/ provision for financial assets, net	–	(240)	(240)	–	3,482	–	3,482	3,242
Reportable segment assets	353,568	149,778	503,346	–	–	–	–	503,346
Additions to non-current segment assets during the year	116,328	769	117,097	85	725	–	810	117,907

(b) Reconciliations of reportable segment income, profit or loss and assets

Continuing operations	2019	2018 (Restated)
	HK$'000	*HK$'000*
Income		
Reportable segment income	**314,317**	270,915
Consolidated income	**314,317**	270,915
Loss		
Reportable segment profit/(loss)	**1,125**	(9,374)
Impairment provision for and written off of intangible assets	**(14,828)**	(10,078)
Finance costs	**(4,511)**	(54)
Amortisation of intangible assets	**(27,605)**	(6,173)
Consolidated loss before income tax	**(45,819)**	(25,679)
Assets		
Reportable segment assets	**649,647**	503,346
Cash and cash equivalents	**484,375**	460,352
Consolidated total assets	**1,134,022**	963,698

Discontinued operations

	2018 (Restated) *HK$'000*
Income	
Reportable segment income	103,150
Consolidated income	103,150
Profit	
Reportable segment loss	(33,563)
Impairment provision for intangible assets	(2,941)
Amortisation of intangible assets	(4,669)
Income tax expense	(763)
Gain on disposals of businesses	142,844
Consolidated profit from discontinued operations	100,908

(c) Geographical information

The following tables set out information about the geographical locations of (i) the Group's CRM services income and IM services income ("Services income") and sales of goods and (ii) the Group's property, plant and equipment, intangible assets, right-of-use assets, long term deposits and non-current financial assets at FVPL ("specified non-current assets"). The geographical location of customers is based on the location at which the services and goods were provided. The geographical location of the specified non-current assets is based on the location of the operation to which they are allocated.

	Continuing operations				
	Hong Kong ***HK$'000***	**The People's Republic of China ("PRC")** ***HK$'000***	**The United States of America** ***HK$'000***	**Macao and others** ***HK$'000***	**Total** ***HK$'000***
Year ended 31 December 2019					
Services income	**202,182**	**99,269**	**–**	**8,719**	**310,170**
Specified non-current assets	**274,587**	**47,244**	**78,000**	**48**	**399,879**

	Continuing operations				Discontinued operations				
	Hong Kong	PRC	Macao and others	Total	Hong Kong	PRC	Macao and others	Total	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2018									
Services income	145,437	115,747	9,731	270,915	–	–	29	29	270,944
Sales of goods	–	–	–	–	482	102,639	–	103,121	103,121
Services income and sales of goods (Restated)	145,437	115,747	9,731	270,915	482	102,639	29	103,150	374,065
Specified non-current assets	315,822	44,492	721	361,035	–	–	–	–	361,035

(d) Disaggregation of income from contracts with customers

The Group derives services income and sales of goods over-time and at point in time for the following services types.

	Continuing operations		
	IM business	**CRMS business**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
For the year ended 31 December 2019			
At point in time	**47,360**	**157,884**	**205,244**
Over-time	**23,398**	**81,528**	**104,926**
	70,758	**239,412**	**310,170**

	Continuing operations			Discontinued operations				
	IM business	CRMS business	Total	RF-SIM business	PIMS business	CRMS business	Total	Group
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
For the year ended 31 December 2018								
At point in time	–	103,776	103,776	6,195	96,926	–	103,121	206,897
Over-time	1,940	165,199	167,139	–	–	29	29	167,168
	1,940	268,975	270,915	6,195	96,926	29	103,150	374,065

6. INCOME TAX (CREDIT)/EXPENSE

	2019	2018
	HK$'000	*HK$'000*
Current income tax:		
Hong Kong corporate income tax	**–**	128
PRC corporate income tax	**687**	804
Over provision in the prior year	**(771)**	(55)
Total current tax (credit)/expenses	**(84)**	877
Deferred tax	**(6,883)**	726
Income tax (credit)/expenses	**(6,967)**	1,603
Income tax (credit)/expense is attributable to:		
Loss from continuing operations	**(6,967)**	840
Profit from discontinued operations	**–**	763
	(6,967)	1,603

(i) Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits for the year.

(ii) PRC corporate income tax

China Elite Info. Co. Ltd. ("China Elite") is eligible for a preferential income tax rate of 15% as a HNTE from 2017 to 2019.

Other than the above, remaining subsidiaries located in the PRC are subject to the PRC Corporate income tax rate of 25% (2018:25%) on its assessable profits.

(iii) Macao complementary tax

Pursuant to Article 12 of Decree-Law No. 58/99/M issued by the Macao Government, the Group is exempted from Macao Complementary Tax. As a result, no provision for Macao Complementary Tax has been made by the Group for the year (2018: Nil).

7. DIVIDENDS

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).

On 9 August 2018, the Board declared a special dividend by distribution in specie of 873,683,120 GLCH shares being held by the Company (the "Distribution in Specie"). On 9 October 2018, pursuant to the Distribution in Specie, the Group ceased to be shareholder of 872,920,496 shares in GLCH. The fair value of these shares was at HK$0.114 per share totalling HK$99,513,000.

8. LOSS/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

Basic (loss)/earnings per share is calculated by dividing the profit/loss attributable to equity owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2019	2018
(Loss)/profit attributable to owners of the Company (HK$'000)		
– arising from continuing operations	**(38,852)**	(26,519)
– arising from discontinued operations	**–**	102,965
Weighted average number of ordinary shares in issue (thousand)	**11,346,472**	9,281,861
Basic (loss)/earnings per share (HK cents)		
– from continuing operations	**(0.34)**	(0.29)
– from discontinued operations	**–**	1.11
Total	**(0.34)**	0.82

(b) Diluted (loss)/earnings per share

For diluted (loss)/earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potentially dilutive ordinary shares.

Diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share for the year ended 31 December 2019 as there were no potential dilutive ordinary shares outstanding during the year (2018: same).

9. DISCONTINUED OPERATIONS

On 9 October 2018, pursuant to the Distribution in Specie, the Group ceased to be shareholder of 872,920,496 shares in GLCH through distribution in specie, representing approximately 42% of the then total issued shares of GLCH. Distribution of nearly all of its interest in GLCH led to loss of control in GLCH on the same date.

On 30 July 2018, the Company had entered into the agreement with the Mr. Li Kin Shing, a former executive director of the Company ("Mr. Li") pursuant to which the Company conditionally agreed to sell and Mr. Li conditionally agreed to purchase the entire issued share capital of Sunward Telecom Limited and MZone Network Limited. The Group completed such disposal on 29 November 2018.

The Group completed the Distribution in Specie, and the disposals of Sunward Telecom Limited and MZone Network Limited ("the Disposed Businesses") during the year ended 31 December 2018. Accordingly, the financial results of the Disposed Businesses were presented in the consolidated income statement and consolidated statement of cash flows as "Discontinued Operations" in accordance with IFRS 5 "Non-current Assets Held for Sales and Discontinued Operations" issued by the IASB.

Details of the profit/(loss) from discontinued operations were as follows:

	Note	2018 *HK$'000*
Loss after tax from discontinued operations	*9(a)*	(41,936)
Gain on disposals	*9(b)*	142,844
		100,908

(a) An analysis of the results of operations of the Discontinued Operations are set out below:

	For the period from 1 January 2018 to 9 October 2018 (Restated) *HK$'000*	For the period from 1 January 2018 to 29 November 2018 (Restated) *HK$'000*	Total 2018 (Restated) *HK$'000*
RF-SIM income	290	5,905	6,195
PIMS income	96,926	–	96,926
CRM services income	–	29	29
Other income	1,783	1,819	3,602
Depreciation and amortisation expenses	(2,952)	(2,527)	(5,479)
Employee benefits expenses	(20,290)	(9,376)	(29,666)
Cost of inventories sold	(50,506)	(3,003)	(53,509)
Impairment provision for intangible assets	–	(2,941)	(2,941)
Provision of inventories	–	(23,538)	(23,538)
Utilities	(152)	(71)	(223)
Legal and professional fees	(884)	(6)	(890)
Net impairment losses of financial assets	(3,482)	–	(3,482)
Other expenses	(24,268)	(3,929)	(28,197)
Loss before income tax for the year for discontinued operations	(3,535)	(37,638)	(41,173)
Income tax expense	–	(763)	(763)
Loss after tax for the year for discontinued operations	(3,535)	(38,401)	(41,936)
Other comprehensive income/(loss) from discontinued operations			
– Currency translation differences	(1,253)	(5,000)	(6,253)
– Exchange reserves released upon disposals of businesses	1,008	(87,249)	(86,241)
	(245)	(92,249)	(92,494)

(b) An analysis of gain on the disposals are as follows:

	GLCH 9 October 2018 *HK$'000*	Sunward Telecom Limited and MZone Network Limited 29 November 2018 *HK$'000*	Total *HK$'000*
Consideration			
– Cash consideration	–	135,000	135,000
– Dividend consideration	99,513	–	99,513
Less: direct expenses	–	(10,318)	(10,318)
Less: net assets disposed of:			
– Property, plant and equipment	(1,208)	(1,131)	(2,339)
– Goodwill *(Note 10)*	(41,459)	–	(41,459)
– Intangible assets	(20,243)	(1,855)	(22,098)
– Deferred tax assets	–	(319)	(319)
– Inventories	(1,987)	(1,383)	(3,370)
– Trade, bills and other receivables	(76,798)	(4,138)	(80,936)
– Amounts due from inter-companies	–	(60,133)	(60,133)
– Cash and cash equivalents	(65,280)	(57,896)	(123,176)
– Deferred tax liabilities	–	319	319
– Trade, bills and other payables	42,484	4,056	46,540
– Amounts due to inter-companies	–	35,989	35,989
– Provision for warranty	17,563	–	17,563
– Non-controlling interests	57,252	–	57,252
– Provision for taxation	7,048	1,527	8,575
	(82,628)	(84,964)	(167,592)
Less: exchange reserve released upon disposals of businesses	(1,008)	87,249	86,241
Gain on disposals	15,877	126,967	142,844

(c) An analysis of the cash outflows of the discontinued operations are as follows:

	For the period from 1 January 2018 to 29 November 2018 *HK$'000*
Net cash used in operating activities	(28,670)
Net cash generated from investing activities	11,015
Total cash outflows	(17,655)

10. BUSINESS COMBINATION AND GOODWILL

(a) Business combination

On 29 November 2018, the Company completed the acquisition (the "Acquisition") of the entire issued share capital of Goldstream Capital Management Limited and Goldstream Securities Limited ("Goldstream Companies"), companies principally engaged in financial services business, for a total consideration of HK$351 million, which was settled by the allotment and issuance of consideration shares (being 2,263,012,321 shares of the Company) to the sellers. Upon the completion of the Acquisition, the Group obtained control of Goldstream Companies. The intangible assets acquired through acquisition of Goldstream Companies includes customer contracts and licenses.

The management expects the Group could expand its business scope to financial services business through the acquisition of Goldstream Companies. The Group has obtained instant access to a readily available asset management, securities advisory and trading platform which enables the Group to tap into the financial services sector with an aim to broader the Group's income stream and enhance the shareholders' value.

The following table summarises the consideration paid for the Acquisition, and the fair values of the assets acquired and liabilities assumed at the acquisition date.

	HK$'000
Purchase consideration	
Issue of ordinary shares	350,767

The fair value of the 2,263,012,321 shares issued as the purchase consideration was based on the published share price of HK$0.155 per share. Issued cost HK$540,000 which were directly attributable the issue of the shares have been netted against the deemed proceeds.

Recognised amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	15,954
Property, plant and equipment	896
Intangibles assets	116,259
Trade and other receivables	16,548
Amount due from ultimate holding company	27,000
Amount due from a fellow subsidiary	139
Payables and other accruals	(4,679)
Deferred tax liabilities	(19,183)
Total identifiable net assets	152,934
Add: goodwill *(Note b)*	197,833
Net assets acquired	350,767

Acquisition related costs of HK$6,255,000 that were not directly attributable to the issue of shares had been charged to administrative expenses in the consolidated income statement and in operating cashflows in the consolidated statement of cashflow for the year ended 31 December 2018.

	HK$'000
Inflow of cash to acquire business, net of cash	
– Cash and cash equivalents acquired	15,954

The acquired business contributed HK$1,940,000 to the Group's total income and HK$1,296,000 loss to the Group's loss before income tax for the period between the date of acquisition and 31 December 2018.

Had the acquisition occurred on 1 January 2018, consolidated income and consolidated loss after income tax for the year ended 31 December 2018 would have been HK$290,397,000 and HK$30,815,000 respectively. The proforma information was for illustrative purposes only and was not necessarily an indication of total income and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2018, nor is intended to be a projection of future results.

(b) Goodwill

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**197,833**	41,459
Business combination *(Note a)*	**–**	197,833
Disposals of businesses *(Note 9)*	**–**	(41,459)
At 31 December	**197,833**	197,833

The goodwill of HK$197,833,000 arising from the Acquisition is attributable to the synergies expected to arise from the business combination and future growth of Goldstream Companies. None of the goodwill recognised was expected to be deductible for income tax purposes.

Management reviews the business performance of the Group based on the services the respective businesses provide. Goodwill is monitored by management at the operating segment level.

The recoverable amount of goodwill was determined based on value in use. No impairment charge is noted as at 31 December 2019 (2018: Nil).

Key assumptions used for assessing the recoverable amount of the goodwill are as follows:

Estimated services income growth rate from 2019 to 2020	49.0%
Estimated services income growth rate from 2020 to 2021	37.0%
Estimated services income growth rate from 2021 to 2022	13.4%
Estimated services income growth rate from 2022 to 2023	10.0%
Discount rate	18.0%

If expected discount rate for the projection period had been 0.5% lower/higher than management's estimates with all other variables held constant, the carrying amount of goodwill would have been approximately HK$11,410,000 higher/lower. If the services income growth rate had been 0.5% higher/lower than management's estimate at 31 December 2019 with all other variables held constant, the carrying amount of goodwill would have been approximately HK$15,181,000 higher/lower.

11. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

(i) Classification of financial assets at fair value through profit or loss

The Group classifies the following financial assets at FVPL:

- debt investments that do not qualify for measurement at either amortised cost or FVOCI
- equity investments that are held for trading; and
- equity investments for which the entity has not elected to recognise fair value gains and losses through OCI.

Financial assets measured at FVPL include the following:

	2019
	HK$'000
Non-current assets	
US investment funds	**78,000**
Current assets	
Cayman Islands investment funds	**47,448**
PRC listed equity securities	**20,755**
BVI investments funds	**20,112**
Ireland investment funds	**810**
	89,125
Financial assets at FVPL	**167,125**

(ii) The net movement of financial assets at FVPL is as follows:

	Total
	HK$'000
At 1 January 2019	–
Additions	**164,614**
Net fair value gains	**2,511**
At 31 December 2019	**167,125**

(iii) Amounts recognised in the consolidated income statement

During the year, the following income were recognised in the consolidated income statement:

	2019
	HK$'000
Net fair value gains on financial assets at FVPL *(Note 4(a))*	**2,511**
Dividend income from investments *(Note 4(a))*	**1,636**

12. TRADE RECEIVABLES, PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables *(Note a)*		
– related parties	**29,038**	10,492
– third parties	**50,558**	66,968
	79,596	77,460
Loss allowances	**(385)**	(181)
Trade receivables, net	**79,211**	77,279
Contract assets *(Note a)*		
– related parties	**–**	30
– third parties	**31,219**	20,985
	110,430	98,294
Other financial assets at amortised cost		
– Deposits and other receivables		
– related parties	**21,516**	27,427
– third parties	**22,294**	14,793
Prepayments	**6,893**	2,412
Less: Non-current deposits	**(490)**	(615)
	50,213	44,017
	160,643	142,311

(a) Ageing analysis

Included in trade receivables and contract assets are trade debtors (net of loss allowance) with the following ageing analysis based on the dates on which the relevant service income were recognised:

	2019	2018
	HK$'000	*HK$'000*
Aged within 1 month	**69,080**	52,445
Aged between 1 to 3 months	**21,281**	22,443
Aged between 3 to 6 months	**9,518**	9,483
Aged between 6 months to 1 year	**2,154**	622
Aged over 1 year	**8,397**	13,301
	110,430	98,294

13. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables *(Note a)*		
– Amounts due to related parties	**–**	548
– Amounts due to third parties	**14,552**	2,957
	14,552	3,505
Other payables		
– Amounts due to related parties	**9**	24,030
– Amounts due to third parties	**48,133**	22,753
Accruals (due to third parties)		
– Accrued staff cost	**45,613**	7,535
– Accrued audit fee	**1,734**	1,513
– Others	**464**	1,599
	110,505	60,935

The carrying amounts of trade and other payables are considered to be approximated to their fair values, due to their short-term nature.

(a) Ageing analysis

The ageing analysis of trade payables based on invoice date are follows:

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**13,896**	2,429
31–90 days	**484**	848
91–180 days	**118**	5
181 days–1 year	**1**	175
Over 1 year	**53**	48
	14,552	3,505

14. BORROWINGS FROM A FORMER DIRECTOR

	2019	2018
	HK$'000	*HK$'000*
Borrowings from a former director	**209,617**	47,445

The amount due represent balance with a former director, Mr. Li Kin Shing. He was a director of the Company until he resigned on 28 December 2018. The amount is unsecured, non-interest bearing and repayable in its full principle amounted of HK$214,999,000 on 29 November 2020. The imputed interest of HK$6,875,000 is unwinded (2018: HK$2,609,000), incurring a finance costs of HK$4,048,000 for the year ended 31 December 2019 (2018: HK$54,000).

As at 31 December 2019, the Group has a facility of HK$215 million (31 December 2018: HK$215 million) from Mr. Li for financing its business operation. Unused facilities as at the same date amounted to nil (31 December 2018: HK$165 million).

15 SUBSEQUENT EVENTS

The outbreak of Coronavirus Disease 2019 ("COVID-19 outbreak") in early 2020 is considered a non-adjusting subsequent event and its related financial impact has not been reflected in the consolidated financial statements of the Group as at and for the year ended 31 December 2019.

Following the COVID-19 outbreak, the Group understands that part of the normal operation of CRMS business has been affected due to controls imposed by various preventive measures in the PRC and Hong Kong. Some of the operators in the CRMS business were not able to travel to the CRM service centres where those locations were severely affected by the epidemic, and encountered difficulties in rendering services to the customers. Up to the date of the announcement, the operation in the CRM service centres is gradually resuming.

The Group holds certain financial assets at FVPL. As at 31 December 2019, the total fair value of these financial assets amounted to approximately HK$167 million (Note 11). In 2020, fair value of the Group's financial assets at FVPL may be subject to fluctuation due to the COVID-19 outbreak, the impact of which is still under assessment.

In preparing the consolidated financial statements as at and for the year ended 31 December 2019, the Group tested goodwill for impairment (Note 10) and the recoverable amount of the relevant CGUs exceeds its carrying amount, thus no provision for impairment is made. In performing this assessment, the Group estimated the present value of future cash flows of the CGUs based on the conditions as at 31 December 2019. In the goodwill impairment test to be performed in 2020, COVID-19 outbreak and its impact on the present value of estimated future cash flows of the CGUs will be considered. Up to the date of this announcement, the Group is still in the process of assessing the impacts of the COVID-19 on the performance of the relevant CGUs and is currently unable to estimate the quantitative impacts to the Group.

The Group will pay close attention to the development of the outbreak, perform further assessment of its impact on the Group's financial performance for the year ending 31 December 2020 and take relevant measures.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group is a customer relationship management ("CRM") outsourcing service provider with business focus in Hong Kong, Macau and the People's Republic of China (the "PRC") markets. CRM is a process of providing services to customers with the use of communication and computer networks. During the year under review, the Group continued to provide services to established telecommunications service providers, including Hutchison Telecommunications, HGC Global Communications, China Unicom Guangdong and Guangxi, China Telecom Guangzhou, Telecom Digital and PCCW Mobile. Besides, management continued to diversify the Group's CRM customer base to non-telecommunications industries, the clients of which include, but not limited to China Guangfa Bank, Pizza Hut (Hong Kong & Macau), KFC (Hong Kong & Macau) and Park'N Shop (PRC).

Upon the purchase of the entire issued share capital of GCML and GSL in November 2018, the Group is also engaged in investment management ("IM") business.

In the third quarter of 2019, the Group started making strategic direct investments ("**SDI**") to enhance the yield of excess idle cash while at the same time support our IM business by selectively subscribing to both externally and internally managed investment funds that meet the Group's risk and return requirements. These investments the Group made in 2019 met our target and generated more favorable returns compared with interest gains from keeping same amount of idle cash in commercial bank deposit accounts.

The principal business of the Group is classified into the following three segments:

CRM Service ("CRMS") Business

CRMS business includes the provision of inbound services and outbound services. Inbound services comprise a range of customer hotline services, including general enquiry, technical support, broadband connection arrangement, service installation, account activation, subscriber details update, account enquiry, account termination, order placement, member registration, built-in secretary ("BIS") and super secretarial services ("Super BIS"). BIS service is a personalized message taking service, where its operators transmit messages left to the subscriber via SMS. The Super BIS service is a concierge service where the operators can provide advanced functions such as making restaurant reservation and purchasing flight tickets for high-end subscribers. Outbound services, on the other hand, include telesales services and market research services. The Group's operators run on behalf of their customers promotions and ongoing telemarketing via unsolicited phone calls (cold calls). The operators can also conduct large scale surveys to efficiently collect feedback, opinions, and in some cases, complaints for their customers.

Investment Management ("IM") Business

IM business of the Group includes (i) the provision of advisory services on securities and asset management; and (ii) securities trading.

Strategic Direct Investment ("SDI") Business

SDI business of the Group includes proprietary investments in the financial market.

BUSINESS ENVIRONMENT

Mature development of China's service outsourcing base cities leads to the fierce competition of CRM market. It becomes a big challenge to the Group. Due to the robust domestic demand for CRM services, the risk exposure to the operation of the Group is still at a manageable level. In 2019, China's economic growth rate reached 6.1% which met the economic growth target of 6% to 6.5% expected by the government of China earlier. Capitalizing on the valuable opportunities arising from a number of favorable government policies in China, including the growth in 4G mobile communications, the rapid development of 5G mobile communications technology, the "Internet Plus" strategy, the increase in domestic demand and the demand arising from the 13th Five-Year Plan for the development of "Smart City", the Group continues to explore the PRC market.

CRM outsourcing is relatively common in the traditional telecommunications industry. CRM customer base has been extended to a wide range of industries, stretching across finance, postal, travel, healthcare, logistics, information technology, online business, media, public utilities and retail. Meanwhile, new concepts such as "Services in China", online services, mobile internet applications ("APP") and the government's "Internet Plus" strategy are getting increasingly popular and these new elements have been integrated into traditional CRM services. In 2019, the Group continued to expand its internet CRM services to customers to operate intelligent online business for them. Therefore, the immense potential scale of a rising intelligent CRM market will be further enhanced along with the swift growth in China's booming consumer market. The Group is well-prepared for capturing the opportunities and meeting the challenges ahead.

The year under review was a challenging year to the CRMS business although the PRC government has been persevering in its reform and opening up the market, which has brought about unprecedented changes across the industries. Growth in China's economy has been slowing down. The Sino-US trade friction has intensified the global economic uncertainty. To alleviate the adverse situation the industry is facing, the Chinese government successively introduced a series of policies such as "The Private Economy Shall Grow Stronger, Not Weaker", "Taking Special Actions to Increase Financial Support to the Private Businesses to Ease Their Difficulty in Financing" and "Taking Innovation-Driven Development as a Major Strategy for the Future with Unremitting Determination" under the guidance of its core strategic policy of unremitting reform and opening up.

The performance of global capital markets were mixed in 2019. The Hang Seng Index (the "HSI") closed at 28,190 points which recorded year-on-year growth of 9%, while China and United States markets performed much stronger. China stock market surged in the review year leading the Shenzhen Stock Exchange Composite Index to close at 1,723 points which represented 36% rise in the year. The Dow Jones Industrial Average Index ("DJI") finished at 28,538 which was a 22% growth. While the returns of the China and US markets accumulated, the inherent risks also grew – neither market was cheap in terms of P/E valuation by the end of 2019.

The end of 2019 and beginning of 2020 witnessed a global outbreak of the novel coronavirus. The pandemic is causing a meltdown of global capital markets. Stock-market plunges and volatility are reminiscent of the 2008 crisis. Despite the global policy easing in all major economies, the health impact and economic aftermath still remain highly unknown at the moment.

With the return of market volatility combined with the factors described above, the business environment has exerted significant pressure on the fund management industry. Investment funds across the globe were generally down with some, through exceptional navigation in a highly turbulent markets and perhaps market conditions favourable to their investment strategies, managed to generate decent returns for the year. Funds that diversified in markets and strategies weathered the storm better than those which deployed single strategy or invest only in a single market.

Reducing costs, strengthening of risk management and improving operating model continued to be the first priority to protect assets and improve profit margins. The industry will continue to evolve and develop new operating models to deal with different market environments and volatility.

As we enter a more turbulent phase for investment management and strategic direct investment business, there are many reasons to remain positive. The outlook for Asia and China remains positive for fund managers and investor appetite for the region remains strong, as returns from traditional asset classes become challenging this arguable the time to increase allocation to alternative asset classes which the IM business focuses on.

The SDI business is a new business segment with the initial objective of enhancing the returns on excess cash balance. The Group is prudent in selecting its investments and has invested using market-neutral investment strategies with low exposure to market volatilities. During the year under review, the investments made met our objectives with returns more favorable than keeping cash in interest bearing commercial bank deposit accounts.

FINANCIAL REVIEW

Income

Service income from CRMS business for the year ended 31 December 2019 was approximately HK$239,412,000 (2018: HK$268,975,000 , representing a decrease of approximately 11.0% as compared with last year. With the new business driver, IM business, the Group recorded income stream of approximately HK$70,758,000 (2018: HK$1,940,000 for the year ended 31 December 2019. The introduction of dividend income from investment funds of approximately HK$1,636,000 (2018: Nil), fair value gains on financial assets of fair value through profit or loss of approximately HK$2,511,000 (2018: Nil) also increased overall income of the Group. For the year ended 31 December 2019, income of the Group amounted to approximately HK$314,317,000, representing an increase of approximately 16.0% as compared with last year. Income from CRMS, IM and SDI businesses accounted for approximately 76.2%, 22.5% and 1.3% of the Group's total income for the year ended 31 December 2019 respectively.

Other income

The Group's other income was HK$10,745,000 (2018: HK$6,334,000), representing an increase of 69.6% compared with that of the last year. The jump was mainly due to a rise of interest income of approximately HK$6,730,000 (2018: HK$2,649,000).

Operating expenses

In terms of expense, the Group continued to exercise stringent cost discipline. Total expense increased from HK$305,483,000 for the year ended 31 December 2018 to HK$373,245,000 in 2019. During the year, employee benefits expenses rose by HK$16,613,000. It was attributable to full year impact of acquisition of Goldstream Companies since November 2018. As part of the Group's compensation policy, the Group distributes certain portion of its performance fee income to the Group's portfolio managers as discretionary bonus expense. It was in same pace with the increase in performance fee income.

The Group recorded amortisation expense and non-recurring expense including impairment provision for and written off of intangible assets of approximately HK$27,605,000 and HK$14,838,000 respectively. These expense item had no impact on cash flows.

Loss Attributable to Equity Holders of the Company

The Group's loss attributable to equity holders of the Company for the year ended 31 December 2019 was approximately HK$38,852,000 while the Group's profit attributable to equity holders of the Company for the year ended 31 December 2018 was approximately HK$76,446,000. The profit attributable to equity holders of the Company for the year ended 31 December 2018 was mainly attributable to the gains on distribution in specie of shares in Global Link Communications Holdings Limited ("GLCH") and the disposal of the entire issued share capital of Sunward Telecom Limited and MZone Network Limited in 2018 which were non-recurring in 2019 and therefore significantly reduced the gains for the year ended 31 December 2019.

CRMS BUSINESS

Business Review

Customers in Telecommunications Industry

In 2019, the Group continued to provide services to established telecommunications service providers. The Group continued to seek further cooperation with customers in the telecommunications industry, as well as business opportunities with other telecommunications service providers. The Group has successfully acquired service contracts from new customer and a customer with business established outside Guangdong Province, China, details of which are set out in the paragraph – "New Customers" of this announcement. However, due to the fierce competition in the CRM and telecommunications industry, there was a decrease in income of the Group from telecommunications service providers for the year ended 31 December 2019 of approximately 12.2% as compared with last year.

During the first quarter of 2019, the Group started to operate a new project for a client in the telecommunications industry: Internet Online project. The project utilizes manual online customer service of 7 days a week and 24 hours daily to provide services such as business consulting, business inquiry, business processing, fault reporting, and complaint acceptance to customers. Income is generated from monthly assessment. However, the demand for manual online customer service is decreasing due to the development of smart robots and higher percentage of usage of customer self-service. With the further increase in labour cost, the net profit of the project was decreasing until the Group adjusted its operation strategy from the third quarter of 2019 and the performance of the project was improved. The contract of the project ended in December 2019.

During the second quarter of 2019, the Group started to operate a new project for a client in the telecommunications industry: New Customer Development and Acquisition project. The project uses Baidu or new media channels to deliver advertisements to convert and acquire new customers. After the potential users filled in the information on the Internet, the operator will then call back and provide services or products by means of telesales. As the project was in its early stage and due to the impact of the unclear policies of the mobile network operator and portable number transfer policy, the income had not reached its expected level. With the policy supports of the client from the third quarter of 2019, the project was developing gradually in a steady pace. Furthermore, the Group expanded the project to other city branches of the client during the second half of 2019.

During the third quarter of 2019, the Group has successfully entered into a 12-month agreement to provide telesales services to the Guangzhou City Branch of China Telecom Corporation Limited (中國電信股份有限公司) ("China Telecom") in its annual tender for service provider to cooperate in fields such as products and services sale, Internet and channel agency. According to the preferential policies launched by China Telecom in different periods, the Group will provide telemarketing services to target customers, including but not limited to new acquisition, customer care, package upgrade, customer retention, 5G upgrade and network transfer. The Group suffered a slight loss during the early stage of the project. After modifying operational process in December 2019, it has been on the right track and is expected to expand its scale in the future.

Customers in Non-Telecommunications Industries

In 2019, the Group continued to develop its non-telecommunications customer base through active negotiation with potential customers in various industries such as finance, broadcast communication, social welfare, food and beverage, slimming and beauty shops, education, information technology, banking, exposition and property development, and has successfully acquired service contracts from new customers. There was an increase in income of the Group from non-telecommunications customers for the year ended 31 December 2019 of approximately 13.7% as compared with last year.

During the first half of 2019, the Group ran pilot operations for two new projects for clients in non-telecommunications industries: Self-media project and Educational Voice Outbound project. Self-media project generates income by interspersing clients' advertisements in WeChat and other public platforms to achieve traffic monetization. The project is committed to realizing traffic monetization for merchants of different types, which includes paid courses, paid communities, content e-commerce, service e-commerce and others. Though self-media marketing is a creative business mode that is relative popular these days, income from this project had not reached its expected level because of the lack of experience in the platform integration, traffic monetization and operation. The Educational Voice Outbound project is mainly targeted at prospective students' parents, who will be screened by artificial intelligence's voice outbound calls. After a successful preliminary interview, further telesales will be conducted to invite target customers to participate in course experience at designated campus. The commission income is generated from monthly assessment. Since the actual conversion rate of successful sales was much lower than expected, the relative growth of commission was not enough to justify the costs. Eventually, the two projects were suspended at the end of the second quarter of 2019.

During the third quarter of 2019, the Group started to operate a new project for a high-end hotel membership promotion and member data management service company in the PRC to cooperate in fields such as Business Process Outsourcing, Information Technology Outsourcing, artificial intelligence application and cross promotion between brands: Hotel Membership project. The project uses remote workstations, leased circuits and equipment to provide self-service remote telephone services for outbound and call-back to the clients. The hotel representatives can call the target customers through their own landlines. Since this is an Information Technology Outsourcing ("ITO") project, no labour costs incurred and it was operated smoothly during the second half of 2019.

During the fourth quarter of 2019, the Group started to operate two new projects for clients in non-telecommunications industries: Shuisanjia project and LCP project. The Shuisanjia project covers both inbound and outbound services, including but not limited to customer inquiries, order processing, customer complaints, call-back and customer retention. Income is the total service fee income calculated based on the number of water dispenser installed. The LCP project provides voice and online customer services of 7 days a week and 24 hours daily to provide services such as hotline service, online customer enquiry, outbound call services, after-sale service, data entry, customer complaint follow-up, online customer services and data processing. As the project was in its early stage, therefore, the income had not reached its expected level, but the Group is optimistic in the future prospect of the project.

The Group continued to cooperate with and provide CRM services to well-established customers and customers with business established outside Guangdong Province, China. These customers have stronger demand for the Group's services in line with their development and expansion. With the new and established customers, the Group has built a consolidated customer base and they have witnessed the achievement of the Group's development in non-telecommunications industries.

Multi-Skill Training

Benefiting from the government's favorable training policy for CRM industry in China, the Group provided various training programs for its staff, including a multi-skill-and-management training program. This training program is designed to imbue experienced operators with skills that will allow them to work on multiple projects. This makes the project teams more versatile and better allocates the Group's resources. Consequently, operators that would otherwise be idle can now serve customers of different projects. That has significantly enhanced the Group's efficiency, particularly in small projects with volatile call volume.

An additional benefit of the training program is the further improvement in service quality. The multi-skill operators who have attended at least two structured training programs have demonstrated superior performance in terms of customer satisfaction and telesales success rate. The Directors believe that the operators with multi-skills can form an elite CRM team that particularly caters high-end customers.

CRM Service Centres

The Group has established four CRM service centres and the current production capacity is at an impressive level of over 4,500 seats, securing the Group's leading position in China. During the year under review, the Group continued to improve facilities and environment of its CRM service centres so as to enhance the general operational efficiency.

New Customers

During the year under review, the Group has entered into service contracts with the following major customers for the provision of CRM services.

Customer	Service	Contract/ Agreement Date
China United Network Communications Co., Ltd. Jieyang City Branch (中國聯合網絡通信有限公司揭陽市分公司)	Telesales	January 2019
China United Network Communications Co., Ltd. Zhongshan City Branch (中國聯合網絡通信有限公司中山市分公司)	Telesales	January 2019
China Telecom Corporation Limited Guangzhou City Branch (中國電信股份有限公司廣州市分公司)	Telesales	September 2019
China United Network Communications Co., Ltd. Zhuhai City Branch (中國聯合網絡通信有限公司珠海市分公司)	Telesales	September 2019
China United Network Communications Co., Ltd. Changsha City Branch (中國聯合網絡通信有限公司長沙市分公司)	Telesales	September 2019
China United Network Communications Co., Ltd. Huizhou City Branch (中國聯合網絡通信有限公司惠州市分公司)	Telesales	December 2019

Awards and Certification

In May 2019, China Elite Info. Co., Ltd. ("China Elite") obtained the Business Licence for Cross-region Value-added Telecommunications Business from the Ministry of Industry and Information Technology of the PRC.

In May 2019, China Elite obtained the Customer Center – Capability Maturity Model Standard Certificate from CCM World Group.

Internet CRM

During the year under review, the Group continued to provide Internet CRM service named Intelligent Internet Chat Application ("iChat") service, to established telecommunications service providers as well as customers in non-telecomunications industries. The users' usage pattern nowadays is shifting from traditional voice services to value-added online services, therefore Internet CRM service will be the focus of the Group. With the introduction of iChat service, the labour force structure of the traditional CRM service has been optimized. Furthermore, iChat service creates unique value to the Group's customers. The Group believes that by changing the cost structure and increasing the income source, the new service will enhance profit margin of the Group. As the market trend changes and the artificial intelligent ("A.I.") industry rises, the Group will be exploring the application of A.I. technology in iChat to optimize its services.

The Group had previously developed an A.I. called the "CallVu" system and obtained services agreements, providing online service support to the customer over the past years. However, such CallVu related services program ended in 2019.

In order to meet the requirements of market development, the Group continued to invest in research and development, and achieved a series of results, including: Shenghua A.I. telephone robot system (EliteUCVAI), integrated customer service system (EUC) and 20 other software copyrights.

The Chinese government has become more supportive of the development of A.I. industry. The Directors believe that the applications of A.I. will become an irresistible trend, and will further invest the Group's resources in the research and development of CRM-related A.I. applications, and seek further business opportunities.

Development

Reference is made to the composite offer and response document dated 6 December 2018 (the "Composite Document") jointly issued by the Company and Hony Gold Holdings, L.P. (the "Offeror"). As disclosed in the Composite Document, the Offeror intended to continue the development of the CRMS business of the Group in three ways, namely (i) improvement of infrastructure for the CRMS business; (ii) development of business with existing customers; and (iii) possible development of CRMS business with new customers introduced by the Offeror.

(i) Improvement of infrastructure

Based on the review of the business operation and financial position of the Group, in light of the adverse business environment, the Group intends to defer some of the infrastructure upgrades and business developments in respect of the CRM business until there is more clarity in the market conditions.

With the emergence of "portable number transfer" service and 5G technology, and the gaining momentum in 5G licensing in Hong Kong, the Group will continue to explore cooperation with operators to carry out related sales business projects in the future. The Group is adjusting its approach to identify and explore new business opportunities brought about by new technologies such as artificial intelligence, big data processing and virtualization.

(ii) Development of business with existing and new customers

The Group has continued to provide services to established telecommunications service providers and strive to increase the presence of its CRMS business in the PRC market and the possibility of developing non-telecommunications markets and has been constantly seeking business improvement.

During the first quarter of 2019, the Group has entered into two new contracts to provide telesales services to the Jieyang City Branch and Zhongshan City Branch of China United Network Communications Co., Ltd. (中國聯合網絡通信有限公司).

During the third quarter of 2019, the Group has entered into two new contracts to provide telesales services to the Zhuhai City Branch and Changsha City Branch of China United Network Communications Co., Ltd.. In addition, the Group has entered into a 12-month agreement to provide telesales services to the Guangzhou Branch of China Telecom Corporation Limited (中國電信股份有限公司).

During the fourth quarter of 2019, the Group expanded further to enter into a new contract to provide telesales services to the Huizhou City Branch of China United Network Communications Co., Ltd..

The Group has continued to develop new business initiatives through various projects. During the year under review, the Group operated two new projects for a client in the telecommunications industry. The Group also ran pilot operations for two new projects and operated three other new projects for clients in non-telecommunications industries. For details of such projects, please refer to the paragraphs — "Business Review — Customers in Telecommunications Industry" and "Business Review — Customers in Non-Telecommunications Industries" of this announcement.

(iii) Possible development with new customers introduced by the Offeror

During the year under review, the Group has made major effort in developing the CRMS business with clients in non-telecommunications industries covering:

- Food and Beverage – The Group negotiated with a few food chain stores to provide order hotline, online ordering and other client related services. During the third quarter of 2019, the Group entered into a memorandum of understanding with Hongfu Restaurant Management (Shenzhen) Co., Ltd. (宏福餐飲管理(深圳)有限公司), a wholly owned subsidiary of Best Food Holding Company Limited.

- Healthcare – The Group negotiated with a hospital management company to provide telephone appointment and customer hotline services.

- Media – The Group negotiated with different online shopping and internet service providers and cable TV companies to provide online customer services. During the third quarter of 2019, the Group established early stage commercial contact with a pay TV media in Hong Kong and is in discussion to provide CRM services and mobile communication sales for pay TV members.

- Tourism – The Group commenced negotiation with three tourist companies in mainland China to provide online bookings, booking hotline and client relationship management.

- Insurance – The Group's wholly-owned subsidiary has an insurance agency license issued by the Chinese mainland government, and its business includes online and offline sales. The Group expects to provide specialized telemarketing and online sales services to insurance companies based on big data and artificial intelligence.

- Retail – The banking industry continues to transform and the Group plans to open up the market to the banking industry. At present, the Group has cooperated with a Chinese bank in financial business process outsourcing and will use this as a basis to develop businesses with more banks. The Group made some progress to establish initial commercial contacts with an international bank card financial service provider. The Group will vigorously deepen the sales and support service to banking products by applying artificial intelligence and big data.

Prospects

The Group is committed to enhancing the penetration in the PRC market and exploring the possibility of developing the non-telecommunications market. The Group expects that the launch of the 13th Five-Year Plan will bring new market opportunities and will attract more customers to recognize the importance of the Group's professional services and may cooperate with the Group to reduce operating costs, expand their market and enhance their customers' loyalty management. The Group expects to enter into service agreements with these potential customers.

Within the technologically innovative environment in China, including but not limited to the growth of 4G mobile communications, the rapid development of 5G mobile communication technologies, the popularization of mobile Internet in daily life, the emerging of "smart city" related applications and the "Internet plus" strategy, the Directors expect that there will be more opportunities in the PRC market for the Group to develop its business. Now that the mainland China has entered into the "portable number transfer" and 5G commercial eras, and the gaining momentum in 5G licensing in Hong Kong, the Group will continue to conduct in-depth cooperation with operators to carry out related sales business projects in the future. In addition, the Group has the intellectual property rights of certain artificial intelligence voice technology. As the artificial intelligence application service matures, the Group will also accelerate the pace of applying artificial intelligence technology to CRMS business, thereby increasing service-added value.

In 2020, the Group will continue to identify business opportunities with government departments and companies with operations outside the provinces of Guangdong Province, China. In addition, the Group is leveraging on the Group's resources and applying its knowledge in non-telecommunications industries and is expected to provide CRM services to a large food chain company as well as CRM services and mobile communication sales for pay TV members.

IM BUSINESS

Business Review

After the acquisition of the IM business at the end of November 2018, the Group continued to develop the business by setting up new investment products and establishing new relationships with institutional clients both within and outside mainland China.

The global fund industry enjoyed a positive year in 2019. Most asset classes produced solid returns in the year after a challenging 2018. Markets oscillated around the US-China trade rhetoric but generally maintained their positive momentum. American equity market hit new highs with double-digit gains and China-A shares also rebounded more than twenty percent during the year. Hong Kong equity market produced a weaker gain of nearly 9%. Bond yields plummeted on recession fears resulting in healthy returns for fixed income investors. Oil prices also bounced back from their late-2018 lows. Gold prices also spiked at the height of summer's recession fears and during the low point of the US-China trade talks.

The Group took advantage of favorable market environments in 2019 and launched a number of new funds including global macro fund, global health care funds, China/Hong Kong long-only funds, commodity funds and global fixed income fund. All of these new funds, together with the existing China long-short equity fund and multi-strategy fund, posted good risk-adjusted returns during the year. Throughout the year, the Group continued developing its proprietary algorithm-based methods for asset allocation, manager selection and risk management.

During the year, the Group also successfully expanded the client base. The Group continued to build relationships with mainland financial institutional clients covering mainly banks, insurance companies, securities companies, product distributors and high net worth individuals. The Group targets to step up its fund raising and marketing efforts and is now at a stage ready to cooperate with fund distributors to market our products to raise new fundings. Significant additional investment was received from one of our key banking institutional clients during the review period.

The Group enhanced and automated our operating platform by introducing a series of automation in order to support the daily operations in managing an extended number of products and developing new investment paradigm. These upgrades in technologies will help support our increasing number of product offerings to cater to different clients. The Group has continued to invest efforts in digitizing investment and research data and developing quantitative analytical models to extract information for direct investments and capital allocation.

In parallel to product and strategy development, the Group has continued to develop its operating platform to offer our investors value-added services. The Group remains positive that Hong Kong and China offer attractive long term investment opportunities with limited correlation to other markets and local investment managers with the right expertise required to deliver risk adjusted returns.

Prospects

Based on the Directors' review of the business operation and the financial position of the Group, the Group intends to continue to develop its IM business with a focus on becoming a provider of products, solutions, platform and infrastructure.

1) The Group shall continue building sound track-records for all our products. These fund products generally fall under two broad categories. One category is managed by the Group's portfolio managers. A diverse yet coherent talent pool is essential for our success. We aim to build a career home for talented and entrepreneurial analysts, traders and portfolio managers. The other category is managed by the Group's proprietary quantitative models. These proprietary quantitative models differ from other quantitative models in its focus on screening and ranking ideas rather than underlying assets.

2) The Group shall continue developing its asset allocation models and risk management models. These models, together with our fund products, enable us to provide holistic investment solutions to our clients – with a particular focus on Chinese investors investing into global markets and global investors investing into Chinese markets.

3) The Group shall promote its funds to institutional clients and family offices to extend our client base geographically and increase our assets under management. We will develop our business relationships with financial institutions, mainly banks and insurance companies, product distributors like securities companies, high net worth individuals and large conglomerates, both in China and outside China.

4) The Group shall continue its investment in financial technologies and in our operating platform to enhance our client services, risk management and operations capabilities to support our diversifying set of products and business services.

SDI BUSINESS

Business Review

During the year under review, the Group maintained a healthy financial position. For the first half of 2019, the Group placed most of the cash balances in time deposit bank account ready for deployment for developing both the CRMS and IM businesses. Due to the unfavorable business environment as reported in the CRMS business review section, capital expenditure on the CRMS business was significantly lower than the Group anticipated. Having taking into consideration of the cash requirements of the Group for the next 12 months and the level of cash and cashflow position of the Group at end of second quarter of 2019, the Board considered various alternative investment opportunities, including placing cash as fixed deposit in commercial banks, making investment in securities and investing in external funds as passive investors or in funds set up by GCML, to generate better return on idle cash for the Group. The Group decided to explore in developing our own strategic direct investment initiatives.

SDI is to leverage on the Group's human and physical capital in pursuit of outstanding risk-adjusted returns. This also strategically supports growth of the Group's new business initiatives such as the IM segment. The investments include funds, debt and equity investments and exchange traded funds ("ETF").

The Directors continued to explore ways to improve the efficiency of the use of the funds of the Group by utilising our own resources. The Group has experienced licensed representatives under the Securities and Futures Ordinance (the "SFO") as portfolio managers after completion of acquisition of IM Business last year. Aiming to spread risks, to earn a higher return on investments, to utilise the professional advantages, talent advantages and management advantages of the Group, the Group started to make portfolio investments through the subscription of liquid assets investments including seeding a few funds managed by GCML.

During the third quarter of 2019, the Group subscribed a non-listed pooled investment fund, Prelude Opportunity Fund, LP, for HK$78.0 million. A wholly owned subsidiary of the Group was appointed as sub-advisor to the fund to manage part of the fund's assets. The Board considered the investment generated higher potential return for the Group using an enlarged capital base comparing to limited return on idle cash for the Group. The investment leveraged the talents of human resources of the Group. Please refer to the announcement of the Company dated 1 July 2019 and 14 August 2019 for further details of the investment.

During the fourth quarter of 2019, the Group has injected a certain amount of our own fund under management based on a proprietary asset allocation model developed in-house. It contributed approximately HK$39.0 million and HK$62.4 million to the Goldstream China A Share Equity Fund SP and Goldstream Stable Fixed Income Fund I SP respectively as seed monies.

The Group is deemed to hold controlling interest in both the Goldstream China A Share Equity Fund SP and Goldstream Stable Fixed Income Fund I SP. These two funds invest in China A shares and global fixed income products respectively. All assets and liabilities of these funds are consolidated within the Group's consolidated statement of financial position.

SDI is managed by Goldstream Capital portfolio managers. These managers operate a variety of strategies and investment targets including Greater China long and short position fund, Greater China long position fund, global macro, global healthcare industry stocks and bonds. Our objective is to deliver long-term capital growth to our shareholders by leveraging a diverse yet complementary portfolio of businesses.

As of 31 December 2019, the total subscribed amount of investment the Group made to three investments funds was approximately to HK$179.4 million. The Group did not further invest or early redeem any investment during the year. Coupled with reasonable returns from investment and seed monies, the segment recorded a segment profit of HK$6,879,000, which would recovered the finance costs of discounting of borrowings from a former director amounted to HK$4,048,000. During the year under review, profit was mainly due to the investment return generated from the dividend income amounted to approximately HK$1,636,000 and fair value gains on financial assets through profit and loss amounted to approximately HK$2,511,000 respectively.

Prospects

The Group looks for investment opportunities for the Group to enhance the return on its financial resources as a whole. The Group recognises market instability and volatility, and struck a balance between the risk and return, especially at a time of great uncertainty. Our cautious and balanced allocation among Chinese and global assets, together with diversified strategies investing into different markets, are expected to deliver relatively stable returns to our investments. If we succeed in building a good track record in such a difficult time, we expect to attract more clients for our IM business once the market calms down.

CAPITAL STRUCTURE

As at 31 December 2019, the Group's shareholders' equity was approximately HK$792,942,000 and the total number of shares issued was 11,346,472,321. The Group obtained an unsecured, non-interest bearing loan from a former director, Mr. Li Kin Shing in November 2018 and HK$214,999,000 was drawndown as at 31 December 2019. The loan will mature and repayable in full amount on 29 November 2020. As at 31 December 2019, the gearing ratio (being ratio of total borrowings outstanding less cash and deposits to the sum of total equity and total borrowings) was therefore not applicable.

SIGNIFICANT ACQUISITION, DISPOSAL OR INVESTMENT

The Group did not have any material acquisition and disposal of subsidiaries, associates and joint ventures, and investment during the year under review.

DIVIDENDS

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

DISCLOSURE UNDER CHAPTER 13 OF THE LISTING RULES

The Directors confirmed that they were not aware of any circumstances which would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange during the year under review.

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

During the year ended 31 December 2019, the Company has not redeemed any of its shares, and neither the Company nor any of its subsidiaries has purchased or sold any share of the Company.

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries has redeemed, purchased or cancelled any redeemable securities of the Company.

CORPORATE GOVERNANCE

The Company has committed to maintaining high standards of corporate governance to protect the interests of the shareholders of the Company. The Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules.

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted its own code of conduct which is not more lenient than Appendix 10 of the Listing Rules. Specific enquiry to all Directors has been made and the Company has confirmed that the Directors have complied with the required standard set out in the code of conduct during the year ended 31 December 2019.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers. These figures were the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in respect of this announcement 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 PricewaterhouseCoopers on the preliminary announcement.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in accordance with the requirements of the CG Code. The primary duties of the audit committee are among others, to review and supervise the financial reporting processes and internal control procedures of the Group and to provide advice and comments to the Board accordingly. The audit committee consists of the three independent non-executive Directors of the Company, namely, Mr. Jin Qingjun, Mr. Lee Kin Ping Christophe and Mr. Shu Wa Tung Laurence. Mr. Shu Wa Tung Laurence is chairman of the audit committee.

The audit committee of the Company has reviewed the consolidated results of the Group for the year ended 31 December 2019 and is of the opinion that the consolidated results complied with applicable accounting standards, Listing Rules and that adequate disclosures have been made.

By order of the Board
Goldstream Investment Limited
Zhao John Huan
Chairman

31 March 2020

As at the date of this announcement, the executive directors of the Company are Mr. Zhao John Huan, Dr. Lin Tun, Mr. Yuan Bing and Ms. Li Yin and the independent non-executive directors of the Company are Mr. Jin Qingjun, Mr. Lee Kin Ping Christophe and Mr. Shu Wa Tung Laurence.

This announcement is available for viewing on the website of Hong Kong Exchange and Clearing Limited at http://www.hkex.com.hk under "Latest Listed Companies Information" and at the Company's website at http://www.goldstreaminvest.com.