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大中華金融控股有限公司
GREATER CHINA FINANCIAL HOLDINGS LIMITED
(incorporated in Bermuda with limited liability)

(Stock Code: 431)

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

FINAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021
AND
PROPOSED ADOPTION OF NEW BYE-LAWS

SUMMARY OF RESULTS

The board (the “Board”) of directors (the “Directors”) of Greater China Financial Holdings Limited (the “Company”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	4		
Contracts with customers		280,009	389,887
Interest under effective interest method		4,858	2,433
Total revenue		284,867	392,320
Cost of sales		(122,441)	(279,008)
Gross profit		162,426	113,312
Other income, gains and losses	6	163,848	37,544
Administrative and other operating expenses		(109,561)	(126,060)
Share-based payment expenses		(4,599)	(13)
Provision for financial guarantees		(120,977)	(122,544)
Impairment loss, net of reversal	7	(176,049)	(147,323)
Impairment loss on goodwill		(98,549)	(32,722)
Impairment loss on intangible assets		–	(1,618)
Impairment loss on right-of-use assets		(12,981)	(7,607)
Finance costs	8	(29,244)	(14,226)
Loss before taxation		(225,686)	(301,257)
Income tax credit (expense)	9	23,925	(21,021)
Loss for the year	10	(201,761)	(322,278)

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other comprehensive income (expense), net of tax			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Change in fair value of financial assets at fair value through other comprehensive income		(7,789)	4,353
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		12,177	36,482
Reserves released upon deregistration of subsidiaries		(2)	–
Reserves released upon disposal of a subsidiary		(22)	–
		<u>4,364</u>	<u>40,835</u>
Other comprehensive income for the year		<u>4,364</u>	<u>40,835</u>
Total comprehensive expense for the year		<u>(197,397)</u>	<u>(281,443)</u>
(Loss) profit for the year attributable to:			
Owners of the Company		(202,592)	(335,628)
Non-controlling interests		831	13,350
		<u>(201,761)</u>	<u>(322,278)</u>
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(205,170)	(307,619)
Non-controlling interests		7,773	26,176
		<u>(197,397)</u>	<u>(281,443)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	<i>12</i>		
Basic		<u>(2.61)</u>	<u>(4.61)</u>
Diluted		<u>(2.61)</u>	<u>(4.61)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 HK\$'000	2020 HK\$'000
Non-current assets			
Property, plant and equipment		77,016	83,235
Right-of-use assets		26,369	22,515
Goodwill	13	228,033	326,582
Intangible assets		500	500
Interests in associates		–	–
Financial assets at fair value through other comprehensive income		3,505	11,175
Financial assets at fair value through profit or loss	14	144,513	26,309
Deferred tax assets		49,061	17,402
Deposits	17	1,055	255
		<u>530,052</u>	<u>487,973</u>
Current assets			
Loans and interest receivables	15	342,298	359,938
Trade and other receivables	16	77,609	52,297
Prepayments and deposits	17	101,028	72,496
Loans to and interest receivables from a non-controlling interest		140,531	56,550
Loans to and interest receivables from an associate		1,260	7,562
Financial assets at fair value through profit or loss	14	20,891	35,583
Tax receivables		–	9
Cash held on behalf of clients		807	1,015
Restricted bank deposits		38,188	117,430
Cash and cash equivalents		47,936	90,241
		<u>770,548</u>	<u>793,121</u>
Assets classified as held for sale		–	5,563
		<u>770,548</u>	<u>798,684</u>
Current liabilities			
Trade payables, other payables, deposits received and accruals	18	116,857	169,664
Contract liabilities		162	141
Lease liabilities		5,777	7,922
Liabilities from financial guarantees	19	359,925	231,294
Amount due to non-controlling interests		10,306	9,975
Borrowings	20	63,799	73,046
Tax payables		12,277	6,588
		<u>569,103</u>	<u>498,630</u>
Liabilities associated with assets classified as held for sale		–	4,461
		<u>569,103</u>	<u>503,091</u>
Net current assets		<u>201,445</u>	<u>295,593</u>
Total assets less current liabilities		<u>731,497</u>	<u>783,566</u>

	<i>Notes</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Non-current liabilities			
Lease liabilities		10,992	55
Borrowings	<i>20</i>	178,082	59,380
Convertible notes	<i>21</i>	175,280	161,707
		<u>364,354</u>	<u>221,142</u>
Net assets		<u>367,143</u>	<u>562,424</u>
Capital and reserve			
Share capital	<i>22</i>	7,776	7,775
Reserves		140,424	340,902
		<u>148,200</u>	<u>348,677</u>
Equity attributable to owners of the Company		148,200	348,677
Non-controlling interests		218,943	213,747
		<u>367,143</u>	<u>562,424</u>
Total equity		<u>367,143</u>	<u>562,424</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

The Company was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the Company's registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM10, Bermuda and its principal place of business in Hong Kong is Suites 3612-16, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong.

The Group is principally engaged in investment holding, industrial property development, general trading of consumable goods and loan financing operation including loan financing, financial guarantee services, loan referral and consultancy services.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Disclosure of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKFRS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²
Amendments to HKFRS 3, HKAS16 and HKAS 37	Narrow-scope amendments ²
Accounting Guideline 5 (revised)	Merger Accounting for Common Control Combinations ²
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³

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

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

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

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

4. REVENUE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue from contracts with customers:		
Sales of goods	394	17,517
Warehouse storage income	13,656	11,279
Income from loan financing business		
– Loan referral and consultancy services fee	87,314	52,974
– Guarantee fee income from financial guarantees	170,213	302,649
Income from securities brokerage business		
– Commission income from securities dealing	29	60
– Commission income from underwriting	2	3
Commission income from insurance brokerage	2,842	4,641
Commission income from asset management	201	43
Advertising income	5,358	721
	<u>280,009</u>	<u>389,887</u>
Revenue from interest under effective interest method:		
Income from loan financing business		
– Interest income from loans receivables	4,858	2,427
Income from securities brokerage business		
– Interest income from margin financing	–	6
	<u>4,858</u>	<u>2,433</u>
Total revenue	<u><u>284,867</u></u>	<u><u>392,320</u></u>

5. SEGMENT INFORMATION

The Group's operations are organised into securities brokerage, asset management, insurance brokerage, loan financing, industrial property development business and general trading. Information reported to the chief operating decision maker ("CODM") for the purpose of resources allocation and assessment of segment performance is prepared on such basis. During the year ended 31 December 2021, management has revisited the reportable segments and the Group's internal reporting by managing its business. After considering the future strategic plan, the Group has identified the following four reportable segments. The corresponding segment information for the year ended 31 December 2020 have been restated. The securities brokerage segment, asset management segment and insurance brokerage segment as disclosed in the last year have been restated into the others segment:

- Industrial property development segment represents the operation of a warehouse in the People's Republic of China (the "PRC").
- General trading segment includes trading of consumable goods in the PRC.

- Loan financing (I) segment represents the provision of financial guarantee, loan financing, loan referral and consultancy services in Hong Kong and Beijing.
- Loan financing (II) segment represents the provision of micro-financing, loan referral and consultancy services in Ningbo.
- Others segment represents the operation of securities brokerage, margin financing, provision of asset management services and provision of insurance brokerage and agency service in Hong Kong and advertising service in the PRC.

Segment revenues and results

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

For the year ended 31 December 2021

	Industrial property development <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Loan financing (I) <i>HK\$'000</i>	Loan financing (II) <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
SEGMENT REVENUE						
Recognised at a point in time	-	-	15,311	672	3,468	19,451
Recognised over time	13,656	-	170,213	71,331	5,358	260,558
Recognised from other source	-	-	-	4,858	-	4,858
	<u>13,656</u>	<u>-</u>	<u>185,524</u>	<u>76,861</u>	<u>8,826</u>	<u>284,867</u>
SEGMENT RESULTS	<u>(4,716)</u>	<u>(354)</u>	<u>(128,150)</u>	<u>(82,924)</u>	<u>(3,199)</u>	<u>(219,343)</u>
Impairment loss on goodwill	-	-	-	(98,549)	-	(98,549)
Unallocated corporate income						24,352
Unallocated corporate expenses						(26,616)
Unallocated finance costs						(14,016)
Unallocated fair value change on financial assets at fair value through profit or loss						119,419
Unallocated impairment loss on right-of-use assets						(6,334)
Share-based payment expenses						<u>(4,599)</u>
Loss before taxation						(225,686)
Income tax credit						<u>23,925</u>
Loss for the year						<u><u>(201,761)</u></u>

For the year ended 31 December 2020

	Industrial property development <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Loan financing (I) <i>HK\$'000</i>	Loan financing (II) <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
SEGMENT REVENUE						
Recognised at a point in time	–	15,093	35,191	334	7,171	57,789
Recognised over time	11,279	–	302,649	17,449	721	332,098
Recognised from other source	–	–	138	2,289	6	2,433
	<u>11,279</u>	<u>15,093</u>	<u>337,978</u>	<u>20,072</u>	<u>7,898</u>	<u>392,320</u>
SEGMENT RESULTS						
	<u>(7,372)</u>	<u>(9,451)</u>	<u>(201,289)</u>	<u>(1,464)</u>	<u>(3,869)</u>	<u>(223,445)</u>
Impairment loss on goodwill	–	–	(25,955)	–	(6,767)	(32,722)
Unallocated corporate income						8,883
Unallocated corporate expenses						(50,179)
Unallocated finance costs						(6,250)
Unallocated fair value change on financial assets at fair value through profit or loss						6,974
Unallocated impairment loss on right-of-use assets						(5,000)
Fair value change on contingent consideration receivables						495
Share-based payment expenses						<u>(13)</u>
Loss before taxation						(301,257)
Income tax expense						<u>(21,021)</u>
Loss for the year						<u><u>(322,278)</u></u>

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

Segment assets and liabilities

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

At 31 December 2021

	Industrial property development <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Loan financing (I) <i>HK\$'000</i>	Loan financing (II) <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
ASSETS						
Segment assets	102,459	26,328	297,237	464,638	10,367	901,029
Goodwill	–	–	–	228,033	–	228,033
Unallocated cash and cash equivalents						625
Unallocated property, plant and equipment						261
Unallocated other receivables, prepayments and deposits						1,743
Unallocated financial assets at fair value through other comprehensive income						3,505
Unallocated financial assets at fair value through profit or loss						165,404
Consolidated total assets						<u>1,300,600</u>
LIABILITIES						
Segment liabilities	64,491	24,648	429,038	217,162	3,807	739,146
Unallocated other payables						2,190
Unallocated lease liabilities						6,535
Unallocated amount due to non-controlling interests						10,306
Unallocated convertible notes						175,280
Consolidated total liabilities						<u>933,457</u>

At 31 December 2020

	Industrial property development <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Loan financing (I) <i>HK\$'000</i>	Loan financing (II) <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
ASSETS						
Segment assets	104,247	27,703	438,017	293,204	16,573	879,744
Goodwill	–	–	–	326,582	–	326,582
Unallocated cash and cash equivalents						7,299
Unallocated property, plant and equipment						177
Unallocated other receivables, prepayments and deposits						4,428
Unallocated financial assets at fair value through other comprehensive income						2,909
Unallocated financial assets at fair value through profit or loss						59,955
Unallocated assets classified as held for sale						<u>5,563</u>
Consolidated total assets						<u><u>1,286,657</u></u>
LIABILITIES						
Segment liabilities	72,637	6,092	370,972	87,099	3,991	540,791
Unallocated other payables						1,898
Unallocated lease liabilities						5,401
Unallocated amount due to non-controlling interests						9,975
Unallocated convertible notes						161,707
Unallocated liabilities associated with assets classified as held for sale						<u>4,461</u>
Consolidated total liabilities						<u><u>724,233</u></u>

6. OTHER INCOME, GAINS AND LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Fair value change on:		
Contingent consideration receivables	–	495
Financial assets at fair value through profit or loss	119,354	7,052
Interest income from:		
Bank deposits	288	279
Other loans	9,442	13,094
Loans to a non-controlling interest	23,381	7,640
Loans to an associate	59	1,125
Investment income	192	130
Net realised loss on disposal of financial assets at value through profit or loss	(145)	(579)
Gain on disposal of property, plant and equipment	250	–
Loss on write-off of property, plant and equipment	(118)	–
Gain on disposal of a subsidiary (<i>Note 23</i>)	1,492	–
Gain on lease modification	640	–
Loss on termination of a lease arrangement	(308)	–
Net foreign exchange gain	226	32
Service fee income	628	1,076
Management service income	39	4,567
Bad debts recovered	7,337	–
Sundry income	492	368
Government subsidy	599	2,265
	<u>163,848</u>	<u>37,544</u>

7. IMPAIRMENT LOSSES, NET OF REVERSAL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Impairment loss (reversal of impairment loss) recognised on:		
– Trade receivables and other receivables	127,169	28,626
– Loans and interest receivables	51,459	113,594
– Other deposits	(248)	9,337
– Loans to and interest receivables from a non-controlling interest	68	(7)
– Loans to and interest receivables from an associate	(2,399)	(4,227)
	<u>176,049</u>	<u>147,323</u>

Note:

The impairment assessment by the directors of the Company is based on historical observed default rates and forward-looking information that is available without undue cost or effort as well as the fair value of the collaterals pledged by the customers which is consistent with last year.

8. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Effective interest on convertible notes	13,573	5,389
Imputed interest on deferred consideration	–	147
Interest on lease liabilities	1,100	1,009
Interest on bank loans	6,421	6,212
Interest on other loans	8,150	1,469
	<u>29,244</u>	<u>14,226</u>

9. INCOME TAX (CREDIT) EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
PRC Enterprise Income Tax	5,618	2,706
Under (over) provision in prior years:		
PRC Enterprise Income Tax	1,540	(2)
Deferred tax:		
Current year	(31,083)	18,317
	<u>(23,925)</u>	<u>21,021</u>

Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made as the Group's subsidiaries in Hong Kong have no estimated assessable profits for the years ended 31 December 2021 and 2020.

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

Under the Law of the PRC on Enterprises Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the applicable PRC EIT rate of the Group's PRC subsidiaries is 25% for both years.

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

10. LOSS FOR THE YEAR

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Amortisation of intangible assets (included in administrative and other operating expense)	–	255
Auditor's remuneration		
–audit services	1,450	1,450
–other services	400	400
Cost of inventories recognised as expenses	102	16,169
Depreciation of right-of-use assets	4,907	15,112
Depreciation of property, plant and equipment	9,764	11,215
Lease payments for short-term lease not included in the measurement of lease liabilities	539	–
Staff costs (including directors' emoluments)	<u>49,311</u>	<u>42,759</u>

11. DIVIDENDS

No dividend was paid, declared or proposed during the year ended 31 December 2021. The directors of the Company did not recommend the payment of dividend in respect of the year ended 31 December 2021 (2020: nil).

12. LOSS PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss		
Loss for the year attributable to owners of the Company for the purpose of basic loss and diluted loss per share	<u>(202,592)</u>	<u>(335,628)</u>
	2021 <i>'000</i>	2020 <i>'000</i>
Number of shares		
Weighted average number of ordinary shares	<u>7,775,723</u>	<u>7,281,808</u>

The calculation of basic loss per share is based on the loss attributable to owners of the Company, and the weighted average number of shares of approximately 7,775,723,000 ordinary shares (2020: 7,281,808,000) in issue.

Diluted loss per share for the year ended 31 December 2021 and 2020 did not assume the exercise of the outstanding share options since this would result in a decrease in loss per share. No adjustment was made in calculating diluted loss per share for the year ended 31 December 2021 and 2020 as conversion of convertible notes would result in a decrease in loss per share. Accordingly, the diluted loss per share is the same as the basic loss per share.

13. GOODWILL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost		
Balance at beginning of the year	492,354	165,772
Arising on acquisition of subsidiaries	–	326,582
	<hr/>	<hr/>
Balance at end of the year	492,354	492,354
	<hr/>	<hr/>
Accumulated impairment losses		
Balance at beginning of the year	165,772	133,050
Impairment loss recognised for the year	98,549	32,722
	<hr/>	<hr/>
Balance at end of the year	264,321	165,772
	<hr/>	<hr/>
Carrying amount		
Balance at end of the year	228,033	326,582
	<hr/> <hr/>	<hr/> <hr/>

Note:

For the purpose of impairment assessment on carrying amount of goodwill allocated to micro-financing and financing referral cash generating units (“Tobacco Financing CGU”), the directors of the Company has determined that an impairment loss of HK\$98,549,000 was recognised during the year ended 31 December 2021 (2020: HK\$Nil). There were no material changes in the methodology, source of market data and assumptions applied in the valuation performed by the independent valuer. The directors of the Company revised the carrying amount of Tobacco Financing CGU downwards based on cashflow forecasts.

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Unlisted investments funds		4,866	19,959
Early redemption option on convertible notes	<i>21</i>	16,025	15,380
Profit guarantee and incentive payment	<i>(i)</i>	144,513	26,309
Unlisted trust fund		<u>–</u>	<u>244</u>
		<u>165,404</u>	<u>61,892</u>
Analysed for reporting purposes as:			
Current assets		20,891	35,583
Non-current assets		<u>144,513</u>	<u>26,309</u>
		<u>165,404</u>	<u>61,892</u>

Note:

- (i) The balance represents the profit guarantee and incentive payment in relation to the acquisition of Xin Yunlian Investment Limited (“Xin Yunlian”) and its subsidiaries and associates (“Xin Yunlian Group”). Pursuant to the sales and purchase agreement and supplementary agreement, the vendor and vendor guarantor guaranteed to the indirectly wholly-owned subsidiary of the Company that if the aggregate audited net profit after tax attributable to the Company of Xin Yunlian Group for the five years ending 31 December 2024 (the “Actual Profit”), is less than RMB153,000,000 (the “Guaranteed Profit”), the vendor and vendor guarantor will compensate the Company for the shortfall for an amount equivalent to the difference between the Guaranteed Profit and the Actual Profit multiplied by 1.2 times, the Company shall have the right to deduct the shortfall from the respective convertible notes at maturity date; or if in the event that the Actual Profit (subject to a cap of RMB612 million) exceeds the Guaranteed Profit, the Company agreed to issue to the vendor additional convertible notes equivalent to the difference between Guaranteed Profit and Actual Profit multiplied by 0.2 times to 0.8 times based on the Actual profit, to settle the incentive payment or pay the vendor in cash.

During the year ended 31 December 2021, the fair value change of HK\$118,204,000 (2020: HK\$1,184,000) was recognised in profit or loss.

15. LOANS AND INTEREST RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Other loans (<i>Note</i>)	565,263	513,052
Less: Impairment allowance	<u>(222,965)</u>	<u>(153,114)</u>
	<u>342,298</u>	<u>359,938</u>

Note:

Other loans are loans denominated in RMB made to independent third parties, of which approximately HK\$282,106,000 (2020: HK\$254,510,000) are secured and bear interest rates ranging from 5% to 6% (2020: 5% to 6%) per annum, and approximately HK\$283,157,000 (2020: HK\$258,542,000) are unsecured and bear interest rates ranging from 6% to 24% (2020: 6% to 24%) per annum.

An ageing analysis of loans and interest receivables net of impairment allowance as at the end of the reporting period, based on the payment due date, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
No past due	268,638	289,183
Less than 1 month past due	3,028	415
1 to 3 months past due	–	681
3 to 6 months past due	–	41,568
6 months to less than 1 year past due	27,785	18,586
More than 1 year past due	<u>42,847</u>	<u>9,505</u>
	<u>342,298</u>	<u>359,938</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Balance at beginning of the year	153,114	19,282
Addition through acquisition of subsidiaries	–	19,050
Amounts recognised during the year	56,515	114,101
Amounts reversed during the year	(5,056)	(507)
Amounts recognised for credit-impaired loans (Note)	13,326	–
Exchange realignment	5,066	1,188
	<u>222,965</u>	<u>153,114</u>

Note:

The amount represents the increase in impairment allowance for credit-impaired loans as a result of the increase in their gross carrying amount due to the passage of time.

16. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables from:		
Loan referral and consultancy services (<i>Note a</i>)	23,993	44,574
Financial guarantee services (<i>Note b</i>)	43,328	21,744
Insurance brokerage commission (<i>Note c</i>)	57	45
Asset management fee (<i>Note d</i>)	77	5
Advertising service fee (<i>Note e</i>)	9	321
	<u>67,464</u>	<u>66,689</u>
Less: Impairment allowance	(40,375)	(26,681)
	<u>27,089</u>	<u>40,008</u>
Other receivables (<i>Note f</i>)	150,738	21,378
Less: Impairment allowance	(100,218)	(9,089)
	<u>50,520</u>	<u>12,289</u>
Total trade and other receivables	<u>77,609</u>	<u>52,297</u>

Notes:

- (a) The normal settlement terms of trade receivables from loan referral and consultancy services are within 30 days upon the contractual obligation being performed.
- (b) The normal settlement terms of trade receivables from financial guarantee services are mainly within 60 to 90 days upon the contractual obligation being performed.
- (c) The normal settlement terms of trade receivables from product issuers arising from the provision of insurance brokerage commission are mainly within 45 to 60 days upon the execution of the insurance policies and/or receipt of statements from product issuers.

- (d) Credit terms granted to customers of asset management fee are within 30 days or as mutually agreed between the contracting parties.
- (e) The normal settlement terms of trade receivables from advertising service fee are mainly within 30 days upon the contractual obligation being performed.
- (f) Included in other receivables were default payment receivables of HK\$144,092,000 (2020: HK\$16,561,000) in relation to loan financing operations.

An ageing analysis of trade receivables net of impairment allowance as at the end of the reporting period, based on the invoice date, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	9,723	10,560
31 – 60 days	1,998	2,174
61 – 90 days	2,125	1,477
Over 90 days	13,243	25,797
	<u>27,089</u>	<u>40,008</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Balance at beginning of the year	26,681	6,213
Addition through acquisition of subsidiaries	–	378
Amounts recognised during the year	36,595	21,160
Amounts reversed during the year	(255)	(1,479)
Amounts written-off during the year	(23,528)	–
Exchange realignment	882	409
	<u>40,375</u>	<u>26,681</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Balance at beginning of the year	9,089	130
Addition through acquisition of subsidiaries	–	6
Amounts recognised during the year	91,310	9,035
Amounts reversed during the year	(481)	(90)
Exchange realignment	300	8
	<u>100,218</u>	<u>9,089</u>

17. PREPAYMENTS AND DEPOSITS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Prepayments (<i>Note a</i>)	24,764	3,763
Rental and utilities deposits	1,555	4,492
Statutory deposits	255	255
Other deposits (<i>Note b</i>)	85,215	73,876
	<hr/>	<hr/>
	111,789	82,386
Less: Impairment allowance	(9,706)	(9,635)
	<hr/>	<hr/>
Total prepayments and deposits	102,083	72,751
	<hr/>	<hr/>
Analysed for reporting purposes as:		
Current assets	101,028	72,496
Non-current assets	1,055	255
	<hr/>	<hr/>
	102,083	72,751
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (a) Included in the prepayment, balance of HK\$20,929,000 (2020: HK\$Nil) represents prepaid data collection service expenses paid to an associate for loan financing business.
- (b) As at 31 December 2021, other deposits mainly consist of deposits paid to co-operators in relation to the Group's guarantee and trading business, which amounted to HK\$84,339,000 (2020: HK\$73,718,000).

The movements in impairment allowance on deposits are as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Balance at beginning of the year	9,635	280
Amounts recognised during the year	428	9,346
Amounts reversed during the year	(676)	(9)
Exchange realignment	319	18
	<hr/>	<hr/>
Balance at end of the year	9,706	9,635
	<hr/> <hr/>	<hr/> <hr/>

18. TRADE PAYABLES, OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables from:		
Business of dealing in securities: <i>(Note a)</i>		
– Cash clients	346	432
– Margin clients	425	641
Insurance brokerage service <i>(Note b)</i>	227	238
	<hr/>	<hr/>
Total trade payables	998	1,311
	<hr/>	<hr/>
Accrued expenses	18,398	12,510
Deposits received <i>(Note c)</i>	71,605	123,410
Other payables	25,856	32,433
	<hr/>	<hr/>
Total other payables, deposits received and accruals	115,859	168,353
	<hr/>	<hr/>
Total trade payables, other payables, deposits received and accruals	<u>116,857</u>	<u>169,664</u>

Notes:

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

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

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

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

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

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 30 days	88	118
31 – 60 days	5	1
61 – 90 days	15	12
Over 90 days	119	107
	<u>227</u>	<u>238</u>

- (c) Included in deposits received was an amount of HK\$56,955,000 (2020: HK\$110,873,000) which was received from customers or third parties as collateral security for the financial guarantees issued by the Group. These deposits will be refunded to the customers or third parties upon expiry of the corresponding guarantee contracts. According to the contracts, these deposits are expected to be settled within one year.

19. LIABILITIES FROM FINANCIAL GUARANTEES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Deferred income	8	8
Provision for guarantee losses	359,917	231,286
	<u>359,925</u>	<u>231,294</u>

20. BORROWINGS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank loans (<i>Note a</i>)	119,010	109,259
Other loans (<i>Note b</i>)	122,871	23,167
	<u>241,881</u>	<u>132,426</u>
Carrying amount repayable:		
Within one year	63,799	73,046
More than one year, but not exceeding two years	144,342	11,876
More than two years, but not more than five years	33,740	47,504
	<u>241,881</u>	132,426
Less: Amounts shown under current liabilities	<u>(63,799)</u>	<u>(73,046)</u>
	<u>178,082</u>	<u>59,380</u>

Notes:

- (a) The bank loans of RMB70,000,000 (approximately HK\$85,883,000) are secured by the pledge of the Group's assets as set out in Note 24 which carry effective interest rates of 4.95% to 6.37% (2020: 4.95% to 6.37%) per annum. The remaining bank loan of RMB27,000,000 (approximately HK\$33,127,000) bearing interest at fixed rate of 7.5% (2020: 7.5%) per annum, is guaranteed by a non-wholly-owned subsidiary, a director of a non-wholly-owned subsidiary of the Group and secured by a property provided by an independent third party, and is repayable within one year.
- (b) The other loans bear interest at fixed rates ranging from 10% to 10.55% (2020: 10% to 10.55%) per annum and are unsecured.

21. CONVERTIBLE NOTES

Pursuant to the sale and purchase agreement and the supplementary agreement for the acquisition of Xin Yunlian Group, convertible notes with principal amounts of HK\$200,000,000 at conversion price of HK\$1.00 was issued to the vendor of Xin Yunlian Group on 31 July 2020.

The convertible notes contains three components, liability, equity and the derivative components – redemption option.

The carrying amounts of convertible notes recognised at the end of the reporting period were calculated as follows:

	Convertible Notes HK\$'000
Equity component	
At the date of issuance	53,452
Liability component	
At the date of issuance	156,318
Effective interest expenses	5,389
At 31 December 2020	161,707
Effective interest expenses	13,573
At 31 December 2021	175,280
Derivative component	
At the date of issuance	(9,770)
Gain on fair value change	(5,610)
At 31 December 2020	(15,380)
Gain on fair value change	(645)
At 31 December 2021	(16,025)
Principal amount, at 31 December 2021 and 2020	200,000

22. SHARE CAPITAL

	Number of shares '000	Nominal amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 each		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	2,109,890,000	2,109,890
Preference shares of HK\$0.001 each		
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	110,000	110
Issued and fully paid:		
Ordinary shares of HK\$0.001 each		
At 1 January 2020	6,924,077	6,924
Issuance of shares upon acquisition of subsidiaries (<i>Note a</i>)	850,000	850
Exercise of share options (<i>Note b</i>)	1,280	1
At 31 December 2020, 1 January 2021	7,775,357	7,775
Exercise of share options (<i>Note b</i>)	500	1
At 31 December 2021	7,775,857	7,776

Notes:

- (a) Pursuant to the agreements in respect of the acquisition of Xin Yunlian Group, 800,000,000 new shares and 50,000,000 new shares of HK\$0.001 each at an issued price of HK\$0.200 per share were issued and allotted to the vendor and the consultant respectively upon completion of the acquisition on 31 July 2020.

The fair value of shares allotted to the vendor and the consultant are approximately HK\$146,408,000 and HK\$4,446,000 respectively.

- (b) On 9 December 2020, upon the exercise of the share options at an exercise price of HK\$0.188 per share, the Company allotted and issued 1,280,000 new shares of HK\$0.001 each.

On 9 April 2021, upon the exercise of the share options at an exercise price of HK\$0.188 per share, the Company allotted and issued 500,000 new shares of HK\$0.001 each.

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

23. DISPOSAL OF A SUBSIDIARY

Pursuant to the share transfer agreement dated 27 January 2020, the Group disposed of its 60% equity interest in Hangzhou Zheng Pin Zheng Yuan Network Technology Company Limited, an indirect non-wholly owned subsidiary of the Group, to an independent third party of the Group, Hangzhou Songsen Gaozheng Technology Company Limited, for nil consideration. The disposal was completed on 10 March 2021. The carrying amounts of the assets and liabilities on the dates of disposal were as follows:

	For the year ended 31 December 2021 HK\$'000
Analysis of assets and liabilities over which control was lost:	
Inventory	23
Other receivables, prepayment and deposits	5,503
Cash and bank balances	62
Amount due to a subsidiary of the Group	(3,579)
Trade and other payables	(902)
	<hr/>
Net assets disposed of	1,107
	<hr/>
Gain on disposal of a subsidiary:	
Net assets disposed of	(1,107)
Non-controlling interest derecognised	2,577
Reserve released upon disposal of a subsidiary	22
	<hr/>
Gain on disposal	1,492
	<hr/> <hr/>

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	<i>HK\$'000</i>
Cash and bank balances disposed of	(62)
	<hr/>
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(62)
	<hr/> <hr/>

The subsidiary disposed of during the year did not contribute significantly to the revenue, operating results or cash flows of the Group for the year ended 31 December 2021.

24. PLEDGE OF ASSETS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Property, plant and equipment	72,755	79,087
Right-of-use assets – leasehold lands in the PRC	22,485	22,515
	<u>95,240</u>	<u>101,602</u>

25. GUARANTEE ISSUED

At 31 December 2021, the total maximum amount of financial guarantees issued was RMB2,011,431,000 (approximately HK\$2,467,825,000) (2020: RMB2,305,928,000 (approximately HK\$2,738,521,000)). The total maximum amount of financial guarantees issued represents the maximum potential loss amount that would be recognised if counterparties failed completely to perform as contracted.

26. CONTINGENT ASSETS AND LIABILITIES

The Group had no significant contingent assets or liabilities as at 31 December 2021 and 2020 other than those described in Note 25.

27. EVENTS AFTER THE REPORTING PERIOD

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND PROSPECT

The Group is principally engaged in investment holding, industrial property development, general trading and loan financing operations including the provision of loan financing, financial guarantee services, loan referral and consultancy services.

During the year ended 31 December 2021 (“FY2021”) the Group’s management considered the future strategic plan of the Group and adjusted and identified the following reportable segments. The Group’s securities brokerage segment, insurance brokerage segment and the asset management segment as disclosed in last year have been restated into the others segment. The segment revenue and results of the Group for FY2021 are stated in the table below:

	For the year ended 31 December	
	2021	2020
	HK\$’000	HK\$’000
Segment Revenue from:		
Industrial property development	13,656	11,279
General trading	–	15,093
Loan financing I (<i>Note 1</i>)	185,524	337,978
Loan financing II (<i>Note 2</i>)	76,861	20,072
Others	8,826	7,898
	<u>284,867</u>	<u>392,320</u>
Segment (loss) profit from:		
Industrial property development	(4,716)	(7,372)
General trading	(354)	(9,451)
Loan financing I (<i>Note 1</i>)	(128,150)	(201,289)
Loan financing II (<i>Note 2</i>)	(82,924)	(1,464)
Others	(3,199)	(3,869)
	<u>(219,343)</u>	<u>(223,445)</u>

Note 1: Loan financing I represents the provision of loan financing, financial guarantees, loan referral and consultancy services in Hong Kong and Beijing.

Note 2: Loan financing II represents the provision of micro-financing, loan referral and consultancy services in Ningbo.

Industrial property development

Revenue from the segment mainly represents warehouse storage income generated from warehouse operation. The Group's warehouse is located in Taicang, Jiangsu Province, the PRC. It is divided into six units and the total area is approximately 48,600 square meters. Revenue from the warehouse operation recorded an increase of HK\$2,377,000 from approximately HK\$11,279,000 for the year ended 31 December 2020 ("FY2020") to approximately HK\$13,656,000 for FY2021. Resulted in an improvement to the segment loss to approximately HK\$4,716,000 for FY2021 from segment loss of approximately HK\$7,372,000 for FY2020. The average occupancy rate of the Group's warehouse during the year was 86% and was primarily used as storage of electric power tools and consumer products by our customers.

In 2021, China's economy continues to recover steadily, and its economic development and the prevention and control of the novel coronavirus epidemic (the "COVID-19 pandemic") maintain its leading position in the world, with a number of major indicators reaching the expected targets. For example, GDP in 2021 increased by 8.1% as compared with 2020. Therefore, in the fourth quarter of 2021, the occupancy rate of the warehouse has reached 100%. The management of the Group is very confident that the occupancy rate of the warehouse can be maintained a high level of occupancy in 2022.

General Trading

Since 2016, the liquors industry in the PRC has been in a state of shrinking volume and increasing prices during the process of continuous decline in production. The trend of market concentration has become more and more obvious. The revenue and profit of the Group's liquor trading have dropped significantly in the past two years. Therefore, during FY2021, the Group has been realigning its business segment and shifting its focus from low profit margin business segments to the core segment, loan financing. As a result, the Group did not record any sales revenue in liquors trading for FY2021 (FY2020: approximately HK\$15,093,000). The segment recorded a loss of approximately HK\$354,000 for FY2021 (FY2020: segment loss of approximately HK\$9,451,000).

The management is monitoring the liquors industry closely and will decide if the business segment is still necessary for the Group as a whole in 2022.

Loan Financing I

The Group's loan financing I services comprise the provision of loan financing, financial guarantees, loan referral and consultancy services in Hong Kong and Beijing. Revenue from the segment for FY2021 was approximately HK\$185,524,000 (FY2020: approximately HK\$337,978,000), resulted in a segment loss of approximately HK\$128,150,000 (FY2020: segment loss of approximately HK\$201,289,000). The decrease in segment revenue was mainly due to the decrease in the number of asset partners and the percentage of the guarantee service fee in FY2021. The segment loss was mainly due to the provision against the outstanding guarantees issued and impairment loss on loans and interest receivables, trade receivables and right-of-use assets as some of the Group's customers were affected by the COVID-19 pandemic.

Loan Financing Business in Beijing

During 2021, as more people in China have received COVID-19 vaccine and people's daily life would resume normal, the economy in China should record a substantial boost. Due to the new waves of COVID-19 outbreak in many countries, much international trade and tourism industries have been severely hit. Micro, small and medium-sized enterprises and individuals will be the economic drivers of the recovery for domestic consumption and capital investment. The Group will leverage its strength in the market and the opportunity from the loan financing business in Ningbo which has expanded the Group's business scope to provide support for its customers. The Group will continue to seize the opportunities of the reshuffling of companies in the industry, improved industry supervision, and increasing customer capital demand, continue to optimize iterative products, upgrade risk control strategies and tools, and provide better services for customers.

Loan Financing Business in Hong Kong

The Group's loan financing operation in Hong Kong is mainly the provision of mortgage loan. There were no new loan drawdown for FY2021, and no outstanding loan as at 31 December 2021 and 2020. The Group will continue to implement a prudent strategy with stringent internal loan management system in the loan financing operation in Hong Kong to identify suitable high net worth customers through its business partnership such as loan referral agents.

Loan Financing II

The Group's loan financing II services comprise the provision of micro-financing, loan referral and consultancy services in Ningbo, the PRC. Revenue from the segment for FY2021 was approximately HK\$76,861,000 (FY2020: approximately: HK\$20,072,000), resulted in a segment loss of approximately HK\$82,924,000 (FY2020: HK\$1,464,000).

The segment loss was mainly due to the impairment loss on loans and interest receivables and trade and other receivables recognised for FY2021, as some customers were affected by the slow recovery of economy after the COVID-19 pandemic.

The acquisition of Xin Yunlian Investment Limited ("Xin Yunlian") and its subsidiaries and associated company (collectively, Xin Yunlian Group") was completed on 31 July 2020. The major activities of Xin Yunlian Group are the operation of an e-commerce platform and the provision of financial services (including micro-financing and loan referral operations) and advertising business. All operations are targeted to the 5.6 million tobacco retailers in the PRC. As at 31 December 2021, there were approximately 4.7 million tobacco retailers registered on the e-commerce platform of Xin Yunlian Group. The above acquisitions have already created synergies in FY2021, the Group leveraged its knowledge, expertise, experience and financial resources in China loan financing business to guide and enable Xin Yunlian Group to provide loan financing business for tobacco retailers. The combined network of client base and financial institutions covered by the Group is expected to form a stronger platform for cross selling and achieve growth in the loan referral business and the small and micro enterprises finance business. In addition, the profit guarantee of not less than RMB153 million (equivalent to approximately HK\$168 million) for the five years ending 31 December 2024 will also provide a positive impact on the financial position of the Group as a whole in the years ahead.

Business Model

網新新雲聯金融信息服務(浙江)有限公司 (Wangxin Xin Yunlian Financial Information Service (Zhejiang) Company Limited*, “Xin Yunlian Financial”) is the exclusive financial service provider of 中煙新商盟電子商務有限公司 (Zhongyan Xin Shangmeng E-commerce Limited*, “Zhongyan E-commerce”). Xin Yunlian Financial is a wholly-owned subsidiary of 浙江新雲聯雲科技有限公司 (Zhejiang Xin Yunlian Cloud Technology Company Limited*), which is indirectly controlled as to 51% by Xin Yunlian. Zhongyan E-commerce is owned as to 49% by 浙江新雲聯數字科技有限公司 (Zhejiang Xin Yunlian Digital Technology Company Limited*), which is owned as to 51% by Xin Yunlian. Zhongyan E-commerce share its E-commerce platforms with Xin Yunlian Financial to publishes notices and make publicity to over 4.7 million registered tobacco retailers. In addition, Xin Yunlian Financial also use the official accounts and other new media platforms as well as through tobacco monopoly administration at province and city levels to promote their service to customers. With the authorization of registered users of the e-commerce platform, Xin Yunlian Financial can access the readily available customer database. The Group also provides financial service to qualified tobacco retailer customers in need that are identified through telephone marketing or site visiting.

The services provided by Xin Yunlian Financial include the referral of potential borrowers for loan services to financial institutions with a focus on retailers licensed to distribute tobacco products in the PRC. Considering the financial needs of tobacco retailers in making tobacco orders, store improvement and other operating matters, Xin Yunlian Financial has launched a tobacco credit loan service, through which the tobacco retailers can apply for credit loan on-line with their tobacco retail license. Target clients can directly contact Xin Yunlian Financial through the e-commerce platform, WeChat official account, customer service hotline and Xin Yunlian Financial mobile application to inquire about loan services.

After a review of the funding needs of potential borrowers and a preliminary assessment of their credit profile, Xin Yunlian Financial will refer the potential borrowers to appropriate banks for suitable financial products. The banks in cooperation with Xin Yunlian Financial will, based on their respective concerns, mitigate credit risks in further by assessing such potential borrowers. For the customers passing risk assessment, those banks will remit loans to the account designated by the borrowers. Since credit risk is the main risk inherent in the financial services business, with the support of the e-commerce platform, Xin Yunlian Financial based on a real and verifiable transaction scenario of a tobacco retailer can have the ability to effectively manage and supervise the credit risk of potential borrowers to be referred by them to financial institutions.

In terms of loan transactions through referral, Xin Yunlian Financial, as an intermediary agency, will charge the banks or borrowers referral fees.

During FY2021, Xin Yunlian Financial continued to cooperate with regional banks in the PRC to provide funding to the potential borrowers. The loan products are mainly one-year credit loan and repayable by instalment. The interest rate ranges from 4.8% to 24% per annum depending on the credit assessment of each individual borrower. A referral fee of approximately 3% is charged by Xin Yunlian Financial depending on the terms of the banks.

From a regional perspective, the top ten provinces with the largest business scale are Guangdong Province, Guizhou Province, Hunan Province, Henan Province, Shaanxi Province, Jiangsu Province, Yunnan Province, Hubei Province, Sichuan Province and Guangxi Zhuang Autonomous Region.

Policy

In his written speech at the opening ceremony of the Annual Conference of Financial Street Forum 2021, Vice Premier Liu He pointed out that under the leadership of the CPC Committee and the State Council, in promoting economic growth, the financial system should focus on maintaining stable employment, meeting basic living needs and keeping market entities afloat. It should do a good job in the adjustment of monetary policy, keeping it flexible and targeted and at a reasonable and appropriate level. It should continue to increase the financing support to the private economy and micro, small and medium enterprises, give better play to the role of the multi-tiered capital market as a hub, and improve the financial support system for technological innovation.

Xin Yunlian Financial will continuously commit to the fields of technology and finance. In 2021, Xin Yunlian Financial has completed product docking and launch with Zheshang Bank and China Everbright Bank, providing customers with more diversified financial products and services.

Looking forward to 2022, Xin Yunlian Financial will strengthen cooperation with large national commercial banks and innovative asset management institutions, with serving tobacco retailers as its feature. Xin Yunlian Financial will further increase the market share by expanding inclusive and customized services in line with industry ecology, in order to consolidate its leading position in the financial sector of the tobacco industry as an inclusive financial technology enterprise that provides comprehensive internet financial services.

For the micro-financing operation, as at 31 December 2021, loans and interest receivables of the Group was approximately HK\$342,298,000 (31 December 2020: approximately HK\$359,938,000), with interest rates ranging from 5% to 24% (31 December 2020: 5% to 24%) per annum.

Others

Others segment represents the operation of securities brokerage, margin financing, provision of asset management services, provision of insurance brokerage and agency service in Hong Kong and advertising service in the PRC. Revenue from the segment for FY2021 was approximately HK\$8,826,000 (FY2020: approximately HK\$7,898,000), resulted in segment loss of approximately HK\$3,199,000 (FY2020: segment loss of approximately HK\$3,869,000). In the future, the Group will continue to increase the return on assets under strict cost control measures in all others segment.

SIGNIFICANT IMPAIRMENT

During FY2021, an impairment loss of approximately HK\$176 million (FY2020: approximately HK\$147 million) was resulted in the loan financing operations of the Group.

One of the major operations of the loan financing segment of the Group is to act as a financing arrangement intermediary between the asset partners (the “Asset Partners”) and the fund partners (the “Fund Partners”) to provide financial referral, financial guarantee services and financing service in the PRC. The Group had long established a strategic cooperation with a major Asset Partner which is engaged in the import of parallel import vehicles business (the “Parallel Importer”), through which the Parallel Importer will introduce its customers that are engaged in the trading of parallel import vehicle business (the “Parallel Trader”) to the Group for financing arrangement, and the Parallel Importer has agreed to provide counter-guarantees to the Group for the Parallel Traders introduced by them, and a parcel of land of the pier owned by the Parallel Importer was pledged to the Group as the collateral for such counter-guarantees.

Loan and interest receivables from the Parallel Traders arises when the Group granted the loans to the Parallel Traders and trade and other receivables from the Parallel Traders arises when the Group earn consultancy, financial guarantee and/or other financial services income from the Parallel Traders for financing arrangement services provided to the Parallel Traders.

Secondly, the Group also provides financial referral and guarantee services to the tobacco retailers subsequent to the acquisition of Xin Yunlian Group in July 2020. In FY2021, the operation of such financial referral and guarantee services increased significantly as more regional financial institutions are interested in providing funding to the approved tobacco retailers. With the guarantee services provided by the Group, a default payment receivables included in the trade and other receivables will result as the Group would repay on behalf of the borrowers referred by the Group once non-repayment is noted, and the Group will then follow up for repayment from the borrowers subsequently.

The breakdown of the impairment loss recognised during FY2021 and FY2020 is summarised as below:

	For the year ended 31 December	
	2021	2020
	<i>HK\$ million</i>	<i>HK\$ million</i>
Impairment loss recognised on:		
Loan and interest receivables	52	113
Trade and other receivables	127	29
Others	(3)	5
	<hr/>	<hr/>
Total impairment loss recognised	176	147
	<hr/>	<hr/>

Before approving and authorising the relevant loans and/or the provision of financing arrangement services, all potential Asset Partners will undergo an evaluation process with factors considered including:

- (1) corporate and team structure of the Asset Partners (and its referral);
- (2) internal risk management;
- (3) historical financial records;
- (4) position of the Asset Partners in the industry; and
- (5) availability of collaterals.

Only those with satisfactory evaluation results will be accepted as borrowers and granted the loan receivables and/or accepted as the Group's customers for financial referral or financial guarantee services.

The Board has taken into account the severe downward economic trend in the PRC due to the COVID-19 pandemic which has substantially hit the domestic demand in the parallel import vehicles market. As a result, the operations of the Parallel Traders are negatively affected and they were under great pressure on their own capital and cash flow chain. At the same time, the Parallel Importer who provides the counter-guarantee was also adversely affected by the sudden and sharp economic downturn and encountered credit supply shortage combined with cash flow crisis and is involved in certain lawsuits from other parties.

Given the adverse credit risk exposure of both the Parallel Traders and the Parallel Importer and the decreasing demand for parallel import vehicles, which is considered as an overall industry risk, the Board is of the view that the credit risks in loan receivables have significantly increased and the debtors are vulnerable to non-payment. Therefore, stage 3 in which a probability of default of approximately 53%, representing a credit rating of CC as sourced from Thomson Reuters, has been assigned to all relevant loan receivables from the Parallel Traders. However, given that the situation has not improved in 2021, further impairment has been made in 2021 with a probability of default of approximately 70% is recognised.

Latest status and future actions in following up of the significant impairments:

During FY2021, the Group has engaged PRC legal advisor to process the legal proceedings to claim for the repayment of the loans and first hearing was completed for one of the cases and the Group received court judgement supporting the claims of the Group in August 2021. Other legal proceedings will be followed in the meantime.

The Board, together with the PRC legal advisor, are of the view that if the borrowers are unable to confirm a repayment schedule subsequent to the legal proceedings, the Group will take further legal action proactively in order to recover the receivables from the pledged land owned by the Parallel Importer as it is expected to be a lengthy legal proceedings in the PRC. Nevertheless, the Group will continue to negotiate with the borrowers actively with the objective to come up with a mutually agreed repayment plan.

A special working team is set up internally to handle and follow up all the long outstanding receivables and the team will review the work progress with management on a monthly basis. The special working team also works closely with the Group's PRC legal advisor and will take appropriate legal action if it is considered necessary.

FINANCIAL REVIEW

Administrative and Other Operating Expenses

Administrative expenses include office utilities and administration, legal and professional fee, employee expenses, depreciation of right-of-use assets and property, plant and equipment and amortisation. Other operating expenses mainly consist of operating expenses of industrial property development and loan financing. Administrative and other operating expenses amounted to approximately HK\$109,561,000 during FY2021, representing a decrease of approximately HK\$16,499,000 as compared to approximately HK\$126,060,000 during FY2020. The decrease in administrative and other operation expenses were mainly resulted from the relocation of office in Beijing and Hong Kong. In addition, there are no consultancy fees incurred for the acquisition of Xin Yunlian Group in 2020 in FY2021. During FY2021, the Group continued to optimize and reform related business processes to reduce costs and improve efficiency. The Company's management will continue to act on its stringent measures on cost control to maintain the administrative and other operating expenses at a reasonable level.

Finance Costs

Finance costs increased from approximately HK\$14,226,000 during FY2020 to approximately HK\$29,244,000 during FY2021. The increase in finance costs was caused by the increase in effective interest expenses on convertible bonds issued for the acquisition of Xin Yunlian Group in 2020 and loan interest on other loans borrowed.

Liquidity and Financial Resources

The Group continuous to adopts the policy of prudence in managing its working capital. During FY2021, the operation of the Group was primarily financed by internally generated cash flow from operation and external financing. As at 31 December 2021, the shareholders' fund and net current assets of the Group amounted to approximately HK\$148,200,000 (31 December 2020: approximately HK\$348,677,000) and approximately HK\$201,445,000 (31 December 2020: approximately HK\$295,593,000) respectively. As at 31 December 2021, the Group's cash and cash equivalents amounted to approximately HK\$47,936,000 (31 December 2020: approximately HK\$90,241,000) which were principally denominated in Hong Kong dollars and Renminbi and the current ratio was 1.35 (31 December 2020: 1.59).

As at 31 December 2021, the Group's total borrowings, denominated in Renminbi and bear fixed interest rates from 4.95% to 10.55%, amounted to approximately HK\$241,881,000 (31 December 2020: approximately HK\$132,426,000) of which, approximately HK\$63,799,000 is repayable within 1 year, approximately HK\$144,342,000 is repayable between 1 to 2 years, and approximately HK\$33,740,000 is repayable between 2 to 5 years. The gearing ratio, measured on the basis of total borrowings over net assets, was 65.9% as at 31 December 2021 (31 December 2020: 23.5%).

There was no capital commitment in respect of the acquisition and construction of property, plant and equipment as at 31 December 2021 (31 December 2020: nil).

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

Fund Investments

The Group's investment portfolio is classified according to HKFRS 9. The carrying amounts of the financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss of the investment portfolio were approximately HK\$3,505,000 and HK\$4,866,000 respectively as at 31 December 2021 (31 December 2020: approximately HK\$11,175,000 and HK\$20,203,000). The investment portfolio includes (i) unlisted investment funds, which primarily invests in listed equity in the PRC and Hong Kong; and (ii) listed equity in Hong Kong.

Contingent Liabilities

The Group had no significant contingent liabilities noted as at 31 December 2021 other than the financial guarantees issued.

Guarantee Issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. For FY2021, the Group's total maximum amount of financial guarantees issued was approximately RMB2,011,431,000 (equivalent to approximately HK\$2,467,825,000) (FY2020: approximately RMB2,305,928,000 (equivalent to approximately HK\$2,738,521,000)).

Capital Structure

As at 31 December 2021, the total number of issued ordinary shares of the Company with a par value of HK\$0.001 each (the "Shares") was 7,775,857,621 (31 December 2020: 7,775,357,621).

Charges on Assets

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

	For the year ended 31 December	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Property, plant and equipment	72,755	79,087
Right-of-use assets – leasehold lands	22,485	22,515
	<u>95,240</u>	<u>101,602</u>

Save for the above, the Group did not charge other assets to secure its borrowings as at 31 December 2021.

Foreign currency exposure

As confirmed by the Directors, the Group's present operations are mainly carried out in the PRC and Hong Kong, and all of the Group's receipts and payments in relation to the operations are basically denominated in Renminbi and Hong Kong dollars. The Group does not anticipate any material foreign exchange exposure and therefore no derivative financial instruments were used to hedge its foreign currency risks as at 31 December 2021. Management of the Company will continue to monitor its foreign exchange exposure and take appropriate measures if needed.

Employees and Remuneration Policies

As at 31 December 2021, the Group had 141 employees (31 December 2020: 188 employees). Remuneration is determined by reference to their respective qualifications and experiences and according to the prevailing industry practice. In addition to salary payments, the Group's staff benefits include contribution of mandatory provident fund, a discretionary bonus program and a share option scheme. As required by the regulations in the PRC, the Group makes contributions to mandatory social security funds for the benefit of the Group's employees in the PRC, including pension insurance, medical insurance, unemployment insurance, personal injury insurance, maternity insurance and housing funds.

Significant Investments, Material Acquisitions and Disposals

The Group did not hold any significant investments and did not conduct any material acquisition or disposal of subsidiaries, associates or joint ventures during FY2021.

Future Plans for Material Investments or Capital Assets

As at 31 December 2021, the Group did not have immediate plans for material investments or capital assets acquisition.

DIVIDEND

The Board did not recommend the payment of any final dividend for FY2021 (FY2020: nil).

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

As at the date of this announcement, the Group did not have any other significant event subsequent to 31 December 2021.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (the “2022 AGM”) is scheduled to be held on Tuesday, 7 June 2022. For determining the entitlement of shareholders of the Company (the “Shareholders”) to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Wednesday, 1 June 2022 to Tuesday, 7 June 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2022 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 31 May 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Throughout FY2021, the Company has applied the principles and complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules as in effective from time to time for FY2021.

AUDIT COMMITTEE REVIEW

The audit committee of the Company has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the consolidated financial statements of the Group for FY2021.

SCOPE OF WORK OF HLM CPA LIMITED

The work performed by HLM CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by HLM CPA Limited on the preliminary result announcement. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for FY2021 as set out in this preliminary announcement have been agreed by the Group's auditor, HLM CPA Limited.

PURCHASE, SALE OR REDEMPTION OF SHARES

During FY2021, there were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the Company's code of conduct regarding securities transactions by the Directors. Having made specific enquiry, all Directors have confirmed that they have complied with the required standards as set out in the Model Code throughout FY2021.

PROPOSED ADOPTION OF NEW BYE-LAWS

The Board proposes to make certain amendments to the existing bye-laws of the Company (the "Existing Bye-laws") in order (i) to bring the Existing Bye-laws up to date and in line with the applicable laws of Bermuda and the amendments made to the Listing Rules; (ii) to remove certain provisions that are no longer applicable to the Company; (iii) to provide flexibility to the Company in relation to the conduct of general meeting; and (iv) to incorporate certain housekeeping amendments. The Board proposed to adopt a new set of bye-laws (the "New Bye-laws") in substitution for, and to the exclusion of, the Existing Bye-laws.

The proposed adoption of the New Bye-laws is subject to the approval of the Shareholders by way of a special resolution at the 2022 AGM. Prior to the passing of the special resolution at the 2022 AGM, the Existing Bye-laws shall remain valid.

A circular containing, among other matters, particulars relating to the proposed amendments to the Existing Bye-laws brought about by the adoption of the New Bye-laws together with a notice convening the 2022 AGM will be despatched to the Shareholders in due course.

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

Hong Kong, 29 March 2022

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

* *for identification purposes only*