华億金控集團有限公司

SINOFORTUNE FINANCIAL HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 08123)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the "Directors") of Sinofortune Financial Holdings Limited (the "Company", together with its subsidiaries, the "Group") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

HIGHLIGHTS

The Group recorded a revenue of approximately HK$326,200,000 for the year ended 31 December 2019.

Loss for the year ended 31 December 2019 was approximately HK$133,600,000.

Loss attributable to owners of the Company for the year ended 31 December 2019 amounted to approximately HK$127,700,000.

Basic loss per share was 1.65 HK cents and diluted loss per share was 1.65 HK cents.

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

FINAL RESULTS

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

		2019	2018
	Note	***HK$***	*HK$*
			(Restated)
Continuing operations			
Revenue	*3*	**326,155,068**	341,402,594
Other income and loss, net	*5*	**(463,623)**	(5,490,509)
Changes in inventories of finished good		**(355,612,232)**	(334,118,065)
Other direct costs		**(15,271,667)**	(165,065)
Employee benefits expenses		**(21,015,690)**	(18,495,761)
Depreciation of property, plant and equipments		**(2,714,500)**	(2,615,828)
Depreciation of right-of-use assets	*11*	**(3,517,166)**	–
Amortisation of intangible assets	*10*	**(30,186)**	(34,335)
Impairment of right-of-use assets	*11*	**(4,390,640)**	–
Gain on disposal of subsidiaries		**–**	12,360,193
Provisions		**(21,901,748)**	–
Finance costs	*6*	**(735,171)**	(412,593)
Other operating expenses		**(25,168,869)**	(22,655,350)
Loss before income tax	*7*	**(124,666,424)**	(30,224,719)
Income tax income	*8*	**181,549**	181,520
Loss for the year from continuing operations		**(124,484,875)**	(30,043,199)
Loss for the year from discontinued operations	*16*	**(9,137,884)**	(1,790,179)
Loss for the year		**(133,622,759)**	(31,833,378)

	Note	2019 HK$	2018 HK$ (Restated)
Other comprehensive loss:			
Items that may be reclassified to profit or loss			
Currency translation differences:			
– Group		**(3,179,411)**	(14,857,641)
– Release upon disposal of subsidiaries		**4,696,249**	1,001,474
Other comprehensive income/(loss) for the year, net of tax		**1,516,838**	(13,856,167)
Total comprehensive loss for the year		**(132,105,921)**	(45,689,545)
Loss attributable to:			
Owners of the Company	*9*	**(127,674,239)**	(31,213,014)
Non-controlling interests		**(5,948,520)**	(620,364)
		(133,622,759)	(31,833,378)
Loss attributable to the owners of the Company:			
– from continuing operations	*9*	**(118,536,355)**	(29,422,835)
– from discontinued operations		**(9,137,884)**	(1,790,179)
		(127,674,239)	(31,213,014)
Loss attribute to non-controlling interests:			
– from continuing operations		**(5,948,520)**	(620,364)
– from discontinued operations		**–**	–
		(5,948,520)	(620,364)
Total comprehensive loss for the year attribute to:			
Owners of the Company		**(125,978,803)**	(44,326,873)
Non-controlling interests		**(6,127,118)**	(1,362,672)
		(132,105,921)	(45,689,545)

	Note	2019 HK$	2018 HK$ (Restated)
Total comprehensive loss for the year attribute to the owners of the Company:			
– from continuing operations		**(121,537,168)**	(42,604,394)
– from discontinued operations		**(4,441,635)**	(1,722,479)
		(125,978,803)	(44,326,873)
Total comprehensive loss attribute to non-controlling interests:			
– from continuing operations		(6,127,118)	(1,362,672)
– from discontinued operations		–	–
		(6,127,118)	(1,362,672)
Loss per share attributable to owners of the Company for the year			
Basic loss per share *(HK cents)*	*9*		
From continuing and discontinued operations		**(1.65)**	(0.46)
From continuing operations		**(1.53)**	(0.44)
Diluted loss per share *(HK cents)*	*9*		
From continuing and discontinued operations		**(1.65)**	(0.46)
From continuing operations		**(1.53)**	(0.44)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 HK$	2018 HK$
Non-current assets			
Property, plant and equipments		**27,930,633**	30,027,465
Intangible assets	*10*	**35,052**	66,088
Right-of-use assets	*11*	**463,562**	–
Statutory deposits and other assets		**505,000**	505,001
Interests in associates	*12*	**–**	–
Financial assets at fair value through other comprehensive income	*14*	**9,997,200**	–
Financial assets at fair value through profit or loss	*15*	**31,702,687**	–
Rental and other deposits paid		**2,327,126**	132,865
		72,961,260	30,731,419
Current assets			
Inventories		**52,529,655**	59,794,498
Trade receivables	*13*	**31,834,712**	24,015,171
Loan receivables		**2,832,540**	6,534,605
Financial assets at fair value through profit or loss	*15*	**1,385,305**	27,769,776
Prepayments, deposits and other receivables		**32,530,758**	101,933,362
Bank balances and cash – trust accounts		**5,740,611**	8,299,365
Bank balances and cash – general accounts		**113,058,968**	153,053,508
		239,912,549	381,400,285
Total assets		**312,873,809**	412,131,704

	Note	2019	2018
	Note	***HK$***	*HK$*
Current liabilities			
Trade payables	*17*	**5,770,297**	8,271,122
Other payables and accruals		**25,221,466**	15,775,576
Contract liabilities		**4,117,917**	2,303,236
Provisions	*18*	**21,549,352**	–
Borrowings	*19*	**2,376,533**	4,497,498
Lease liabilities	*11*	**3,257,653**	–
		62,293,218	30,847,432
Net current assets		**177,619,331**	350,552,853
Total assets less current liabilities		**250,580,591**	381,284,272
Non-current liabilities			
Lease liabilities	*11*	**1,677,368**	–
Deferred income tax liabilities		**2,926,968**	3,108,517
		4,604,336	3,108,517
Net assets		**245,976,255**	378,175,755
Capital and reserves			
Share capital		**77,489,582**	77,489,582
Share premium		**1,673,298,866**	1,673,298,866
Special reserve		**4,778,740**	4,778,740
Statutory reserve		**3,911,530**	3,911,530
Translation reserve		**(20,600,511)**	(22,295,947)
Share-based compensation reserve		**21,624,496**	30,554,498
Accumulated losses		**(1,521,954,903)**	(1,403,118,917)
Equity attributable to owners of the Company		**238,547,800**	364,618,352
Non-controlling interests		**7,428,455**	13,557,403
Total equity		**245,976,255**	378,175,755

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company										
	Share capital	Share premium	Other reserve	Special reserve	Statutory reserve	Translation reserve	Share-based compensation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	HK$	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*	*HK$*
Balance as at 1 January 2018	64,989,582	1,614,798,866	(16,000,000)	4,778,740	3,911,530	(9,181,374)	30,554,498	(1,371,889,661)	321,962,181	14,903,119	336,865,300
Loss for the year	–	–	–	–	–	–	–	(31,213,014)	(31,213,014)	(620,364)	(31,833,378)
Other comprehensive loss	–	–	–	–	–	(13,113,859)	–	–	(13,113,859)	(742,308)	(13,856,167)
Cancellation of shares under escrow arrangement	(2,000,000)	(14,000,000)	16,000,000	–	–	–	–	–	–	–	–
New issuance during the year	14,500,000	72,500,000	–	–	–	–	–	–	87,000,000	–	87,000,000
Transaction with non-controlling interests	–	–	–	–	–	(714)	–	(16,242)	(16,956)	16,956	–
Balance as at 31 December 2018	77,489,582	1,673,298,866	–	4,778,740	3,911,530	(22,295,947)	30,554,498	(1,403,118,917)	364,618,352	13,557,403	378,175,755
Balance as at 1 January 2019	**77,489,582**	**1,673,298,866**	**–**	**4,778,740**	**3,911,530**	**(22,295,947)**	**30,554,498**	**(1,403,118,917)**	**364,618,352**	**13,557,403**	**378,175,755**
Impact on initial application of HKFRS 16	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(91,749)**	**(91,749)**	**(1,830)**	**(93,579)**
Restated opening balance at 1 January 2019 under HKFRS 16	**77,489,582**	**1,673,298,866**	**–**	**4,778,740**	**3,911,530**	**(22,295,947)**	**30,554,498**	**(1,403,210,666)**	**364,526,603**	**13,555,573**	**378,082,176**
Loss for the year	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(127,674,239)**	**(127,674,239)**	**(5,948,520)**	**(133,622,759)**
Other comprehensive income	**–**	**–**	**–**	**–**	**–**	**1,695,436**	**–**	**–**	**1,695,436**	**(178,598)**	**1,516,838**
Transfer of share-based compensation reserve upon the lapse of share options	**–**	**–**	**–**	**–**	**–**	**–**	**(8,930,002)**	**8,930,002**	**–**	**–**	**–**
Balance as at 31 December 2019	**77,489,582**	**1,673,298,866**	**–**	**4,778,740**	**3,911,530**	**(20,600,511)**	**21,624,496**	**(1,521,954,903)**	**238,547,800**	**7,428,455**	**245,976,255**

NOTES:

1. GENERAL INFORMATION

The Group is principally engaged in (i) provision of the precious metals spot trading and brokerage services in the People's Republic of China ("PRC"), (ii) provision of securities and futures contracts trading services in Hong Kong, (iii) trading and principal investments in the PRC and Hong Kong, (iv) provision of stock information and research services, and (v) sales of motor vehicles and the provision of agency services in the PRC.

During the year ended 31 December 2019, the Group ceased its business in the trading of electronic products, electronic student cards and school safety products and provision of electronic student card platform which are classified as discontinued operations for the year ended 31 December 2019 due to disposal of a subsidiary.

The Company was incorporated as an exempted company with limited liability in the Cayman Islands under the Companies Law of the Cayman Islands. The Company's registered office is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's principal place of business is situated at 16th Floor, CMA Building, No. 64-66 Connaught Road Central, Hong Kong.

The Company's shares are listed on the GEM of the Stock Exchange.

The consolidated financial statements are presented in Hong Kong dollars, while the functional currencies of certain subsidiaries are Renminbi ("RMB"). The functional currency of the Company is Hong Kong dollars. The Group has selected to present the consolidated financial statements in Hong Kong dollars as the management considered it is more beneficial to users of the consolidated financial statements. These consolidated financial statements have been approved and authorised for issue by the Board of Directors on 20 March 2020.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the GEM of Stock Exchange ("GEM Listing Rules") and by the applicable disclosure requirements of the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements for the year ended 31 December 2019 comprise the Company and its subsidiaries (are referred to as the "Group") and the Group's interests in associates.

The consolidated financial statements have been prepared under the historical cost convention, except for the recognition of certain financial assets and financial liabilities at fair value through profit or loss and at fair value through other comprehensive income.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in below paragraphs.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

In the current year, the Group has applied the following new and amendments to HKFRSs issued by HKICPA for the first time which are relevant to the Group's consolidated financial statements:

- HKFRS 16 *Leases*;
- HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*;
- Amendments to HKFRS 9 *Prepayment Features with Negative Compensation*;
- Amendments to HKAS 19 *Plan Amendment, Curtailment or Settlement*;
- Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures*; and
- Amendments to HKFRSs Annual Improvements to HKFRSs 2015-2017 Cycle

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of the initial application of the new standard on 1 January 2019. This is disclosed below. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

HKFRS 16 Leases

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

Definition of a lease

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

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

As a lessee

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

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

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

i. elected not to apply the new accounting model to short-term leases and leases of low-value assets and not to perform a full review of existing leases and apply HKFRS 16 only to new contracts;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 4.75%.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	At 1 January 2019 *HK$*
Operation lease commitments disclosed as at 31 December 2018	5,620,854
Less: Commitments relating to leases exempt from capitalisation:	
– short-term leases with remaining lease term ending on or before 31 December 2019	(57,916)
– VAT effect	(144,984)
	5,417,954
Less: Total future interest expenses	(308,543)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16 and lease liabilities as at 1 January 2019	5,109,411
Analysed as	
Current	2,018,848
Non-current	3,090,563
	5,109,411

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Right-of-use assets *HK$*
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	5,015,832

The following table summarises the impact of transition to HKFRS 16 on accumulated losses at 1 January 2019:

	Impact of adopting HKFRS 16 at 1 January 2019
	HK$
Accumulated losses	
Impact at 1 January 2019	93,579

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amounts previously reported at 31 December 2018	**Capitalisation of operating lease contracts**	**Carrying amounts under HKFRS 16 at 1 January 2019**
	HK$	*HK$*	*HK$*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Right-of-use assets	–	5,015,832	5,015,832
Total non-current assets	30,731,419	5,015,832	35,747,251
Lease liabilities	–	2,018,848	2,018,848
Current liabilities	30,847,432	2,018,848	32,866,280
Net current assets	350,552,853	(2,018,848)	348,534,005
Total assets less current liabilities	381,284,272	2,996,984	384,281,256
Lease liabilities	–	3,090,563	3,090,563
Non-current liabilities	3,108,517	3,090,563	6,199,080
Accumulated losses	(1,403,118,917)	(91,749)	(1,403,210,666)
Non-controlling interests	13,557,403	(1,830)	13,555,573
Net assets	378,175,755	(93,579)	378,082,176

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows.

(b) New and amended Standards issued but not yet adopted

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

[1] Effective for annual periods beginning on or after 1 January 2021

[2] Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

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

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

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

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

(c) Estimated useful lives of intangible assets other than goodwill

The Group has significant intangible assets. The Group is required to estimate the useful lives of intangible assets, in order to ascertain the amount of amortisation charges for each reporting period.

(d) Impairment of intangible assets other than goodwill

The Group periodically reviews internal or external resources to identify indications that the intangible assets other than goodwill have suffered any impairment in accordance with accounting policy. If the recoverable amount of an intangible asset is estimated to be less than its carrying amount, the carrying amount of the intangible asset is reduced to its recoverable amount. The assessment of the recoverable amount requires the use of estimates and assumptions.

(e) Credit risk of trade and other receivables and loan receivables

Provision for expected credit losses of trade receivables

The Group uses a provision of matrix approach to calculate ECLs for trade receivables. The determination of default rates takes into account historical data and forward-looking information which involves a significant degree of management judgement.

The provision of ECLs is sensitive to changes in circumstances and of forecast general economic conditions. If the financial condition of the customers or the forecast economic conditions were to deteriorate, actual loss allowance would be higher than estimated.

(f) Impairment of interests in associates

Determining whether interests in associates are impaired requires an estimation of the recoverable amounts of the interests in associates. The Group recognised the impairment of interests in associate based on an assessment of future economic benefits of the investment that will flow to the Group in prior years. The associate ceased its business due to the policy review by the PRC government, and such review has not yet completed up to present. Where the policy will be completed and the expectation is different from the originate estimate, such difference will impact the interests in associate in the period in which such estimates has been changed.

(g) Estimated useful lives and impairment of property, plant and equipments

The Group has significant property, plant and equipments. The Group is required to estimate the useful lives of property, plant and equipments in order to ascertain the amount of depreciation charges for each reporting period.

The useful lives are estimated at the time of purchase of these assets after considering business developments and the Group's strategies. The Group performs annual reviews to assess the appropriateness of the estimated useful lives. Such review takes into account any unexpected adverse changes in circumstances or events, including declines in projected operating results, negative industry and economic trends. The Group extends or shortens the useful lives and/or makes impairment provisions according to the results of the review.

(h) Income taxes

The Group is subject to income taxes in certain overseas jurisdictions and Hong Kong. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination are made.

(i) Determining the basis on impairment made on the interests in associates

The Group has made substantial investments in associates. The Group conducts impairment reviews of these assets whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

During 2018 and 2019, after reviewing the business environment and past performance of the investments, management considers that no reversal of impairment for the PRC associates due to the continuing suspension of business of those associates in the foreseeable future.

As the commodities trading policies review conducted by the government of Qianhai, there was a suspension on the business operation of 深圳前海首華國際商品交易中心有限公司 (transliterated as Shenzhen Qianhai First China International Commodities Exchange Centre Limited) ("Qianhai First China"), an associate of the Group, in prior year. The review was still not completed as at the end of the current reporting period and therefore the business operation of Qianhai First China has not yet resumed up to present. Due to the uncertainty in the timing of the new industry policies introduced, the management of the Group considers that it is appropriate not to reverse any impairment recognised in prior years.

(j) Determining the basis on impairment relating to refundable earnest money paid for proposed business acquisition in previous year

The Group has paid the refundable earnest money of RMB20,000,000 (equivalent to HK$23,052,000) for the proposed acquisition for the entire registered capital of 民勤量子新能源有限公司 (transliterated as Minqin Quantum New Energy Co. Ltd.) ("Minqin Quantum") in January 2015. The Group has received the collateral which are the entire shares of Minqin Quantum from the vendor. The proposed acquisition terminated in May 2015 and the Group filed an arbitration application (the "Arbitration") to South China International Economic and Trade Arbitration Commission ("SCIA") for the repayment of the overdue receivables.

Although the final judgment ordered the vendor to repay the refundable earnest money to the Group, the vendor did not return the said deposits to the Group. On 6 June 2017, the PRC legal advisor of the Company received the execution judgment (the "Execution Judgment") issued by Intermediate People's Court (the "Court") of Suining District, Sichuan Province dated 25 April 2017. According to the Execution Judgment, the Court terminated the compulsory execution of repayment of the said deposits from the vendor and the Court concluded that the vendor owns no executable assets after he pledged his shares of the Minqin Quantum to the Group. The Group continued to communicate with its PRC lawyer to follow up the claims from the Court during the current year but the status was not changed. The management had made an impairment of refundable earnest money paid for the proposed acquisition of Minqin Quantum in year 2017. Based on the facts and circumstances described above, the management considers the recoverability of refundable earnest money paid for the aforesaid acquisition is remote.

(k) Revenue recognition in respect of motor vehicles trading business

The Group assesses its business relationship with suppliers and customers in respect of the trading of motor vehicles business and determines that the Group acts as a principal in some arrangements and acts as agent in other arrangements. The factors taken into account by management in assessing whether the Group acts as the principal or agent include:

(i) Whether the Group has the primary responsibility for fulfilling the promise to provide the specified good or service.

(ii) Whether the Group has inventory risk before the specified good or service has been transferred to a customer and whether the Group is exposed to significant inventory risk. The Group considered that it has minimal inventory risk in respect of situations where the Group concluded that it itself is just an agent in arranging goods to be delivered to the customers. In those situations, basically, the Group only places purchase orders to suppliers after it has received sales orders from customers. On the other hand, where the Group concludes that it itself is a principal, it is mainly relating to situations where the Group has significant inventory risk regarding trading of the motor vehicles which the Group did not receive any sale orders from customers before purchasing the motor vehicles from the suppliers.

(iii) Whether the Group has discretion in establishing the price for the specified good or service and whether the Group is exposed to significant price risk. The Group basically agreed the price of the motor vehicles with the customers before purchasing the motor vehicles from the suppliers in situations where the Group concludes that it itself is an agent while the Group has discretion in establishing the price for the motor vehicles with the customers or exposure to significant price risk for the sales transactions where the Group concludes that it is a principal.

(iv) Whether the pre-agreed sales contracts with customers are legally binding especially in circumstances where only insignificant deposits are received from the customers before the Group settling the entire purchase amounts with the suppliers and whether the Group is exposed to significant credit risk.

(l) Motor vehicles purchased for the transactions in agency nature

In arrangement entered into during 2019, the Group entered the sales contracts with customers in previous year and therefore arranged the purchase of the motor vehicles on behalf of its customers under an agency arrangement. Due to the early adoption of government policy in relation to automobile emission standard in the PRC, the purchase desire of customers declined. The purchase amounts of the motor vehicles for these agency arrangement of HK$6,671,280, which were bought from previous year and had been classified as a prepayment and are expected to settled within 12 months after the end of the reporting period.

In arrangement entered into during 2018, the Group arranged the purchase of the motor vehicles on behalf of its customers under an agency arrangement. The motor vehicles had arrived at the public warehouses. However, due to the delay in custom declaration, the motor vehicles are still kept in the public warehouse as 31 December 2018 and up to the date when the consolidated financial statements for the year ended 31 December 2018 are authorised for issue. In the opinion of the Company's directors (after consulting its PRC lawyer and taking into accounts), the possibility for the customers to walk away from the contracts and request for the compensation is low. Therefore the purchase amounts of the motor vehicles for these agency arrangement of HK$23,004,479 had been classified as a prepayment and no provision of the compensation needed to be made due to the delay.

(m) Provision for onerous contracts

Management estimates the provision for onerous contracts being the present obligation of the unavoidable costs less the economic benefits expected to be received under the non-cancellable purchase contract of motor vehicles. The expected economic benefits are estimated based on estimated statistics future sales and selling price taking reference by the existing market condition and estimated number of motor vehicles sold under the existing market condition while unavoidable costs are estimated based on the motor vehicles purchase contracts that the Group is obliged to settle.

Management conducted an assessment of the market condition and subsequent sales price and the estimates and assumptions contained therein are reviewed regularly. As at 31 December 2019, provision for onerous contracts is at carrying amount of HK$15,778,469 (2018: Nil).

(n) Assessment as to whether the right-of-use assets is impaired

Shenzhen Sinofortune Education Investment Consultancy Co, Limited, a subsidiary of the Group, entered into a 3-year lease for an office building located in Shenzhen. The leased property has been occupied for the Group's self-use for the remainder of the lease term.

The directors have assessed and concluded that the related right-of-use assets with the carrying amount of HK$4,390,640 as of 31 December 2019 was impaired, after taking into account the future cash inflows and outflows from the asset. As a result, the Group fully impaired the whole right-of-use assets generating from the above-mentioned leased property.

(o) Fair value measurements and valuation process

Some of the Group's equity instruments are measured at fair value for financial reporting purposes. Management uses valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets.

In estimating the fair value of equity instruments, the Group uses market-observable data to the extent it is available. Management bases its assumptions on observable data as far as possible but this is not always available. In that case, management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

3. REVENUE

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by major products or service lines is as follows:

	2019	2018
	HK$	*HK$*
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by major products or service lines		
– Commission income from securities and futures brokerage services	**429,088**	661,470
– Service income from provision of stock information	**–**	226,972
– Sales of motor vehicle where the Group acts as principal	**324,299,455**	337,492,350
– Agency fee income from trading of motor vehicles and accessories sourcing	**824,262**	2,485,662
	325,552,805	340,866,454
Revenue from other sources		
– Interest income from clients	**602,263**	536,140
Revenue	**326,155,068**	341,402,594
Disaggregated by timing of revenue recognition within the scope of HKFRS 15		
– Over time	**–**	226,972
– At a point in time	**325,552,805**	340,639,482
	325,552,805	340,866,454

Disaggregation of revenue from contracts with customers by geographic markets is disclosed in note 4.

4. SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors (the "Executive Directors") of the Company. The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Operating segments were determined based on these reports.

In previous year, the Group was organised into six operating divisions and each of the operating divisions represented an operating and reportable segment: (1) provision of brokerage and securities margin financing services; (2) precious metals spot trading and brokerage services; (3) trading of electronic products, electronic student cards and school safety products and provision of electronic student card platform; (4) trading and principal investments; (5) provision of stock information and research services; and (6) sales of motor vehicles and provision of agency services.

During the year ended 31 December 2019, the Group ceased its business in the trading of electronic products, electronic student cards and school safety products and provision of electronic student card platform which are classified as discontinued operations for the year ended 31 December 2019 due to disposal of a subsidiary. Further details of the discontinued operations are set out in the note 16.

The segment information of the reportable segments for the year ended 31 December 2019 is as follows:

	Brokerage and securities margin financing services *HK$*	Precious metals spot trading and brokerage services *HK$*	Trading and principal investments *HK$*	Sales of motor vehicles and provision of agency services *HK$*	Provision of stock information and research services *HK$*	Total *HK$*
Continuing operation						
Disaggregated by timing of revenue recognition within the scope of HKFRS 15						
Over time	–	–	–	–	–	–
At a point in time	429,088	–	–	325,123,717	–	325,552,805
	429,088	–	–	325,123,717	–	325,552,805
Segment revenue from external customers	1,031,351	–	–	325,123,717	–	326,155,068
Other income and loss, net by segment	58,007	108,401	(13,742)	506,591	–	659,257[1]
Segment results	(2,807,793)	(102,756)	(6,906,897)	(84,467,698)	–	(94,285,144)
Net unallocated expenses						(24,132,589)
Other income and loss, net						(1,522,362)[1]
Impairment of right-of-use assets						(4,390,640)
Finance costs						(735,171)
Interest income						399,482[1]
Loss before income tax						(124,666,424)
Income tax income						181,549
Loss for the year						(124,484,875)

[1] *Equivalent to the total balances stated in note 5*

The segment information of the reportable segments for the year ended 31 December 2018 is as follows:

	Brokerage and securities margin financing services *HK$*	Precious metals spot trading and brokerage services *HK$*	Trading and principal investments *HK$*	Sales of motor vehicles and provision of agency services *HK$*	Provision of stock information and research services *HK$*	Total *HK$*
Disaggregated by timing of revenue recognition within the scope of HKFRS 15						
Over time	–	–	–	–	226,972	226,972
At a point in time	661,470	–	–	339,978,012	–	340,639,482
	661,470	–	–	339,978,012	226,972	340,866,454
Segment revenue from external customers	1,197,610	–	–	339,978,012	226,972	341,402,594
Other income and loss, net by segment	64,334	30,917	(6,440,602)	486,955	111,869	(5,746,527)[1]
Segment results	(3,681,127)	(230,530)	(13,323,725)	(6,684,411)	(5,969,203)	(29,888,996)
Net unallocated expenses						(12,539,341)
Other income and loss, net						228,800[1]
Gain on disposal of subsidiaries						12,360,193
Finance costs						(412,593)
Interest income						27,218[1]
Loss before income tax						(30,224,719)
Income tax income						181,520
Loss for the year						(30,043,199)

[1] *Equivalent to the total balances stated in note 5*

The measure used for reporting segment profits or losses is adjusted losses before interest and taxes. To arrive at adjusted losses, the Group's losses are further adjusted for items not specifically attributed to individual segments, such as gain on disposal of subsidiaries, finance costs, certain interest income and head office or corporate administration costs.

Other segment information for the year ended 31 December 2019 is as follows:

	Brokerage and securities margin financing services *HK$*	**Precious metals spot trading and brokerage services** *HK$*	**Trading and principal investments** *HK$*	**Sales of motor vehicles and provision of agency services** *HK$*	**Provision of stock information and research services** *HK$*	**Unallocated** *HK$*	**Total** *HK$*
Addition to property, plant and equipments	**30,760**	**–**	**–**	**–**	**–**	**1,226,212**	**1,256,972**
Depreciation and amortisation	**5,116**	**–**	**–**	**1,117,367**	**–**	**5,139,369**	**6,261,852**
Fair value losses on securities trading	**–**	**–**	**519,272**	**–**	**–**	**–**	**519,272**
Fair value loss of financial assets at fair value through profit or loss	**–**	**–**	**–**	**–**	**–**	**1,650,241**	**1,650,241**
Provision of loss on onerous contracts	**–**	**–**	**–**	**16,060,005**	**–**	**–**	**16,060,005**
Provision of compensation for legal litigation	**–**	**–**	**–**	**5,841,743**	**–**	**–**	**5,841,743**
Written off of property, plant and equipments	**–**	**–**	**–**	**462,738**	**–**	**–**	**462,738**
Interest income	**3,616**	**108,401**	**–**	**41,357**	**–**	**399,482**	**552,856**
Interest expenses on lease liabilities	**–**	**–**	**–**	**37,393**	**–**	**295,835**	**333,228**

Other segment information for the year ended 31 December 2018 is as follows:

	Brokerage and securities margin financing services *HK$*	Precious metals spot trading and brokerage services *HK$*	Trading and principal investments *HK$*	Provision of stock information and research services *HK$*	Sales of motor vehicles and provision of agency services *HK$*	Unallocated *HK$*	Total *HK$*
Addition to property, plant and equipments	6,450	–	–	7,931	1,016,714	244,610	1,275,705
Depreciation and amortisation	1,620	43,690	16,688	428,481	439,291	1,718,443	2,648,213
Fair value losses on securities trading	–	–	6,468,850	–	–	–	6,468,850
Gain on disposal of subsidiaries	–	–	–	–	–	12,360,193	12,360,193
Interest income	1,385	26,285	2,846	59,415	486,955	27,218	604,104

The segment assets and liabilities as at 31 December 2019 and 2018 are as follows:

Segment assets	**2019**	2018
	HK$	*HK$*
Brokerage and securities margin financing services	**26,043,898**	30,660,935
Precious metals spot trading and brokerage services	**7,877,393**	18,363,164
Trading and principal investments	**2,070,801**	17,177,710
Provision of stock information and research services	**–**	54,076,132
Sales of motor vehicles and provision of agency services	**116,943,090**	182,185,908
	152,935,182	302,463,849
Unallocated	**159,938,627**	101,883,837
Total for continuing operations	**312,873,809**	404,347,686
Discontinued operations		
Trading of electronic products, electronic student cards and school safety products and provision of electronic student card platform	**–**	7,784,018
Consolidated assets	**312,873,809**	412,131,704

Segment liabilities	**2019**	2018
	HK$	*HK$*
Brokerage and securities margin financing services	**5,937,144**	8,430,923
Precious metals spot trading and brokerage services	**308,795**	319,792
Provision of stock information and research services	**–**	240,344
Sales of motor vehicles and provision of agency services	**38,051,634**	15,937,754
	44,297,573	24,928,813
Unallocated	**22,599,981**	8,469,621
Total for continuing operations	**66,897,554**	33,398,434
Discontinued operations		
Trading of electronic products,electronic student cards and school safety products and provision of electronic student card platform	**–**	557,515
Consolidated liabilities	**66,897,554**	33,955,949

Segment assets consist primarily of certain property, plant and equipments, intangible assets, right-of-use assets, statutory deposits and other assets, inventories, trade receivables and certain other receivables and deposits, loan receivables, financial assets at fair value through profit or loss and certain bank balances and cash.

Segment liabilities consists primarily of trade payables, certain other payables and accruals, contract liabilities, provisions, lease liabilities and deferred income tax liabilities.

The Group mainly operates in Hong Kong and the PRC. Revenue from external customers are allocated based on the geographic areas in which the customers is located.

	2019	2018
	HK$	*HK$*
Revenue		
Hong Kong	**1,031,351**	1,197,610
The PRC	**325,123,717**	343,633,368
	326,155,068	344,830,978
Other income and loss, net		
Hong Kong	**341,106**	(6,122,319)
The PRC	**(804,729)**	631,810
	(463,623)	(5,490,509)

The geographical location of specified non-current assets is based on the physical location of assets, in the case of property, plant and equipments and right-of-use assets, the location of the operation to which they are allocated, in the case of intangible assets, statutory deposits and other assets, and rental and other deposits paid and location of operations, in the case of interests in associates.

	2019	2018
	HK$	*HK$*
Specified non-current assets		
Hong Kong	**26,763,734**	28,361,217
The PRC	**4,497,639**	2,370,202
	31,261,373	30,731,419

Information about major customers

During the current year, three of the Group's customers located in the PRC accounted for 28.6%, 13.6% and 10.9% of the Group's revenue in amount of HK$93,291,158, HK$44,274,279 and HK$35,419,423 respectively, which were from segment of sales of motor vehicles and provision of agency services.

During 2018, two of the Group's customers, located in the PRC accounted for 56.1% and 30.4% of the Group's revenue in the amount of HK$193,464,440 and HK$104,909,686 respectively, which were from segment of sales of motor vehicles and provision of agency services.

5. OTHER INCOME AND LOSS, NET

	2019	2018
	HK$	*HK$*
Other income		
CCASS fee income	**13,313**	18,792
Interest income on bank deposits	**241,493**	365,185
Interest income from financial assets at fair value through profit or loss	**18,651**	238,919
Other interest income *(Note)*	**292,712**	–
Dividend income from securities held for trading	**54,993**	27,689
Forfeited trade deposit	**734,555**	–
Sundry income	**543,669**	139,879
	1,899,386	790,464
Other gain or loss, net		
Financial assets at fair value through profit or loss		
– Unrealised fair value losses on securities trading	**(519,272)**	(6,468,850)
– Realised gains on trading of securities	**452,102**	–
– Fair value loss	**(1,650,241)**	–
– Exchange (loss)/gain	**(182,860)**	222,328
– Written off of property, plant and equipments	**(462,738)**	(34,451)
	(2,363,009)	(6,280,973)
	(463,623)	(5,490,509)

Note: The other interest income of the Group is arising from the loan receivables from third parties and an associate.

6. FINANCE COSTS

	2019	2018
	HK$	*HK$*
Interest expenses on bank borrowings	**114,719**	171,590
Interest expenses on lease liabilities	**333,228**	–
Interest expenses on unsecured borrowings – related party	**270,853**	241,003
Other interest expenses	**16,371**	–
	735,171	412,593

7. LOSS BEFORE INCOME TAX

	2019	2018
	HK$	*HK$*
Loss before income tax has been arrived at after charging (crediting):		
Auditors' remuneration		
– audit services	**530,000**	510,000
– other services	**70,000**	70,000
Operating lease rentals in respect of rented premises	**–**	2,274,626
Legal and professional fee	**1,189,197**	1,559,058
Declaration services fee	**6,328,205**	1,423,382
Exhibition and marketing fee	**1,781,046**	2,206,062
Transportation, accessories and storage	**3,868,934**	3,805,870
Certification fee (included in other direct cost) *(Note)*	**15,147,375**	–

Note: The certification fee was paid for preparing the China Compulsory Certification, which is a compulsory safety requirement for motor vehicles in the PRC.

8. INCOME TAX INCOME

Hong Kong Profits Tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profit arising in or derived from Hong Kong for the year. No provision for Hong Kong Profits Tax has been made in the financial statements as the group companies that are subject to Hong Kong Profits Tax had incurred a tax loss for the year (2018: Nil). PRC Enterprise Income tax has been provided at the rate of 25% (2018: 25%) on the assessable profits of the PRC subsidiaries arising in or derived from PRC for the year.

	2019	2018
	HK$	*HK$*
Current income tax:		
Current tax on profits for the year		
– PRC Enterprise Income tax	**–**	29
Total current tax	**–**	29
Deferred tax income		
Current year	**(181,549)**	(181,549)
Income tax income	**(181,549)**	(181,520)

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the tax rate applicable to losses of the consolidated entities as follows:

	2019	2018
	HK$	*HK$*
Loss before income tax	**(124,666,424)**	(30,224,719)
Tax calculated at domestic tax rates in respective tax jurisdiction	**(29,303,331)**	(6,080,393)
Tax effects of:		
– Income not subject to tax	**(13,095,884)**	(3,024,260)
– Expenses not deductible for tax purposes	**6,642,374**	413,628
– Others	**55,998**	908,475
– Unused tax losses not recognised	**29,939,671**	2,573,105
– Tax loss not allowable	**1,762,914**	4,154,904
– Prior year's tax losses utilised in this year	**(567,334)**	–
– Temporary differences not provided	**4,384,043**	872,992
– Under-provision in prior year	**–**	29
Income tax income	**(181,549)**	(181,520)

9. LOSS PER SHARE

For continuing operations

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

Loss figures are calculated as follows:

	2019	2018
	HK$	*HK$*
Loss for the year attributable to owners of the Company	**(127,674,239)**	(31,213,014)
Less: Loss for the year from discontinued operations	**(9,137,884)**	(1,790,179)
Loss for the purpose of basic and diluted earnings per share from continuing operations	**(118,536,355)**	(29,422,835)

	2019	2018
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**7,748,958,120**	6,498,958,120
Effect of dilutive potential ordinary shares:		
Cancellation of escrow shares	**–**	(101,917,908)
New issue of shares	**–**	321,780,822
Weighted average number of ordinary shares for the purpose of diluted loss per share	**7,748,958,120**	6,718,821,034

From continuing and discontinued operations

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

	2019	2018
	HK$	*HK$*
Loss		
Loss for the purpose of basic and diluted earnings per share	**(133,622,759)**	(31,833,378)

The denominators used are the same as those detailed above for both basic and diluted loss per share.

From discontinued operations

Basic loss per share for the discontinued operations is HK0.12 cents per share (2018: HK0.02 cents per share) and diluted loss per share for the discontinued operations is HK0.12 cents per share (2018: HK0.02 cents per share), based on the loss for the year from the discontinued operations of HK$9,137,884 (2018: HK$1,790,179) and the denominators detailed above for both basic and diluted loss per share.

The computation of diluted loss per share for the years ended 31 December 2019 and 2018 did not assume the exercise of the Company's share options outstanding during the years ended 31 December 2019 and 2018 since their exercise would result in a decrease in loss per share.

10. INTANGIBLE ASSETS

	Software	Trading rights	Contractual customer relationship	Total
	HK$	*HK$*	*HK$*	*HK$*
As at 1 January 2018				
Cost	26,633,244	3,224,000	201,996,340	231,853,584
Accumulated amortisation and impairment	(26,528,746)	(3,223,998)	(201,996,340)	(231,749,084)
Net book amount	104,498	2	–	104,500
Year ended 31 December 2018				
Opening net book amount	104,498	2	–	104,500
Currency transaction difference	(4,077)	–	–	(4,077)
Amortisation charges	(34,335)	–	–	(34,335)
Closing net book amount	66,086	2	–	66,088
As at 31 December 2018				
Cost	22,385,577	3,224,000	201,996,340	227,605,917
Accumulated amortisation and impairment	(22,319,491)	(3,223,998)	(201,996,340)	(227,539,829)
Net book amount	66,086	2	–	66,088
Year ended 31 December 2019				
Opening net book amount	**66,086**	**2**	**–**	**66,088**
Currency transaction difference	**(850)**	**–**	**–**	**(850)**
Amortisation charges	**(30,186)**	**–**	**–**	**(30,186)**
Closing net book amount	**35,050**	**2**	**–**	**35,052**
As at 31 December 2019				
Cost	**104,498**	**3,224,000**	**–**	**3,328,498**
Accumulated amortisation and impairment	**(69,448)**	**(3,223,998)**	**–**	**(3,293,446)**
Net book amount	**35,050**	**2**	**–**	**35,052**

The amortisation charge for the year is presented in the consolidated statement of profit or loss and other comprehensive income separately.

Notes:

(i) As at 31 December 2019, the software mainly represents accounting software with the estimated useful life of 3 years.

As at 31 December 2018, the software mainly represents accounting software with the estimated useful life of 3 years and 天星通定位服務平台軟件V2.0 (Registration No.: 2013SR144807), 天星通家校互動服務平台軟件V2.0 (Registration No.: 2013SR144929), 天星通定位服務網站軟件V2.0 (Registration No.: 2013SR145090) and 2.4G有源RFID激勵標籤嵌入式軟件 (Registration No.: 2014SR037656) with the estimated useful life of 10 years. Such software from 深圳市天星通科技有限公司 (transliterated as Shenzhen Star Technology Co., Ltd) ("Shenzhen Star Technology") are fully amortised in previous year and disposed upon disposal of Shenzhen Star Technology on 31 October 2019.

(ii) The contractual relationships with customers were acquired through the acquisition of Shenzhen Star Technology in year 2014. The management of the Group reviewed the expected useful life of the contractual customer relationships and determined that the useful life assessment is 8 years. The contractual customer relationships are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the said expected useful life of the customer relationships. Such contractual relationships with customers are fully amortised in the previous year and disposed upon disposal of a subsidiary, Shenzhen Star Technology on 31 October 2019.

(iii) For the purpose of impairment testing of the contractual relationships with customers and the software, those intangible assets have been allocated to a CGU representing the operating activities of Shenzhen Star Technology. An impairment test of these intangible assets was carried out by management based on value-in-use calculation and with reference to business valuation conducted by an independent professional valuer in prior year.

During the year ended 31 December 2018, the Group continued to deal with the technical problems for adopting the BeiDou navigating chips in its products, and the technical problems were unsolved. Based on the impairment test performed, no reversal of impairment is made due to unsatisfactory performance of the business in current year.

(iv) The trading rights as at 31 December 2019 represent two (2018: two) trading rights on the Stock Exchange and one (2018: one) trading right on the Hong Kong Futures Exchange Limited ("HKFE").

11. LEASES-RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

Right-of-use assets – office premises

	HK$
Restated opening net book amount under HKFRS 16 as at 1 January 2019*	5,015,832
Additions	4,034,844
Currency translation difference	(21,828)
Impairment	(4,390,640)
Lease modification	(657,480)
Depreciation charge	(3,517,166)
Closing net book amount as at 31 December 2019	463,562

Lease liabilities

	HK$
Restated opening net book amount under HKFRS 16 as at 1 January 2019*	5,109,411
Additions	4,034,844
Currency translation difference	(105,440)
Interest expenses	333,228
Lease modification	(657,480)
Repayment	(3,779,542)
Closing net book amount as at 31 December 2019	4,935,021

* *For adjustments recognised on adoption of HKFRS 16 on 1 January 2019, please refer to note 2.*

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	31 December 2019		**1 January 2019** *(Note)*	
	Present value of the minimum lease payments	**Total minimum lease payments**	**Present value of the minimum lease payments**	**Total minimum lease payments**
	HK$	*HK$*	*HK$*	*HK$*
Within 1 year	3,257,653	3,416,572	2,018,848	2,213,962
After 1 year but within 2 years	1,677,368	1,703,227	3,090,563	3,203,993
	4,935,021	5,119,799	5,109,411	5,417,955
Less: Total future interest expenses		(184,778)		(308,544)
Present value of lease liabilities		4,935,021		5,109,411

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31 December 2018 has not been restated. Further details on the impact of the transition to HKFRS 16 are set out in note 2(a).

The Group has entered into lease arrangements with landlords, and the lease term range from 31 to 36 months.

Additions to the right-of-use assets during the year 2019 were HK$4,034,844.

In December 2019, the Group had entered into contract with landlord for rental reduction from RMB254,677 (equivalents to HK$287,943) per month to RMB219,048 (equivalents to HK$247,660) per month for the remaining lease period of 20 months. Therefore, the right-of-use assets are decreased and lease liabilities are increased by RMB581,522 (equivalents to HK$657,480) due to the lease modification.

(ii) Amounts recognised in the consolidated statement of profit or loss

The consolidated statement of profit or loss shows the following amounts relating to leases:

	2019	2018
	HK$	*HK$*
Depreciation of right-of-use assets		
Office Premises	**3,517,166**	–
Impairment of right-of-use assets		
Office Premises	**4,390,640**	–
Interest expense (included in finance costs)	**333,228**	–
Expense relating to short-term leases (included in other operating expenses)	**259,731**	–

The total cash outflow for leases in 2019 was HK$4,039,274.

(iii) The Group's leasing activities and how these are accounted for

The Group leases various offices. Rental contracts are typically made for fixed periods of 1 to 5 years, but may have extension options as described below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Until the 2018 financial year, leases of property, plant and equipments were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as right-of-use assets and corresponding liabilities at the date at which the leased assets are available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

– fixed payments (including in-substance fixed payments), less any lease incentives receivable; and

– payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use assets in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group, where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodical rate of interest on the remaining balance of the liabilities for each period.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liabilities, any lease payments made at or before the commencement date less any lease incentives received and any initial direct costs, and restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use assets are depreciated over the underlying asset's useful life. While the Group revalues its leasehold land and buildings that are presented within property, plant and equipments, it has chosen not to do so for the right-of-use buildings held by the Group.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

12. INTERESTS IN ASSOCIATES

	2019	2018
	HK$	*HK$*
Share of net assets	**–**	–

Started from November 2015, there was a suspension on the business operation of the material associate, Qianhai First China due to the commodities trading policies review conducted by the government of Qianhai. Up to present, the review was still not completed as at the end of the current reporting period and therefore the business operation of Qianhai First China had not yet resumed. The management of the Company do not expect the associate can resume its business activities in the foreseeable future. The interests in this associate had been fully impaired in previous year.

The associate named 深圳中財贏通信息技術有限公司 (transliterated as Shenzhen Zhongcai Yingtong Information Technology Company Limited) had been suspended by the PRC authority. The interests in this associate had been fully impaired in previous year.

Details of the Group's associate as at 31 December 2019 and 2018 are as follows:

Name	Place of incorporation/ establishment and kind of legal entity	Principal activities	Particulars of issued shares held	Interest held
深圳前海首華國際商品交易中心有限公司 (transliterated as Shenzhen Qianhai First China International Commodities Exchange Centre Limited)	PRC, Limited liability company	Provision of trading platform for precious metal and provision of related consultancy services	Registered capital of RMB38,000,000	38%

The above associate is accounted for using the equity method in the consolidated financial statements.

The above associate is a private company and there is no quoted market value available.

Commitments in respect of associates

The Group has the following commitments relating to its associates:

	2019	2018
	HK$	*HK$*
Commitment to provide funding if called	**21,105,186**	21,555,105

Litigation in respect of associates

As at 31 December 2019, Qianhai First China has some unresolved legal cases relating to the contracts dispute with some investors and involving the total claimed amount of RMB3,962,529 (equivalent to HK$4,401,577) (2018: RMB2,280,731 (equivalent to HK$2,587,444)). According to the legal opinion obtained from the Group's PRC lawyer, the PRC lawyer opined that from recent judgments, the courts tends to rule in favour of the investors in claims of similar nature, therefore it is likely Qianhai First China may have to compensate these investors accordingly. The Group considers that the associate has sufficient financial ability to compensate the claim from investors, therefore no further provision of liabilities needed to made by the Group.

Save as mentioned above, there are no other contingent liabilities of the associates at 31 December 2019.

Individually immaterial associates

Due to the suspension of the associate's business, the management of the Group consider it to be immaterial associates.

Aggregate information of associates that are not individually material

	2019	2018
	HK$	*HK$*
Aggregate carrying amount after impairment of individually immaterial associates in the consolidated financial statements	**–**	–
Aggregate amounts of the operating loss of those associates	**(7,343,033)**	(26,267,677)
Aggregate amounts of translation reserve arising from translating of the associate's financial statements	**(527,051)**	(2,080,927)
Total comprehensive loss	**(7,870,084)**	(28,348,604)
Unrecognised share of loss for the year	**(2,977,369)**	(10,772,470)
Cumulative unrecognised share of loss	**(13,749,839)**	(10,772,470)

13. TRADE RECEIVABLES

	2019	2018
	HK$	*HK$*
Amounts receivable arising from securities broking:		
Margin clients	**1,578,094**	3,083,334
Cash clients	**5,098,023**	4,009,110
Brokers and dealers	**6**	6
Hong Kong Securities Clearing Company Limited (net)	**133,485**	100,900
Amounts receivable arising from trading of motor vehicles	**25,025,104**	16,368,896
Other trade receivables	**–**	452,925
	31,834,712	24,015,171

Amounts receivable from margin clients are repayable on demand, bearing interest at prevailing market rates and are secured by clients' pledged securities which are listed on the Stock Exchange with a total market value of approximately HK$17,212,000 as at 31 December 2019 (2018: HK$17,959,000). No aged analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of the business of securities margin financing. The Group considers that the credit risk arising from the amounts receivable from margin clients is significantly mitigated by the client's pledged securities.

Amount receivable from one (2018: one) of rolling balance cash client with amount of HK$4,343,834 (2018: HK$3,968,304) are repayable on demand and bearing interest at 9% (2018: 9%) per annum. The Group manages credit risk by continuously monitoring the cash client's securities held by the Group, of which the total market value of approximately HK$3,951,968 (2018: HK$8,242,416) as at 31 December 2019. The Group considers that the credit risk arising from the amount receivable from this cash client is minimal. Subsequent to the end of the reporting period, the amount receivable in amount of HK$1,000,000 had been repaid in February 2020.

The settlement terms of amounts receivable arising from cash clients and clearing house are one or two trade days after the trade execution date. Except for the amounts receivable from margin clients as mentioned above, these balances are aged within 30 days. Accounts receivable from cash clients and clearing house are neither past due nor impaired.

Amount receivable arising from the trading of motor vehicles includes the receivables from customers and the government subsidy on the sales of the imported motor vehicles with amount of HK$25,025,104 (2018: HK$14,735,245) and HK$ Nil (2018: HK$1,633,651) respectively.

The receivables from customers in respect of the trading of motor vehicles are due in 120 days from date of billing while the historical settlement pattern of the government subsidy on the sales of the imported motor vehicles are around 180 days from the date of application.

The trade receivables from customers arising from trading of motor vehicles that were past due but not impaired at 31 December 2019 is related to a customer that had a good track record of credit with the Group. Based on past credit history and its financial background, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

For the government subsidy on the sales of imported motor vehicles, the management takes reference to the historical settlement pattern of the subsidy, they consider it is not necessary to provide the expected credit loss on the subsidy receivables at 31 December 2018.

The following is an aged analysis of the trade receivables based on invoice dated at the reporting period:

	2019	2018
	HK$	*HK$*
0-30 days	**20,032,252**	6,917,061
31-90 days	**412,949**	5,176,173
91-180 days	**2,789,003**	4,728,587
181-365 days	**1,497,762**	–
Over 365 days	**293,138**	–
	25,025,104	16,821,821

The maximum exposure to credit risk at the end of the reporting period is the carrying amounts of trade receivables. Other than the amounts receivable from margin clients, the Group does not hold any collateral as security in respect of its trade receivables.

The carrying amounts of the Group's trade receivables are denominated in the following currencies:

	2019	2018
	HK$	*HK$*
Hong Kong dollars	**6,809,608**	7,193,350
RMB	**25,025,104**	16,821,821
	31,834,712	24,015,171

14. FINANCIAL ASSET AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	2019	2018
	HK$	*HK$*
Unlisted equity investment	**9,997,200**	–

The above unlisted equity investment represents the Group's equity interest in a private entity established in the PRC. The directors of the Company have elected to designate these investments in equity instruments as at FVTOCI as they believe that it is an equity investment held for capital gain and assets appreciation.

During the year ended 31 December 2019, the Group entered into an agreement with an independent third party for 30% equity interest in 南瑞生物科技集團(深圳)有限公司 (transliterated as Nan Rui Biotechnology Group (Shenzhen) Company Limited) ("Nan Rui Biotechnology") for an amount of RMB9,000,000 (equivalent to HK$9,997,200).

The investee company indirectly-held the projects related to the setting up of the biomedical laboratory together with a biological scientist. The management of the Group considers the investment would be a good opportunity for the Group to explore in new business to diversify its revenue source by investing in businesses with growth potential and broaden its source of income.

Cash flows arising from financial assets at fair value through other comprehensive income are presented within "investing activities" in the consolidated statements of cash flows.

Changes in fair values of financial assets at fair value through other comprehensive income are recorded in "other comprehensive income/(loss)" in the consolidated statement of profit or loss and other comprehensive income.

The Group considers that it takes long time for setting up biomedical laboratory and put in use. As the project was still in a development stage, the management considers that fair value approximates the carrying value of assets and liabilities of Nan Rui Biotechnology.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	HK$	*HK$*
Listed equity – held for trading equity securities – Hong Kong	**1,378,068**	17,043,700
Other unlisted investments	**7,237**	20
Unlisted equity investments	**31,702,687**	10,726,056
	33,087,992	27,769,776
Represented by:		
Non-current assets	**31,702,687**	–
Current assets	**1,385,305**	27,769,776
	33,087,992	27,769,776

The details of the listed equity held for trading are as follows:

Stock code	**Company name**	**No. of share held as at 31 December 2019**	**Approximately percentage of shareholding**	**Fair value as at 31 December 2019**	**Fair value loss on securities trading for 2019**
				HK$	*HK$*
01335	Sheen Tai	9,986,000	0.41%	1,378,068	(519,272)
Listed shares-held for trading				1,378,068	(519,272)

Stock code	**Company name**	**No. of share held as at 31 December 2018**	**Approximately percentage of shareholding**	**Fair value as at 31 December 2018**	**Fair value loss on securities trading for 2018**
				HK$	*HK$*
01335	Sheen Tai	75,238,000	3.07%	14,295,220	(6,395,230)
06898	China Aluminum	2,454,000	0.26%	2,748,480	(73,620)
Listed shares-held for trading				17,043,700	(6,468,850)

Other unlisted investments included in the financial assets at fair value through profit and loss represents an amount of RMB6,515 (equivalent to HK$7,237) (2018: RMB18 (equivalent to HK$20)) invested in a fund known as 財富寶 (transliterated as Cai Fu Bao) which is managed by 南方基金管理股份有限公司 (transliterated as China Southern Asset Management Co., Limited) as at year end. This investment fund provides the unguaranteed expected floating returns of approximately 4% per annum and can be refunded one day after instruction is given to the securities company.

During the year ended 31 December 2019, the Group entered into a limited partnership agreement with 成都藍葆坤企業管理中心 (transliterated as Chengdu Lan Bao Kun Business Management Centre) ("General Partner") for investment in a limited partnership, 成都藍葆震企業管理中心 (transliterated as Chengdu Lan Bao Zhen Business Management Centre) ("Limited Partnership"), with registered capital of RMB60,000,000. The Group acted as a limited partner in the Limited Partnership with injected capital of RMB30,000,000 (equivalent to HK$33,324,000). All decisions related to the relevant activities are made by the General Partner. According to the limited partnership agreement, the term of Limited Partnership is five years from the issuance date of the business licence. The General Partner has the right to extend the term of the Limited Partnership.

Upon termination of the Limited Partnership pursuant to the terms and conditions of the limited partnership agreement, any surplus assets of the Limited Partnership, after payment of termination expenses, wages, social insurance expenses, statutory compensation, tax liabilities and outstanding debts, shall be divided among the partners in proportion to their respective paid capital contributions. Limited Partnership has a 90% owned subsidiary, 成都嘉葆藥銀醫藥科技有限公司 (transliterated as Chengdu Jia Bao Yao Yin Medicine Technology Company Limited) ("Chengdu Jia Bao Yao Yin"), which acts as a vehicle for Limited Partnership to invest in new medicine development projects. In September 2019, Chengdu Jia Bao Yao Yin entered into a joint development agreement with its partner to co-operate in the joint development of three new medicines.

The fair value measurement of the Limited Partnership as at 31 December 2019 was determined based on discounted cash flows of individual projects with interest rates at range from 6.18% to 19%.

After the assessment, the management of the Group concluded that fair value loss is RMB1,459,590 (equivalent to HK$1,650,241) for the year ended 31 December 2019.

During the year ended 31 December 2018, the Group entered into an agreement with Nan Rui Biotechnology in an amount of RMB9,454,600 (equivalent to HK$10,726,056) regarding the finance on the potential project called 諾貝爾生命科學產業園項目 (the "Project") developed by Nan Rui Biotechnology. According to the agreement, the lending amounts would be returned to the Group together with the interest charged at lending rate imposed by The People's Bank of China after 2-year contracted period if the Project is not approved by China government. However, if the Project is approved by China government, the lending amounts would be used to convert to the 18.91% equity interests in Nan Rui Biotechnology and no amounts would be repaid to the Group.

However, during the year ended 31 December 2018, the management expected that it would still take long time for the approval of the Project after reassessing the current status of the Project based on the latest information available, and both contracted parties had signed the early repayment contract accordingly before 31 December 2018. The whole lending amounts had been refunded to the Group on 7 January 2019.

Financial assets at fair value through profit or loss are presented within "operating activities" in respect of held for trading equity securities and "investing activities" in respect of financial assets classified at fair value through profit or loss respectively in the consolidated statement of cash flows.

Changes in fair values of financial assets at fair value through profit or loss are recorded in "other income and loss, net" in the consolidated statement of profit or loss and other comprehensive income.

The fair value of all listed equity securities held for trading is based on their current bid prices in an active market.

The fair value of other financial assets at fair value through profit or loss as at 31 December 2018 (i.e. the loan receivable with equity convertible term) was determined based on the discounted cash flow of the expected cash flow estimated by the management of the Group as at 31 December 2018. The investment was subsequently refunded to the Group on 7 January 2019.

16. DISCONTINUED OPERATIONS

As a result of the disposal of Shenzhen Star Technology Co., Ltd, a wholly-owned subsidiary, the trading of electronic products, electronic student cards and school safety products and provision of electronic student card platform businesses is presented as discontinued operations.

The results of the discontinued operations included in the consolidated statement of comprehensive income and consolidated statement of cash flow are set out below.

The losses from the discontinued operations for the current and prior year are analysed as follows:

	2019	2018
	HK$	*HK$*
Revenue	**3,069,090**	3,428,384
Other income and loss, net	**39,136**	14,545
Changes in inventories of finished good	**(1,563,354)**	(145,112)
Written down of inventories	**(1,486,081)**	(1,558,832)
Other direct costs	**(1,959)**	(15,772)
Employee benefits expenses	**(2,538,011)**	(2,476,188)
Depreciation of property, plant and equipments	**(114,996)**	(162,444)
Other operating expenses	**(2,159,000)**	(874,760)
Loss on disposal of a subsidiary	**(4,382,709)**	–
Loss from discontinued operations	**(9,137,884)**	(1,790,179)
Other comprehensive loss from discontinued operations:		
Exchange loss on translating foreign operation reclassified from equity to profit or loss upon disposal	**4,696,249**	67,700
	(4,441,635)	(1,722,479)
Net cash used in operating activities	**(2,787,519)**	(594,154)
Net cash generated from/(used in) investing activities	**1,670,840**	(47,076)
Net decrease in cash and cash equivalents	**(2,882,154)**	(641,230)

17. TRADE PAYABLES

	2019	2018
	HK$	*HK$*
Amounts payable arising from securities broking:		
Margin clients	**89,449**	532,037
Cash clients	**5,674,951**	7,733,188
Other trade payables	**5,897**	5,897
	5,770,297	8,271,122

Amounts payable to margin clients are repayable on demand. No aged analysis is disclosed as, in the opinion of the directors, the aged analysis does not give additional value in view of the nature of the business of securities margin financing.

The settlement terms of amounts payable arising from securities broking are one or two trade days after the trade execution date. Except for the amounts payable to margin clients as mentioned above, these balances are aged within 30 days.

The following is an aged analysis of other trade payables at the end of each reporting period:

	2019	2018
	HK$	*HK$*
0-30 days	**–**	–
31-90 days	**–**	–
91-180 days	**–**	–
181-365 days	**–**	–
Over 365 days	**5,897**	5,897
	5,897	5,897

18. PROVISIONS

	2019	2018
	HK$	*HK$*
Provision of compensation, legal fee and interest expense	**5,770,883**	–
Provision for loss on onerous contracts	**15,778,469**	–
	21,549,352	–

Management estimates the provision for loss on onerous contracts being the present obligation of the unavoidable costs less the economic benefits expected to be received under the non-cancellable motor vehicles contracts. The expected economic benefits are estimated based on estimated future sales and selling prices by reference to market statistics and information while unavoidable costs are estimated based on non-cancellable motor vehicles contracts that the Group is obliged to make under the contracts.

Management conducted an assessment of the non-cancellable motor vehicles contracts and the estimates and assumptions contained therein are reviewed regularly. As at 31 December 2019, provision for loss on onerous contracts are at carrying amount of HK$15,778,469 (2018: Nil). It is expected to settle within 12 months after 31 December 2019.

According to the PRC legal opinion, in 2019, a customer proposed litigation in the People's Court of Tianjin City against 重慶盛渝泓嘉國際貿易有限公司 (transliterated as Chongqing Sheng Yu Hong Jia International Trading Company Limited) ("Sheng Yu Hong Jia") in relation to a dispute related to amounts of RMB5,000,000 paid to a trading company on behalf of Sheng Yu Hong Jia. The customer believed that RMB5,000,000 was a loan to Sheng Yu Hong Jia and claimed as corporate loan dispute. However, Sheng Yu Hong Jia believed such amount was the deposit for purchase of motor vehicle instead of a loan and it should be a sale contract dispute instead of corporate loan dispute.

In the first instance of the trial, it was held that Sheng Yu Hong Jia should return the loan of RMB5,000,000 to that customer. Sheng Yu Hong Jia has filed an appeal to Tianjin Second Intermediate People's Court but it was rejected. In this connection, the Group made a provision of RMB5,195,249 (equivalent to HK$5,770,883) in relation to an estimated cash outflow in relation to the compensation for the legal litigation for the year ended 31 December 2019.

19. BORROWINGS

	2019	2018
	HK$	*HK$*
Secured borrowing included in current liabilities – bank borrowings	**2,376,533**	4,497,498

Notes:

(a) The maturity of borrowings is as follows *(note (c))*:

	2019	2018
	HK$	*HK$*
On demand or within one year	**2,190,891**	2,120,923
In the second year	**185,642**	2,190,889
In the third to fifth year	**–**	185,686
	2,376,533	4,497,498

At 31 December 2019 and 2018, the bank borrowings of the Group were secured by the charges over the Group's leasehold land and buildings and corporate guarantees executed by the Company. At 31 December 2019 and 2018, the Group's bank borrowings are denominated in HK$, bearing floating interest rate of 3.25% (2018: 3.25%) per annum.

(b) The amounts due are based on the scheduled repayment dates set out in the loan agreement.

(c) The bank borrowings are shown under current liabilities as the loan agreement contains a repayment on demand clause.

20. DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31 December 2019 (2018: Nil).

BUSINESS REVIEW

The Group for the year ended 31 December 2019 recorded total revenue of approximately HK$326.2 million, which was a decrease of approximately HK$15.2 million compared with the last corresponding year. It was due to a record of sales of motor vehicles and provision of agency services segment approximately HK$325.1 million for the year ended 31 December 2019, compared with approximately HK$340.0 million for the previous year, representing a decrease of approximately HK$14.9 million.

As disclosed in the Company's announcement dated 15 July 2019, there was an unexpected early adoption of government policy in relation to automobile emission standard in the PRC. Such policy imposed a negative influence on the customers purchase desire and the motor vehicles' market prices which resulted in the decreasing in sales of motor vehicles. In addition, the economic uncertainty bought by the Sino-US trade war has further weakened the domestic demand for the expensive goods as motor vehicles. Therefore, the Group has been adopting a more conservative and tightened approach in the development and the investments and acquisitions of business related to the motor vehicle business of the Group. The Group is adjusting its business strategies and exploring other business sectors and opportunities in order to maximize the gain to the Group. After considering the Company's decision to divert the Group's resources to invest in the new medicine development market in the PRC through its investment in the limited partnership (成都藍葆震企業管理中心 transliterated as Chengdu Lan Bao Zhen Business Management Centre) ("Limited Partnership"), instead of looking for opportunities in investments and acquisitions of business related to the motor vehicle business of the Group.

On 9 September 2019, 深圳華億生物科技集團有限公司 (transliterated as Shenzhen Huayi Biotechnology Group Company Limited), a direct wholly-owned subsidiary of the Company, entered into the limited partnership agreement with the general partner (成都藍葆坤企業管理中心 transliterated as Chengdu Lan Bao Kun Business Management Center) ("General Partner"). Pursuant to the limited partnership agreement, the parties thereto agreed to, inter alia, invest in the Limited Partnership with an aggregate capital of RMB60 million. The capital commitment made by the Group to the Limited Partnership was RMB30 million, representing 50% of the total capital commitment made by all partners of the Limited Partnership.

The Limited Partnership has a 90% owned subsidiary, 成都嘉葆藥銀醫藥科技有限公司 (transliterated as Chengdu Jia Bao Yao Yin Medicine Technology Company Limited) ("Chengdu Jia Bao Yao Yin"), a limited company established in the PRC on 28 August 2019. The remaining 10% share of Chengdu Jia Bao Yao Yin is owned by Wei Yuquan, the chief scientist of the General Partner. The business scope of Chengdu Jia Bao Yao Yin is medical research and experimental development; medicine technology, biotechnology research and development, technology promotion, technology transfer (projects subject to approval according to law may be commenced after approval by relevant departments).

The Group was informed that on 28 September 2019, Chengdu Jia Bao Yao Yin entered into a joint development agreement with its partner to co-operate in the joint development of three new medicines in the treatment of lymphoma, cell tumors and colorectal cancer. For more details, please refer to the announcements of the Company dated 9 September 2019, 17 September 2019 and 15 October 2019.

For proprietary stock trading, the Group recorded an unrealised loss of approximately HK$0.5 million and realised gain of approximately HK$0.5 million for the year ended 31 December 2019.

Given that the performances of the business of Sinofortune Securities Limited have not been satisfactory and have been continuously operating at a loss. On 20 December 2019, Sinofortune Financial Holdings (BVI) Limited, a wholly-owned subsidiary of the Company and ATIF Limited entered into a conditional sale and purchase agreement in respect of the disposal of 67,000,000 issued shares of Sinofortune Securities Limited and the unsecured interest bearing subordinated loan in the sum of HK$10,000,000 advanced by the Company to Sinofortune Securities Limited at a consideration of HK$5,700,000 plus the aggregate amount of the total equity of the Sinofortune Securities Limited and the principal of the subordinated loan as at the completion date.

The Group is expected to book a profit in the amount of approximately HK$5,000,000 in respect of the disposal. The Directors consider that the disposal is a good opportunity to dispose of its non-profitable business and reallocate its resources to the Group's new investment in the new medicine development market in the PRC with the hope that it will enhance the Company's competitiveness in the new medicine development market in the PRC.

For the segment of trading of electronic products, electronic student cards and school safety products and provision of electronic student card platform, the Group disposed of its entire equity interest in 深圳市天星通科技有限公司 (transliterated as Shenzhen Star Technology Co., Ltd) at a cash consideration of approximately RMB2,400,000 in October 2019 and thereby by discontinued such segment.

FINANCIAL REVIEW

Results of the Group

The Group recorded total revenue of approximately HK$326.2 million for the year ended 31 December 2019 as compared to total revenue of approximately HK$341.4 million for the previous year, representing a decrease of approximately HK$15.2 million or approximately 4.5%. The decrease of revenue was primarily due to the decrease in sales of motor vehicles business in PRC.

The Group recorded a loss for the year amounted to approximately HK$133.6 million, compared with a loss of approximately HK$31.8 million for the corresponding year, representing an increase of loss of approximately HK$101.8 million. The loss of the year encompassed an unrealised fair value losses on securities trading of approximately HK$0.5 million and realised gains on securities trading of approximately HK$0.5 million, compared with unrealised fair value losses on securities trading of approximately HK$6.5 million for the previous year.

As management consider that the loss of provisions which included the loss on onerous contracts in the sales of motor vehicles and provision of agency services segment of approximately HK$16.1 million and the provision of litigation compensation for motor vehicles business of approximately HK$5.8 million for the year under review.

In addition, the Company disposed a subsidiary during the year and recorded such disposal loss of approximately HK$4.4 million for the year under review.

Liquidity and financial resources

The Group's current assets as at 31 December 2019 amounted to approximately HK$239.9 million compared with approximately HK$381.4 million as at 31 December 2018 and the liquidity of the Group, as demonstrated by the current ratio (current assets/current liabilities) was 3.9 times, compared with 12.4 times for previous year. Among them, the financial assets at fair value through profit or loss were approximately HK$1.4 million (2018: approximately HK$27.8 million). The financial assets invested the equity securities listed in Hong Kong. As at 31 December 2019, the Group's cash and bank balances were approximately HK$118.8 million (2018: approximately HK$161.4 million) of which approximately HK$5.7 million (2018: approximately HK$8.3 million) were held on behalf of clients in trust and segregated accounts.

As at 31 December 2019, the Group's total borrowing amounted to approximately HK$2.4 million (2018: approximately HK$4.5 million), of which, approximately HK$2.2 million (2018: approximately HK$2.1 million) was repayable within one year. The bank borrowings were secured by charges over the Group's leasehold land and buildings as well as corporate guarantee issued by the Company. The gearing ratio of the Group as at 31 December 2019 (calculated by the total liabilities of approximately HK$66.9 million over equity attributable to the owners of the Company of approximately HK$238.5 million) is 28.1% (2018: 9.3%). Taking into account of the amount of liquid assets in hand, the Broad is of the view that the Group has sufficient financial resources for future development of the existing business of the Group and other business when investment opportunities arise.

The equity attributable to the owners of the Company amounted to approximately HK$238.5 million as at 31 December 2019, representing a decrease of approximately HK$126.1 million, or 34.6% from that of 31 December 2018. The decrease was mainly due to loss for the year attributable to the owners of the Company.

The Group manages the foreign exchange exposure arising from its normal course of business activities and investments in foreign operations by funding its local operations and investments through cash flow generated from business transaction locally. As at the end of the year, the Group did not have any material un-hedged foreign exchange exposure of interest rate mismatch. Foreign currency exposure did not pose a significant risk for the Group. However, we will continue to stay vigilant and closely monitor our exposure to movements of relevant currency.

Capital structure

As at 31 December 2019, the Company's issued share capital was 7,748,958,120 shares of HK$0.01 each.

Sales of motor vehicles and provision of agency services

It recorded approximately HK$325.1 million of revenue for the year under review compared with approximately HK$340.0 million for the same period last year. It is principally engaged in motor vehicles business in PRC, in particular, sales of motor vehicles and motor vehicles parts. For the year under review, with concerns over the economic outlook amid the ongoing Sino-US trade war, and the uncertainty over Brexit, global economic growth slowed down. In addition, the change in government policies in relation to automobile emission standard in the PRC, it led to a slowdown in the sales of motor vehicles and incurred an operating loss of approximately HK$84.3 million for the year, compared with loss of approximately HK$6.7 million for the last corresponding period. The loss took in the year included the loss on onerous contracts of approximately HK$16.1 million and the provision of litigation compensation for motor vehicles business of approximately HK$5.8 million for the year under review.

Brokerage and securities margin financing services

Total revenue of this segment recorded approximately HK$1.0 million for the year ended 31 December 2019, compared with approximately HK$1.2 million for the same period last year. This segment loss reached approximately HK$2.8 million while loss of approximately HK$3.7 million for the last corresponding period.

Trading and principal investments

The securities trading recorded a realised gain of approximately HK$0.5 million for the year ended 31 December 2019, compared with no realised gain or loss recorded in previous year. It recorded an unrealised fair value losses of approximately HK$0.5 million for the year under review, compared with an unrealised fair value losses of approximately HK$6.5 million of the previous year. This segment showed an operating loss of approximately HK$6.9 million for the year 31 December 2019 and it recorded a loss of approximately HK$13.3 million last year.

Precious metals spot trading and brokerage services

No commission income was received during the year under review. It was mainly attributable to the tightened policy of the PRC Government on regulating the precious metals trading and brokerage business in the PRC in which the Group operated. It reported an operating loss of approximately HK$0.1 million for the year ended 31 December 2019, as compared to an operating loss of approximately HK$0.2 million for the previous year.

Provision of stock information and research services

No consultancy fee income was received during the year under review compared with approximately HK$0.2 million for the same period last year. No operating loss was recorded for the year, compared with loss of approximately HK$6.0 million of last year.

Trading of electronic products, electronic student cards and school safety products and provision of electronic student card platform

This segment recorded approximately HK$3.1 million of revenue for the year under review compared with approximately HK$3.4 million for the same period last year. It is principally engaged in development and exploration of various telecommunication technologies in the PRC, in particular, electronic products and electronic student card for school safety network. It reported an operating loss of approximately HK$9.1 million for the year, compared with loss of approximately HK$1.8 million for the last corresponding period. In October 2019, the Group disposed of its segment and thereby by discontinued this segment of the Group.

OUTLOOK

As at 31 December 2019, almost 99.7% revenue of the Group came from the segment of sales of motor vehicles and provision of agency services in the PRC.

As disclosed in the circular of the Company dated 19 March 2018, the motor vehicles business has a risk of reliance on a small number of customers. As at 31 December 2019, Sheng Yu Hong Jia has improved its number of customers and increased to 33 customers and with 27 customers in the progress of negotiation. Sheng Yu Hong Jia will strive to increase more customers to reduce the level of reliance in the future.

Although the motor vehicles business of the Group is affected by the uncertainty created by the on-going Sino-US trade war and the impact of the PRC government policy, the Group will closely monitor the business environment and the changes of the PRC government policy in order to make appropriate business strategies.

After the three years' efforts since the implementation of the 13th Five-Year Plan (2016-2020), the PRC has been reforming the regulatory landscape in the pharmaceutical industry leading it has a steady growth in the past few years, especially for major new medicines development like the promotion of more lifesaving and safe medicines to be listed and included in medical insurance. Therefore, the Company decided to divert the Group's resources to invest in the new medicine development market in the PRC through its investment in a limited partnership which can attain diversification of the Group's business.

The Group is optimistic and confident in the prospects of the China and Hong Kong stock markets and will continue to develop other businesses and seek opportunities to expand its revenue sources to enhance the Group's revenue.

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

CHARGES ON ASSETS

Property, plant and equipment of the Group with a carrying amount of approximately HK$25.9 million (2018: approximately HK$27.6 million) were pledged for banking facilities granted to the Group.

CONTINGENT LIABILITIES

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

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES/FUTURE PLAN FOR MATERIAL INVESTMENTS

Disposal of Sinofortune Securities Limited

On 20 December 2019, Sinofortune Financial Holdings (BVI) Limited, a wholly-owned subsidiary of the Company and ATIF Limited entered into a conditional sale and purchase agreement in respect of the disposal of 67,000,000 issued shares of Sinofortune Securities Limited and the unsecured interest bearing subordinated loan in the sum of HK$10,000,000 advanced by the Company to Sinofortune Securities Limited at a consideration of HK$5,700,000 plus the aggregate amount of the total equity of the Sinofortune Securities Limited and the principal of the subordinated loan as at the completion date.

ATIF Limited is a direct wholly-owned subsidiary of ATIF Holdings Limited, a Nasdaq listed company with Nasdaq Ticker: ATIF. For more details, please refer to the Company's announcements dated 10 December 2019, 20 December 2019 and 24 December 2019.

Disposal of 深圳市天星通科技有限公司 (Transliterated as Shenzhen Star Technology Co., Ltd)

In October 2019, the Group disposed of its entire equity interest in 深圳市天星通科技有限公司 (transliterated as Shenzhen Star Technology Co., Ltd) at a cash consideration of approximately RMB2,400,000. 深圳市天星通科技有限公司 (transliterated as Shenzhen Star Technology Co., Ltd) is engaged in trading of electronic products, electronic student cards and school safety products and provision of electronic student card platform in the PRC.

Investment in 成都藍葆震企業管理中心 (Transliterated as Chengdu Lan Bao Zhen Business Management Centre)

On 9 September 2019, 深圳華億生物科技集團有限公司 (transliterated as Shenzhen Huayi Biotechnology Group Company Limited), a direct wholly-owned subsidiary of the Company, entered into the limited partnership agreement with the general partner (成都藍葆坤企業管理中心 transliterated as Chengdu Lan Bao Kun Business Management Center) ("General Partner"). Pursuant to the limited partnership agreement, the parties thereto agreed to, inter alia, invest in the limited partnership (成都藍葆震企業管理中心 transliterated as Chengdu Lan Bao Zhen Business Management Centre) ("Limited Partnership") with an aggregate capital of RMB60 million. The capital commitment made by the Group to the Limited Partnership was RMB30 million, representing 50% of the total capital commitment made by all partners of the Limited Partnership.

The Limited Partnership has a 90% owned subsidiary, 成都嘉葆藥銀醫藥科技有限公司 (transliterated as Chengdu Jia Bao Yao Yin Medicine Technology Company Limited) ("Chengdu Jia Bao Yao Yin"), a limited company established in the PRC on 28 August 2019. The remaining 10% share of Chengdu Jia Bao Yao Yin is owned by Wei Yuquan, the chief scientist of the General Partner. The business scope of Chengdu Jia Bao Yao Yin is medical research and experimental development; medicine technology, biotechnology research and development, technology promotion, technology transfer (projects subject to approval according to law may be commenced after approval by relevant departments).

The Group was informed that on 28 September 2019, Chengdu Jia Bao Yao Yin entered into a joint development agreement with its partner to co-operate in the joint development of three new medicines in the treatment of lymphoma, cell tumors and colorectal cancer. For more details, please refer to the announcements of the Company dated 9 September 2019, 17 September 2019 and 15 October 2019.

Save as disclosed, there was no other material acquisition/disposal which would have been required to be disclosed under the GEM Listing Rules for the year under review and the Group has no concrete plans for other material investments.

EVENT AFTER THE REPORTING PERIOD

Disposal of a subsidiary

On 20 December 2019, the Group entered into an agreement for disposing the entire interests of one of the subsidiaries, Sinofortune Securities Limited, which is principally engaged in the securities and futures brokerage and securities margin financing services in Hong Kong. The disposal is subject to the approval from Securities and Futures Commission. According to the sale and purchase agreement, the purchaser can terminate the transaction at any time by notice in writing to the Vendor. The Group has received the deposits of HK$1,710,000 for the disposal of subsidiary before the year end date.

Impact of Novel Coronavirus Outbreak to the Group

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

EMPLOYEE INFORMATION

As at 31 December 2019, the Group had a workforce of 90 employees (2018: 91). The total staff costs, including directors' emoluments, amounted to approximately HK$23.6 million for the year ended 31 December 2019 (2018: approximately HK$20.9 million). The Group's remuneration policies are reviewed on an annual basis and commensurate with the industry pay level. The remuneration package includes basic salary, provident fund, medical benefits and discretionary bonus. The Group has also adopted a new share option scheme as an added incentive for its employees.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH RULES 5.48 TO 5.67 OF THE GEM LISTING RULES

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company's Directors have complied with such code of conduct and the required standard of dealings.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE PRACTICES

The Board assumes overall responsibility for the leadership and control of the Group, including providing and setting the Group's directions and strategies in the interests of the Group. It believes in good corporate governance and corporate governance practices that promote investor confidence, development of the Group, and transparency while having the long term interest of the Group and enhancement of shareholders' value as the ultimate objectives. It has adopted the code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules (the "Corporate Governance Code"). The Company has complied with the applicable code provisions of the Corporate Governance Code, except for the following deviation:

Code provision A.2.1

Code provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

Mr. Wang Jiawei is the chairman and chief executive officer of the Company. In view of Mr. Wang has extensive experience in project management and securities investments and is responsible for the overall corporate strategies, planning and business development of the Company. Under the supervision by the Board which is comprised of three independent non-executive Directors and a non-executive Director, which represent more than half of the Board, the interests of the shareholders of the Company will be adequately and fairly represented.

AUDIT COMMITTEE

The Company has established an audit committee ("Audit Committee") with specific written terms of reference. As at 31 December 2019, the Audit Committee consisted of three independent non-executive Directors, Mr. Li Jianxing, Professor Zhang Benzheng and Mr. Chen Shu Wen. Mr. Li Jianxing, being an independent non-executive Director, is the chairman of the Committee. The Audit Committee's role and function includes making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor; review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; develop and implement policy on the engagement of an external auditor to supply non-audit services; monitor the integrity of financial statements, annual reports and accounts, half-yearly and quarterly reports of the Company, and review significant financial reporting judgments contained in them; review the Company's financial controls, internal control and risk management systems; and review the Group's financial and accounting policies, procedures and practices.

The Audit Committee has reviewed the consolidated financial statements of the Group for the year ended 31 December 2019 pursuant to the relevant provisions contained in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules and was of the opinion that such statements had complied with applicable accounting standards and that adequate disclosures had been made in respect thereof.

The Audit Committee held five meetings during the year and the attendance of its members was as follows:

Members	Attendance number of meetings attended/ Number of meetings during term of service
Li Jianxing	5/5
Zhang Benzheng	5/5
Chen Shu Wen	4/5

By order of the Board
Sinofortune Financial Holdings Limited
Wang Jiawei
Chairman

Hong Kong, 20 March 2020

As of the date of this announcement, the executive Directors are Mr. Wang Jiawei and Ms. Lai Yuk Mui, the non-executive Directors is Mr. Liu Runtong and the independent non-executive Directors are Professor Zhang Benzheng, Mr. Li Jianxing and Professor Chen Shu Wen.

This announcement will remain on the "Latest Company Announcements" page of the website of the GEM of The Stock Exchange of Hong Kong Limited at http://www.hkgem.com for at least 7 days from the date of its posting and on the Company's website at http://www.sinofortune.hk.