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

## INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

### SUMMARY OF RESULTS

The board (the “Board”) of directors (the “Directors”) of Greater China Financial Holdings Limited (the “Company”) announces that the unaudited consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2020 (the “Period”), together with the comparative figures for the corresponding period in 2019 are as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2020

	NOTES	Six months ended 30 June	
		2020 HK\$'000 (unaudited)	2019 HK\$'000 (unaudited)
Revenue	4	135,256	64,708
Cost of sales		<u>(100,457)</u>	<u>(32,824)</u>
Gross profit		34,799	31,884
Other income, gains and losses	5	11,441	12,534
Administrative and other operating expenses		(54,756)	(59,932)
Finance costs	6	(3,200)	(4,542)
(Provision for)/written back of financial guarantees, net		(29,811)	240
(Impairment losses)/reversal of impairment losses, net	7	(115,627)	5,472
Impairment loss on goodwill		(13,173)	(17,274)
Impairment loss on intangible assets		<u>(1,506)</u>	<u>–</u>
Loss before taxation		(171,833)	(31,618)
Income tax expense	8	<u>(22)</u>	<u>(3,591)</u>
<b>Loss for the period</b>	9	<u>(171,855)</u>	<u>(35,209)</u>

		<b>Six months ended 30 June</b>	
		<b>2020</b>	2019
	<i>NOTE</i>	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
		<b>(unaudited)</b>	(unaudited)
<b>Other comprehensive (expense) income, net of tax</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of operations outside Hong Kong		<b>(6,470)</b>	136
<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		<b>(1,727)</b>	1,311
		<u><b>(8,197)</b></u>	<u>1,447</u>
<b>Other comprehensive (expense) income for the period</b>			
		<u><b>(180,052)</b></u>	<u>(33,762)</u>
<b>Total comprehensive expense for the period</b>			
Loss for the period attributable to owners of the Company		<u><b>(171,855)</b></u>	<u>(35,209)</u>
Total comprehensive expense for the period attributable to owners of the Company		<u><b>(180,052)</b></u>	<u>(33,762)</u>
		<b><i>HK cents</i></b>	<i>HK cents</i>
<b>Loss per share</b>	<i>11</i>		
– Basic		<u><b>(2.48)</b></u>	<u>(0.51)</u>
– Diluted		<u><b>(2.48)</b></u>	<u>(0.51)</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
*AT 30 JUNE 2020*

	<i>NOTES</i>	<b>30.6.2020</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2019 <i>HK\$'000</i> (audited)
<b>Non-current assets</b>			
Property, plant and equipment		<b>79,098</b>	86,351
Right-of-use assets		<b>35,133</b>	43,075
Goodwill	<i>12</i>	<b>19,549</b>	32,722
Intangible assets		<b>500</b>	2,277
Interests in associates		–	–
Financial assets at fair value through other comprehensive income		<b>4,590</b>	6,369
Financial assets at fair value through profit or loss		<b>16,149</b>	28,664
Deferred tax assets		<b>22,119</b>	22,555
Deposits	<i>15</i>	<b>3,505</b>	3,505
		<b>180,643</b>	225,518
<b>Current assets</b>			
Loans and interest receivables	<i>13</i>	<b>215,945</b>	152,449
Trade and other receivables	<i>14</i>	<b>27,873</b>	24,895
Prepayments and deposits	<i>15</i>	<b>60,151</b>	81,487
Financial assets at fair value through profit or loss		<b>1,565</b>	1,596
Contingent consideration receivable		–	39,136
Tax receivables		<b>239</b>	517
Cash held on behalf of clients		<b>1,390</b>	843
Restricted bank deposits		<b>104,113</b>	54,056
Bank balances and cash		<b>101,759</b>	205,530
		<b>513,035</b>	560,509
<b>Current liabilities</b>			
Trade payables, other payables and accruals	<i>16</i>	<b>161,897</b>	133,564
Contract liabilities		<b>113</b>	52
Lease liabilities		<b>14,548</b>	14,536
Liabilities from financial guarantees	<i>17</i>	<b>122,532</b>	94,594
Deferred consideration		–	5,853
Borrowings		<b>62,529</b>	11,186
Tax payables		<b>39</b>	100
		<b>361,658</b>	259,885

	<i>NOTE</i>	<b>30.6.2020</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2019 <i>HK\$'000</i> (audited)
<b>Net current assets</b>		<u>151,377</u>	<u>300,624</u>
<b>Total assets less current liabilities</b>		<u>332,020</u>	<u>526,142</u>
<b>Non-current liabilities</b>			
Lease liabilities		–	7,289
Borrowings		<u>60,335</u>	<u>67,116</u>
		<u>60,335</u>	<u>74,405</u>
<b>Net assets</b>		<u><u>271,685</u></u>	<u><u>451,737</u></u>
<b>Capital and reserves</b>			
Share capital	<i>18</i>	<b>6,924</b>	6,924
Reserves		<u>264,761</u>	<u>444,813</u>
<b>Total equity</b>		<u><u>271,685</u></u>	<u><u>451,737</u></u>

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

### *FOR THE SIX MONTHS ENDED 30 JUNE 2020*

#### **1. BASIS OF PREPARATION**

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

The condensed financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s consolidated financial statements for the year ended 31 December 2019.

#### **2. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD**

The outbreak of COVID-19 and the subsequent quarantine measures as well as the travel restrictions imposed by many countries have had negative impacts on the global economy, business environment and directly and indirectly affect the operations of the Group. The Government of the Hong Kong Special Administrative Region has announced some financial measures and supports for corporations to overcome the negative impact arising from the pandemic and certain lessors have provided rent concessions to the Group. As such, the financial positions and performance of the Group were affected in different aspects, including government grants in respect of COVID-19-related subsidies and rent concessions from certain lessors as disclosed in the relevant notes.

#### **3. PRINCIPAL ACCOUNTING POLICIES**

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than the changes in accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

##### **Application of amendments to HKFRSs**

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform
Amendments to HKFRS 16	Covid-19 – Related Rent Concessions (early adopted)

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

#### **Impact of amendment to HKFRS 16**

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease.

During the six months ended 30 June 2020, certain monthly lease payments for the leases of the Group's office premises have been reduced or waived by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted the amendment on 1 January 2020 and elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the COVID-19 pandemic. The amendments did not have material impact on the financial position and performance of the Group.

#### **4. SEGMENT INFORMATION**

The Group's operations are organised into securities brokerage, asset management, insurance brokerage, loan financing, industrial property development and general trading. Information reported to the chief operating decision maker ("CODM") for the purpose of resources allocation and assessment of segment performance is prepared on such basis. The Group is organised into the following reportable and operating segments:

- Industrial property development segment represents the operation of warehouse in the People's Republic of China (the "PRC").
- General trading segment represents trading of consumable goods in the PRC.
- Loan financing segment represents the provision of financial guarantee, loan financing, loan referral and consultancy services in Hong Kong and the PRC.
- Securities brokerage segment represents the operation of securities brokerage, margin financing, underwriting and placements in Hong Kong.
- Asset management segment represents the provision of asset management services in Hong Kong.
- Insurance brokerage segment represents the provision of the insurance brokerage and agency services in Hong Kong.

#### **Segment revenue and results**

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

## Six months ended 30 June 2020 (unaudited)

	Industrial property development <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Securities brokerage <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Insurance brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>SEGMENT REVENUE</b>							
Recognised at a point in time	-	14,819	17,352	28	27	2,985	35,211
Recognised over time	4,972	-	94,982	-	-	-	99,954
Recognised from other source	-	-	85	6	-	-	91
	<u>4,972</u>	<u>14,819</u>	<u>112,419</u>	<u>34</u>	<u>27</u>	<u>2,985</u>	<u>135,256</u>
<b>SEGMENT RESULTS</b>	<u>(3,442)</u>	<u>(4,337)</u>	<u>(125,418)</u>	<u>(853)</u>	<u>(597)</u>	<u>157</u>	<u>(134,490)</u>
Unallocated corporate income							416
Unallocated corporate expenses							(22,557)
Unallocated finance costs							(588)
Fair value change on contingent consideration receivables							495
Fair value change on financial assets at fair value through profit or loss							(1,936)
Impairment loss on goodwill							(13,173)
Loss before tax							(171,833)
Income tax expense							(22)
Loss for the period							<u>(171,855)</u>

## Six months ended 30 June 2019 (unaudited)

	Industrial property development <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Securities brokerage <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Insurance brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>SEGMENT REVENUE</b>							
Recognised at a point in time	-	33,968	14,607	102	93	3,200	51,970
Recognised over time	7,507	-	2,958	-	-	-	10,465
Recognised from other source	-	-	2,077	196	-	-	2,273
	<u>7,507</u>	<u>33,968</u>	<u>19,642</u>	<u>298</u>	<u>93</u>	<u>3,200</u>	<u>64,708</u>
<b>SEGMENT RESULTS</b>	<u>(1,681)</u>	<u>1,150</u>	<u>15,849</u>	<u>(1,453)</u>	<u>(2,051)</u>	<u>(61)</u>	<u>11,753</u>
Unallocated corporate income							11
Unallocated corporate expenses							(24,508)
Unallocated finance costs							(1,651)
Fair value change on contingent consideration receivables							(773)
Fair value change on financial assets at fair value through profit or loss							824
Impairment loss on goodwill							(17,274)
Loss before tax							(31,618)
Income tax expense							(3,591)
Loss for the period							<u>(35,209)</u>

All of the segment revenue 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 30 June 2020 (unaudited)

	Industrial property development <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Securities brokerage <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Insurance brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>ASSETS</b>							
Segment assets	121,616	29,840	445,905	8,173	2,761	3,581	611,876
Unallocated assets							
Bank balances and cash							28,755
Property, plant and equipment							1,176
Other receivables, prepayments and deposits							4,087
Right-of-use assets							10,129
Goodwill							19,549
Financial assets at fair value through other comprehensive income							1,957
Financial assets at fair value through profit or loss							16,149
Consolidated total assets							<u>693,678</u>
<b>LIABILITIES</b>							
Segment liabilities	72,115	22,008	314,034	1,397	-	180	409,734
Unallocated liabilities							
Other payables and accruals							1,473
Lease liabilities							10,786
Consolidated total liabilities							<u>421,993</u>



At 31 December 2019 (audited)

	Industrial property development <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Securities brokerage <i>HK\$'000</i>	Asset management <i>HK\$'000</i>	Insurance brokerage <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>ASSETS</b>							
Segment assets	109,082	37,302	491,156	11,864	2,648	2,835	654,887
Unallocated assets							
Bank balances and cash							4,521
Property, plant and equipment							2,544
Other receivables, prepayments and deposits							4,612
Right-of-use assets							15,257
Goodwill							32,722
Financial assets at fair value through other comprehensive income							3,684
Financial assets at fair value through profit or loss							28,664
Contingent consideration receivable							39,136
Consolidated total assets							<u>786,027</u>
<b>LIABILITIES</b>							
Segment liabilities	80,389	243	230,208	861	–	227	311,928
Unallocated liabilities							
Other payables and accruals							506
Deferred consideration							5,853
Lease liabilities							16,003
Consolidated total liabilities							<u>334,290</u>

## 5. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Fair value change on:		
Contingent consideration receivables	495	(773)
Financial assets at fair value through profit or loss	(1,936)	2,543
Interest income from:		
Bank deposits	183	227
Entrusted loan	–	713
Other loans	8,047	5,635
Investment income from National Debt Reverse		
Repurchase products	–	153
Realised loss on disposal of financial assets at fair value through profit or loss	(579)	(921)
Net foreign exchange loss	(18)	(21)
Service fee income	2,481	1,276
Management service income	1,048	3,504
Sundry income	688	200
Impairment loss on amount due from associates	–	(2)
Government subsidies ( <i>Note</i> )	1,032	–
	<u>11,441</u>	<u>12,534</u>

*Note:*

During the current interim period, the government subsidies of HK\$1,022,000 were granted from the Employment Support Scheme and Subsidy Scheme for the Securities Industry under the Anti-epidemic Fund of the Government of the Hong Kong Special Administrative Region.

## 6. FINANCE COSTS

	Six months ended 30 June	
	2020 <i>HK\$'000</i> (unaudited)	2019 <i>HK\$'000</i> (unaudited)
Imputed interest on deferred considerations	147	889
Imputed interest on lease liabilities	542	762
Interest on bank loans	2,511	2,891
	<u>3,200</u>	<u>4,542</u>

## 7. IMPAIRMENT LOSSES/(REVERSAL OF IMPAIRMENT LOSSES), NET

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Impairment losses recognised/(reversed) on:		
– Trade and other receivables	8,278	(1,620)
– Loans and interest receivables ( <i>Note</i> )	102,903	(3,868)
– Other deposits	4,446	16
	<u>115,627</u>	<u>(5,472)</u>

*Note:*

During the current interim period, the Group recognised impairment loss on loans and interest receivables of HK\$102,903,000 (six months ended 30 June 2019: reversal of impairment loss of HK\$3,868,000). The impairment assessment by the directors of the Company are based on historical observed default rates, forward-looking information that is available without undue cost or effort as well as the fair value of the collateral pledged by the customers.

## 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax:		
PRC Enterprise Income Tax	39	404
(Over)/under provision in prior periods:		
PRC Enterprise Income Tax	(17)	259
Deferred tax:		
Current period	–	2,928
	<u>22</u>	<u>3,591</u>

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the six months ended 30 June 2020 and 2019. No provision for Hong Kong Profits Tax has been made as the subsidiaries of the Company in Hong Kong incurred tax loss for the six months ended 30 June 2020 and 2019.

PRC Enterprise Income Tax (“EIT”) is calculated at the applicable rates based on estimated taxable income earned by the PRC subsidiaries of the Company 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 the six months ended 30 June 2020 and 2019.

## 9. LOSS FOR THE PERIOD

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

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Amortisation of intangible assets	130	567
Depreciation of property, plant and equipment	5,662	5,840
Depreciation of right-of-use assets	7,419	5,494
Legal and professional fee	6,320	2,549
Staff costs including directors' emoluments	19,534	27,787
	<u>19,534</u>	<u>27,787</u>

## 10. DIVIDENDS

No dividend was paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

## 11. LOSS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
<b>Loss</b>		
Loss for the period attributable to owners of the Company	<u>(171,855)</u>	<u>(35,209)</u>
	<i>'000</i>	<i>'000</i>
<b>Number of shares</b>		
Number/weighted average number of ordinary shares	<u>6,924,077</u>	<u>6,923,779</u>

The calculation of basic loss per share is based on the loss attributable to owners of the Company, and the number of 6,924,077,000 ordinary shares (six months ended 30 June 2019: weighted average number of 6,923,779,000 ordinary shares) in issue during the period.

Diluted loss per share for the six months period ended 30 June 2020 and 2019 did not assume the exercise of the outstanding share options since this would result in a decrease in loss per share. Accordingly, the diluted loss per share is same as the basic loss per share.

## 12. GOODWILL

	<b>30.6.2020</b> <i>HK\$'000</i> (unaudited)	31.12.2019 <i>HK\$'000</i> (audited)
<b>Cost</b>		
Balance at beginning and end of the period/year	<u>165,772</u>	<u>165,772</u>
<b>Accumulated impairment losses</b>		
Balance at beginning of the period/year	133,050	21,793
Impairment loss recognised for the period/year	<u>13,173</u>	<u>111,257</u>
Balance at end of the period/year	<u>146,223</u>	<u>133,050</u>
<b>Carrying amounts</b>		
Balance at end of the period/year	<u><u>19,549</u></u>	<u><u>32,722</u></u>

## 13. LOANS AND INTEREST RECEIVABLES

	<b>30.6.2020</b> <i>HK\$'000</i> (unaudited)	31.12.2019 <i>HK\$'000</i> (audited)
Entrusted loan	–	336
Mortgage loan	700	1,700
Other loans	<u>337,056</u>	<u>169,695</u>
	<b>337,756</b>	171,731
Less: Impairment allowance	<u>(121,811)</u>	<u>(19,282)</u>
	<u><u>215,945</u></u>	<u><u>152,449</u></u>

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

	<b>30.6.2020</b> <i>HK\$'000</i> (unaudited)	31.12.2019 <i>HK\$'000</i> (audited)
Neither past due nor individually impaired	159,984	150,722
Less than 1 month past due	42,916	1,727
1 to 3 months past due	–	–
3 to 6 months past due	–	–
6 months to less than 1 year past due	<u>13,045</u>	<u>–</u>
	<u><u>215,945</u></u>	<u><u>152,449</u></u>

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

	<b>30.6.2020</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2019 <b>HK\$'000</b> <b>(audited)</b>
Balance at beginning of the period/year	19,282	5,273
Amounts recognised during the period/year	102,948	17,523
Amounts reversed during the period/year	(45)	(3,423)
Exchange realignment	(374)	(91)
	<hr/>	<hr/>
Balance at end of the period/year	<b>121,811</b>	19,282
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#### 14. TRADE AND OTHER RECEIVABLES

	<b>30.6.2020</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2019 <b>HK\$'000</b> <b>(audited)</b>
<b>Trade receivables arising from:</b>		
Business of dealing in securities: <i>(Note a)</i>		
– Cash clients	–	7
– Margin clients	–	1,246
Loan referral and consultancy services <i>(Note b)</i>	37,022	24,122
Financial guarantee services <i>(Note c)</i>	3,476	3,049
Insurance brokerage business <i>(Note d)</i>	44	35
Asset management business <i>(Note e)</i>	4	75
	<hr/>	<hr/>
	40,546	28,534
Less: Impairment allowance	(14,348)	(6,213)
	<hr/>	<hr/>
	26,198	22,321
	<hr/>	<hr/>
<b>Other receivables</b>	1,825	2,704
Less: Impairment allowance	(150)	(130)
	<hr/>	<hr/>
	1,675	2,574
	<hr/>	<hr/>
Total trade and other receivables	<b>27,873</b>	24,895
	<hr/> <hr/>	<hr/> <hr/>

*Notes:*

- (a) Trade receivables from cash clients normally takes two business days to settle after trade date of securities transactions. These outstanding unsettled trades due from clients are reported as trade receivables from clients.

Trade receivables from margin clients net of impairment allowance amounting to HK\$1,243,000 as at 31 December 2019 were secured by clients' pledged securities with fair value of HK\$21,383,000 as at 31 December 2019. Management had regularly assessed the market value of the pledged securities of each individual customer.

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

- (b) The normal settlement terms of trade receivables from loan referral and consultancy services are between 30 days to 90 days upon the performance of contractual obligation.
- (c) The normal settlement terms of trade receivables from financial guarantee services are mainly between 60 to 90 days upon performance of contractual obligation.
- (d) The normal settlement terms of trade receivables from product issuers arising from the provision of insurance brokerage business are mainly between 45 to 60 days upon execution of the insurance policies and/or receipt of statements from product issuers.
- (e) Credit terms with customers of asset management are within 30 days or a credit period mutually agreed between the contracting parties.

No ageing analysis of trade receivables from margin clients is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of this business.

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

	<b>30.6.2020</b> <b>HK\$'000</b> <b>(unaudited)</b>	31.12.2019 <i>HK\$'000</i> (audited)
0 – 30 days	<b>2,026</b>	6,570
31 – 60 days	<b>353</b>	1,146
61 – 90 days	<b>588</b>	1,195
Over 90 days	<b>23,231</b>	12,167
	<hr/> <b>26,198</b> <hr/>	<hr/> 21,078 <hr/>

An ageing analysis of the remaining balance of trade receivables net of impairment allowance is as follows:

	<b>30.6.2020</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2019 <i>HK\$'000</i> (audited)
Neither past due nor impaired	2,026	6,860
Less than 1 month past due	472	1,048
1 to 3 months past due	842	8,472
3 to 6 months past due	12,323	4,441
6 months to less than 1 year past due	10,535	257
	<u>26,198</u>	<u>21,078</u>

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

	<b>30.6.2020</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2019 <i>HK\$'000</i> (audited)
Balance at beginning of the period/year	6,213	2,007
Amounts recognised during the period/year	8,573	6,144
Amounts reversed during the period/year	(318)	(1,903)
Exchange realignment	(120)	(35)
	<u>14,348</u>	<u>6,213</u>

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

	<b>30.6.2020</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2019 <i>HK\$'000</i> (audited)
Balance at beginning of the period/year	130	145
Amounts recognised during the period/year	25	1
Amounts reversed during the period/year	(2)	(13)
Exchange realignment	(3)	(3)
	<u>150</u>	<u>130</u>



## 15. PREPAYMENTS AND DEPOSITS

	<b>30.6.2020</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2019 <i>HK\$'000</i> (audited)
Prepayments	1,906	2,422
Rental and utility deposits	4,532	4,543
Statutory deposits	255	255
Other deposits ( <i>Note</i> )	<u>61,683</u>	<u>78,052</u>
	<b>68,376</b>	85,272
Less: Impairment allowance	<u>(4,720)</u>	<u>(280)</u>
Total prepayments and deposits	<u><b>63,656</b></u>	<u>84,992</u>
Analysed for reporting purposes as:		
Current assets	<b>60,151</b>	81,487
Non-current assets	<u>3,505</u>	<u>3,505</u>
	<u><b>63,656</b></u>	<u>84,992</u>

*Note:*

As at 30 June 2020, other deposits mainly consist of deposits paid to co-operators in relation to the Group's financial guarantee business and to a supplier in trading business, amounted to HK\$61,600,000 (31 December 2019: HK\$77,975,000).

The movements in impairment allowance on deposits are as follows:

	<b>30.6.2020</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2019 <i>HK\$'000</i> (audited)
Balance at beginning of the period/year	280	229
Amounts recognised during the period/year	4,453	272
Amounts reversed during the period/year	(7)	(217)
Exchange realignment	<u>(6)</u>	<u>(4)</u>
Balance at end of the period/year	<u><b>4,720</b></u>	<u>280</u>

## 16. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	30.6.2020 <i>HK\$'000</i> (unaudited)	31.12.2019 <i>HK\$'000</i> (audited)
<b>Trade payables from:</b>		
Business of dealing in securities: <i>(Note a)</i>		
– Cash clients	919	386
– Margin clients	457	421
– Clearing house	14	47
Insurance brokerage business <i>(Note b)</i>	179	221
	<hr/>	<hr/>
Total trade payables	1,569	1,075
	<hr/>	<hr/>
<b>Other payables and accruals:</b>		
Accrued expenses	2,544	2,915
Deposits received <i>(Note c)</i>	148,410	110,348
Other payables	9,374	19,226
	<hr/>	<hr/>
Total other payables and accruals	160,328	132,489
	<hr/>	<hr/>
Total trade payables, other payables and accruals	161,897	133,564
	<hr/> <hr/>	<hr/> <hr/>

### Notes:

- (a) Trade payables to securities brokerage clients represent the monies received from and repayable to brokerage clients in respect of the trust and 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 business.

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

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

	<b>30.6.2020</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2019 <i>HK\$'000</i> (audited)
0 – 30 days	<b>56</b>	86
31 – 60 days	<b>51</b>	48
61 – 90 days	–	22
Over 90 days	<b>72</b>	65
	<u><b>179</b></u>	<u>221</u>

- (c) Included in deposits received, balance of HK\$136,741,000 (31 December 2019: HK\$98,426,000) represents deposits received from customers or third parties as collateral securities for the financial guarantees issued by the Group. These deposits will be refunded to customers or third parties upon expiry of the corresponding guarantee contracts. According to the contracts, these deposits are expected to be refundable within one year.

#### 17. LIABILITIES FROM FINANCIAL GUARANTEES

	<b>30.6.2020</b> <i>HK\$'000</i> <b>(unaudited)</b>	31.12.2019 <i>HK\$'000</i> (audited)
Deferred income	<b>10</b>	58
Provision for guarantee losses	<b>122,522</b>	94,536
	<u><b>122,532</b></u>	<u>94,594</u>

## 18. SHARE CAPITAL

	Number of shares '000	Nominal amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 each At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	<u>2,109,890,000</u>	<u>2,109,890</u>
Preference shares of HK\$0.001 each At 1 January 2019, 30 June 2019, 1 January 2020 and 30 June 2020	<u>110,000</u>	<u>110</u>
Issued and fully paid:		
Ordinary shares of HK\$0.001 each		
At 1 January 2019	6,915,077	6,915
Exercise of share options	<u>9,000</u>	<u>9</u>
At 30 June 2019, 1 January 2020 and 30 June 2020	<u>6,924,077</u>	<u>6,924</u>

## 19. PLEDGE OF ASSETS

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

	30.6.2020 HK\$'000 (unaudited)	31.12.2019 HK\$'000 (audited)
Property, plant and equipment	77,054	82,650
Right-of-use assets: Leasehold lands in PRC	<u>21,144</u>	<u>21,914</u>
	<u>98,198</u>	<u>104,564</u>

## **20. GUARANTEE ISSUED**

As at 30 June 2020, the total maximum amounts of financial guarantees issued was RMB685,006,000 (approximately HK\$751,452,000) (31 December 2019: RMB875,709,000 (approximately HK\$979,568,000)). The total maximum amounts of financial guarantees issued represents the maximum potential loss amount that would be recognised if counterparties failed completely to perform as contracted.

## **21. CONTINGENT LIABILITIES**

The Group had no significant contingent assets or liabilities as at 30 June 2020 and 31 December 2019 other than those disclosed in note 20.

## **22. EVENTS AFTER THE REPORTING PERIOD**

### **Major acquisition**

The acquisition agreement dated 16 November 2019 and amended by the supplemental agreement dated 29 June 2020 (“Acquisition Agreements”) entered by the Company, a wholly-owned subsidiary of the Company (“Purchaser”), the vendor and the vendor guarantor in relation to the acquisition of Xin Yunlian Investment Limited (“Target Company”) and its subsidiaries and associates (“Target Group”) under which the vendor conditionally agreed to sell and the Purchaser conditionally agreed to acquire the entire issued share capital of Target Company (the “Acquisition”) and the sale loan, being the unsecured interest-free loan owned by the Target Company to the vendor as at completion date, at the consideration of HK\$360,000,000 which will be settled by the Company by way of issuance of convertible notes in the principal amount of HK\$200,000,000 and 800,000,000 ordinary shares in the amount of HK\$160,000,000. The Acquisition Agreements include the terms of profit guarantee and incentive payment. The Company, the Purchaser and the consultant to the Acquisition also conditionally entered into the consultancy agreement, pursuant to which 50,000,000 ordinary shares of the Company will be issued under specific mandate to settle the consultancy fee in relation to the consultancy services provided by the consultant to the Group in relation to the Acquisition. The details of the Acquisition refer to the circular dated on 30 June 2020. The Target Group is principally engaged in financial services, advertising business and e-commerce business in respect of non-cigarette products.

All the conditions set out in the Acquisition Agreements were fulfilled and completed on 31 July 2020 (the “Completion”). Following the Completion, the Target Company became an indirect wholly-owned subsidiary of the Company.

At Completion, the Company has issued (i) the convertible notes in the principal amount of HK\$200,000,000 to the vendor to settle the amount of HK\$200,000,000 in the consideration for the Acquisition; (ii) 800,000,000 ordinary shares of the Company at the issue price of HK\$0.20 per share (“Issue Price”) to the vendor to settle the amount of HK\$160,000,000 in the consideration for the Acquisition; and (iii) 50,000,000 ordinary shares of the Company at the Issue Price to the consultant to settle the consultancy fee.

## INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (for the six months ended 30 June 2019: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECT

The Group is principally engaged in investment holding, industrial property development, general trading of consumable goods, securities brokerage, insurance brokerage, asset management and loan financing operation includes loan financing, financial guarantee, loan referral and consultancy.

Revenue and segment results of the Group for the Period are stated in the table below:

	Six months ended 30 June	
	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Revenue from:</b>		
Industrial property development	4,972	7,507
General trading	14,819	33,968
Securities brokerage	34	298
Insurance brokerage	2,985	3,200
Asset management	27	93
Loan financing	112,419	19,642
	<u>135,256</u>	<u>64,708</u>
<b>Segment (loss) profit from:</b>		
Industrial property development	(3,442)	(1,681)
General trading	(4,337)	1,150
Securities brokerage	(853)	(1,453)
Insurance brokerage	157	(61)
Asset management	(597)	(2,051)
Loan financing	(125,418)	15,849
	<u>(134,490)</u>	<u>11,753</u>

## **Industrial Property Development**

The revenue from the segment mainly represented the warehouse storage income generated from the warehouse operation. The warehouse of the Group is located in Taicang, Jiangsu Province, the People's Republic of China (the "PRC"). It is divided into 6 units and the total area is approximately 48,600 square meters. Revenue from the warehouse operation recorded a decrease of HK\$2,535,000 to approximately HK\$4,972,000 for the Period (30 June 2019: HK\$7,507,000) and its segment loss for the Period was approximately HK\$3,442,000 (30 June 2019: HK\$1,681,000). The average occupancy rate for the Period was 65.9% and primarily used as storage of raw materials. As the outbreak of a respiratory disease caused by a novel coronavirus (the "COVID-19 epidemic") in the PRC, our warehouse operation has been reduced as instructed by the local government after the Chinese New Year holiday. Due to rigorous quarantined policy, the process of renewal of the warehouse storage services was suspended in the first quarter of 2020 and resumed in the second quarter. The management expected the occupancy rate will increase in the coming months and will continue to identify new customers as tenant for our warehouse operation.

## **General Trading**

The Group continues to co-operate with a major distribution agent of Moutai, a reputable distilled Chinese liquor brand, to sell Moutai and other popular Chinese liquors in 2020. The revenue generated from the liquors trading for the Period amounted to approximately HK\$14,819,000 (30 June 2019: HK\$33,968,000), resulting in segment loss of approximately HK\$4,337,000 (30 June 2019: segment profit HK\$1,150,000).

The decrease in revenue and loss during the Period is mainly due to the COVID-19 epidemic since January 2020. Imposing quarantine of certain residents, heightened hygiene and epidemic prevention measures in factories and offices and extended social distancing by the PRC government have significant impact to the market demand for Chinese liquors.

We are actively negotiating with our supplier to secure a stable supply of Chinese liquor, especially Moutai, in the future. The management anticipated that after the epidemic end, the market demand for Chinese liquors will return to normal. The Group will continue the liquors trading business and further develop the sales network to increase its volume and profitability gradually.

## **Securities Brokerage**

The Group's securities brokerage services in Hong Kong comprises securities brokerage, securities trading and margin financing. Revenue from the segment for the Period was approximately HK\$34,000 (30 June 2019: HK\$298,000) and resulted in segment loss of approximately HK\$853,000 (30 June 2019: HK\$1,453,000).

Investor confidence is significantly affected by the COVID-19 epidemic in the first 6 months of 2020. Our operation faces keen competition with low profit margin on regular securities trading business. We will streamline our operations and strengthen cost control measures to reduce unnecessary expenditure.

## **Insurance Brokerage**

During the Period, we continue to provide tailor-made financial solutions and independent advisory services in connection with insurance products to our client and operate long term (including linked long term) insurance and general insurance business plus Mandatory Provident Fund products.

Revenue from the segment for the Period was approximately HK\$2,985,000 (30 June 2019: HK\$3,200,000) and resulted in segment profit of approximately HK\$157,000 (30 June 2019: segment loss of HK\$61,000) as a result of our stringent measures on costs control improved the profit margin. However, the insurance brokerage business is still facing challenge of keen competition in the market. According to the Insurance Authority of Hong Kong, the number of authorized insurance brokers in Hong Kong was 825 as at 31 March 2020. Looking ahead, the global economy will be hardly hit by the COVID-19 epidemic. The travel restriction to contain the scale of COVID-19 has significantly decrease new customers coming from the PRC to Hong Kong to purchase insurance policies. Despite the challenges ahead, the Group will continue to strengthen the existing sales team and to develop different clientele and foster close relationship with insurance companies and offer diversified products to our customers in order to have competitive in the market until the epidemic end.

## **Asset Management**

Our asset management team manages a fund, “Spruce Light Absolute Return Fund”, its net value of assets under management as at 30 June 2020 was approximately US\$3.3 million. Revenue from the segment for the Period was approximately HK\$27,000 (30 June 2019: HK\$93,000) and resulted in segment loss of approximately HK\$597,000 (30 June 2019: HK\$2,051,000). The fund size was decreased approximately 40% because some of the investors redeemed their investment during the Period. Therefore, the management fee income decreased during the Period.

In the first half of 2020, the world was severely hit by the COVID-19 epidemic. Major economies generally experienced a rare economic downturn in the first two quarters of this year. After greatly affected at the beginning of the year, China’s domestic market has taken the lead in gradually normalizing since the second quarter. Most industries of domestic demand except service industries have seen a strong recovery, while external demand is still facing considerable fluctuations. However, the exchange rate of RMB against USD has gradually stabilized by the middle of the year, monetary and fiscal policies have made great efforts to support the domestic economy, and interest rates in financial markets have dropped. Although China’s GDP fell by 1.6% in the first half of the year, it showed a year-on-year growth of 3.2% in the second quarter. In the securities market outside China, Hong Kong’s major stock indexes have recorded considerable declines since the beginning of the year. The structural characteristics of the market appear and the industry is differentiated.

Looking forward to the second half of the year, the negative impact of the epidemic on the global economy is hard to fade away in the short term. The relationship between the two major economies of China and the United States may be subject to potential new impacts. The world’s economy shows great uncertainty. Due to China’s huge domestic demand, strong government policy support and relatively low dependence on other countries, the domestic economy is still recovering continuously, experiencing twists and turns but not lacking opportunities. Therefore, in the long run, Chinese enterprises with excellent management and competitive pattern will still achieve excellent performance growth. On the other hand, companies that cannot keep up with the development and changes of the market may not be able to cope with the continuous challenges. The Company’s asset management business sector strives to create new investment strategies and continues to seek opportunities to promote the steady development of scale and performance.



## **Loan Financing**

Our loan financing services comprise loan financing, financial guarantee, loan referral and consultancy in Hong Kong and the PRC.

Revenue from the segment for the Period was approximately HK\$112,419,000 (30 June 2019: HK\$19,642,000) and resulted in segment loss of approximately HK\$125,418,000 (30 June 2019: segment profit of HK\$15,849,000). The increase in segment revenue was mainly due to the increase in new financial guarantee business in the PRC. At the end of 2019, we began to co-operate with difference financial institutions in the PRC to provide financial guarantee for their customers. The segment loss was mainly due to the expected credit loss, net of reversal in the loans and interest receivables from operations for approximately HK\$102,903,000 and the provision of financial guarantee provided during the Period for approximately HK\$29,811,000. Due to the adverse effects of the COVID-19 epidemic, the impairment losses on loans and interest receivable have increased significantly. Our management will increase loan recovery efforts, such as arrange loan restructuring and/or take legal actions against overdue customers in order to reduce the loss of overdue loans.

As at 30 June 2020, the balance of the loans and interest receivables net of impairment allowance was approximately HK\$215,945,000 (31 December 2019: HK\$152,449,000). Interest rate of the loans for the Period ranged from 5% to 20.4% (2019: 5% to 20.4%) per annum. As at 30 June 2020, the total guarantee issued by our financing guarantee operation was approximately RMB685 million (as at 31 December 2019: RMB876 million).

### ***Loan Financing Business in the PRC***

In the first half of 2020, the sudden COVID-19 epidemic swept across the world and the overall economy slowed down. All kinds of enterprises were squeezed by income reduction and cost rigidity. The vulnerability of micro, small and medium-sized enterprises became more prominent, mainly due to shortage of funds and liquidity crisis. Micro, small and medium-sized enterprises and individuals are the main customer groups in the financing guarantee industry. On the one hand, the COVID-19 epidemic has brought pressure on financing guarantee companies such as the increase of non-performing rate, and on the other hand, it has also brought new development opportunities. It is an urgent issue for financing guarantee companies to solve how to seize the opportunities of reshuffling companies in the same industry, improving industry supervision and increasing customer capital demand, continuously optimize iterative products, upgrade risk control strategies and tools, and provide better services for customers.

The acquisition of Xin Yunlian Investment Limited was completed on 31 July 2020 (details are set out in the Company's announcements dated 16 November 2019, 29 June 2020, 22 July 2020 and 31 July 2020 respectively). The major activities of the newly acquired group are the operation of an e-commerce platform and the provision of financial services targeted to the 5.6 million tobacco retailers in the PRC. Currently, there are approximately 4.4 million tobacco retailers registered on the e-commerce platform. Our management believes that there will be synergy with the newly acquired subsidiaries. Our Group can leverage its knowledge, know-how, experience in the loan financing business in the PRC and financial resources to lead and empower them in developing new loan financing business. The combined network of client base and financial institutions covered by the Group is expected to form a stronger platform for cross-selling and 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 year ending 31 December 2024 will also provide a positive impact on the financial position of the Group as a whole in the years ahead.

### ***Loan Financing Business in Hong Kong***

Our loan financing operations in Hong Kong is mainly on provision of mortgage loan. To remain competitive while mitigating the overall credit risk, we adopted a stringent credit approval policy and worked closely with external property valuation professional in valuing the subject property to ensure the loan to value ratio of the relevant properties are maintained at a reasonable level. In addition, we installed tools to monitor the trend in the property market, which will provide alert to our credit team in case of significant fluctuation or irregularity is noted in the mortgage under supervision. Credit assessment includes full review of credit history and personal TransUnion credit report of the potential customers is performed. The Group will continue to implement a prudent strategy with stringent internal loan management system, including credit assessment and risk management and cooperate closely with external professionals for property valuation, credit check and legal counsel and maintain the Group's focus on high net worth customers through our partnership with business partners such as loan referral agents.

### **Litigation**

#### ***PRC***

- (I) The Company has appointed PRC legal advisers and the applications for arbitration in enforcing the variable interest entity contracts (the "VIE Contracts") have been filed and accepted by 上海仲裁委員會 (Shanghai Arbitration Commission, "SAC") in August 2016 (the "Arbitration"). Details of the applications are set out in the Company's announcement dated 18 August 2016. On 22 February 2017, our PRC legal advisers received three decisions issued by the SAC to suspend the Arbitration as (i) 上海新盛典當有限公司 (Shanghai Xinsheng Pawnshop Limited, "Xinsheng"), 上海快鹿投資(集團)有限公司 (Shanghai Kuailu Investment Group Company Limited, "Shanghai Kuailu") and 上海中源典當有限公司 (Shanghai Zhongyuan Pawnshop Company Limited, "Zhongyuan") are involved in a criminal investigation conducted by the public security authority of Shanghai, the PRC; and (ii) the shares of Xinsheng and Zhongyuan were frozen by such public security authority. Hence, the Arbitration has been suspended since 21 February 2017.

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

Based on the information publicly available, Shanghai Kuailu does not have sufficient financial resources to settle all penalties on their conviction while Xinsheng and Zhongyuan have been suspended for business for over six months and the financial positions are unknown. In view of this, the management considered that the cost to be incurred in resuming the Arbitration is expected to be significantly above the benefits the Group could be obtained and thus decided that the Arbitration would not be proceeded.

The financial impacts of the de-consolidation resulting from the incident has been fully reflected in the financial year ended 31 December 2016 and the suspension of the Arbitration is not expected to create any adverse impact on the Group as whole.

- (II) In May 2020, a PRC subsidiary of the Company, which primarily engages in the financing guarantee business, was notified that it was one of the defendants in certain legal cases in the PRC. The cases were involved with loans borrowed by the clients via a P2P platform in Beijing, the PRC which were claimed to be currently owned by the plaintiff through certain loan transfer agreements. We considered that the legality of the loan transfer agreements was in question and the timing of the hearing in the PRC was not yet confirmed up to present. It does not expect the cases will have a significant financial impact on the Group as a whole.

## **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, general trading, loan financing, securities brokerage and insurance brokerage. Administrative and other operating expenses amounted to approximately HK\$54,756,000 during the Period, which is decreased by HK\$5,176,000 as compared to the six months ended 30 June 2019. The decrease mainly resulted from the decrease in staff costs. The management will continue to act on its stringent measures on costs control to maintain the administrative and other operating expenses at a reasonable level.

### **Finance Costs**

Finance costs have decreased from approximately HK\$4,542,000 for the six months ended 30 June 2019 to approximately HK\$3,200,000 for the Period. The decrease was caused by the repayment of bank loan during the Period and decrease in imputed interest on deferred consideration.

## **Liquidity and Financial Resources**

The Group adopts the policy of prudence in managing its working capital. The operation of the Group was primarily financed by internally generated cash flow and external financing. As at 30 June 2020, the shareholders' fund and net current assets of the Group amounted to approximately HK\$271,685,000 (31 December 2019: HK\$451,737,000) and HK\$151,377,000 (31 December 2019: HK\$300,624,000) respectively. On the same date, the Group's bank balances and cash amounted to HK\$101,759,000 (31 December 2019: HK\$205,530,000) which were principally denominated in Hong Kong dollars and Renminbi and the current ratio was 1.42 (31 December 2019: 2.16). The main reasons for the decrease in bank balances was the increase in restricted bank deposits and other loans receivable for the Period.

As at 30 June 2020, the Group's total borrowings were denominated in RMB and bear fixed interest rates from 4.95% to 7.5% amounted to approximately HK\$122,864,000 (31 December 2019: HK\$78,302,000) of which approximately HK\$62,529,000 is repayable within 1 year, approximately HK\$10,970,000 is repayable between 1 to 2 years, approximately HK\$49,365,000 is repayable between 2 to 5 years. The gearing ratio, measured on the basis of total borrowings over net assets, was 45.2% as at 30 June 2020 (31 December 2019: 17.3%).

There was no capital commitment in respect of the acquisition and construction of property, plant and equipment as at 30 June 2020 (30 June 2019: nil).

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

### **Impairment loss on Goodwill**

The impairment loss on goodwill of approximately HK\$13,173,000 (the "Impairment") recorded for the Period in respect of the two cash generating units ("CGU"), namely the financing referral CGU and the financial guarantee CGU of the Group, which provides financial consultancy and loan referral services operation (the "Impaired Operations"). The Impaired Operations in the PRC were acquired by the Group in 2016 and 2017 with the objective to expand into the PRC's financial services sector. However, due to the Sino-US trade war continue in 2020 and the COVID-19 epidemic which lead to the economic slowdown in the PRC, the Impaired Operations were unable to achieve the growth rate forecast for the Period. Therefore, the valuation conducted by our external independent valuer has adjusted and resulted in the impairment loss on the goodwill for those Impaired Operations.

### **Impairment loss of Loans and Interest receivable**

During the Period, because of the adverse impact of the COVID-19 epidemic to our customers, the expected credit loss rate on loans and interest receivables increased significantly. The impairment loss of loans and interest receivable for the Period was approximately HK\$102,903,000 (30 June 2019: reversal of impairment loss HK\$3,868,000). The expected credit loss rate was based on historical observed default rates, forward looking information that is available without undue cost or effort as well as the fair value of the collateral pledged by the customers.

The Group will closely monitor the financial position and the operation of our customers and has continued to communicate actively with the customers in terms of repayment schedule and progress. At the same time, the Group has also work with our legal advisor closely to explore solutions to enforce the repayment of the customers and legal actions will be taken if necessary in order to minimize the potential risk of the Group.

### **Fund Investments**

Our investment portfolio is classified according to HKFRS 9. The carrying amounts of the financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss were approximately HK\$4,590,000 and HK\$17,714,000 respectively as at 30 June 2020 (as at 31 December 2019: HK\$6,369,000 and HK\$30,260,000). The investment portfolio includes (i) unlisted investment funds, which primarily invested in listed equity in the PRC and Hong Kong; (ii) listed equity in the PRC and Hong Kong; and (iii) unlisted investment fund, which primarily represent an investment in 20% equity interest in the registered capital of an unlisted company incorporated in the PRC which is engaged in property development project in the PRC.

### **Contingent Liabilities**

There are no significant contingent liabilities noted as at 30 June 2020 other than the financial guarantees issued.

### **Capital Structure**

As at 30 June 2020, the total number of issued ordinary shares of the Company were 6,924,077,621 (31 December 2019: 6,924,077,621) at HK\$0.001 each.

### **Charges on Assets**

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

	<b>30.6.2020</b>	31.12.2019
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Property, plant and equipment	<b>77,054</b>	82,650
Right-of-use assets	<b>21,144</b>	21,914
	<b><u>98,198</u></b>	<u>104,564</u>

Save for the above, the Group does not charge other assets to secure its borrowings.

### **Foreign currency exposure**

As confirmed by the Directors, the Group's present operations are mainly carried out in the PRC and HK, and all of the Group's receipts and payments in relation to the operations are basically denominated in RMB and Hong Kong dollars. The Group does not use derivative financial instruments to hedge its foreign currency risks. The management will continue to monitor its foreign exchange exposure and take appropriate measures if needed.

## **Employees and Remuneration Policies**

As at 30 June 2020, the Group has 125 employees (31 December 2019: 174 employees). Remuneration is determined by reference to their respective qualifications and experiences and according to the prevailing industry practice. In addition to salary payments, our staff benefits include contribution of mandatory provident fund, a discretionary bonus program and a share option scheme. As required by the regulations in the PRC, the Group makes contributions to mandatory social security funds for the benefit of the Group's employees in the PRC, including pension insurance, medical insurance, unemployment insurance, personal injury insurance, maternity insurance and housing funds.

## **PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY**

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

## **CORPORATE GOVERNANCE**

During the Period, the Company has complied with all the code provisions (the "Code Provisions") as set out in the Corporate Governance Code (the "CG Code") and Corporate Governance Report contained in Appendix 14 of the Listing Rules.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the model code (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. The Company has made specific enquiry of all Directors whether they have complied with the required standard set out in the Model Code regarding Directors' securities transactions and all Directors confirmed that they have complied with the Model Code throughout the Period.

## **AUDIT COMMITTEE**

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the Code Provisions of the CG Code. The Audit Committee currently comprises three independent non-executive Directors, including Mr. Kwan Kei Chor (chairman of the Audit Committee), Dr. Lyu Ziang and Mr. Zhou Liangyu.

The Group's interim results for the Period have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made. The Audit Committee recommended the Board to adopt the same.



## **REVIEW OF INTERIM RESULTS**

The unaudited consolidated interim results of the Group for the Period were prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and have also been reviewed by the Audit Committee. Such financial information has been reviewed by HLM CPA Limited, the independent auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

## **APPRECIATION**

On behalf of the Board, I would like to take this opportunity to thank our staff for their dedication, loyalty and integrity towards the Group. I would also like to express my gratitude to our shareholders, customers and other business partners and professional consultants for their support to the Group.

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

Hong Kong, 25 August 2020

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