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

## **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023**

### **SUMMARY OF RESULTS**

The board (the “Board”) of directors (the “Directors”) of Greater China Financial Holdings Limited (the “Company”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022 as follows:

### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2023*

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	4		
Contracts with customers		<b>42,930</b>	188,856
Interest under effective interest method		<b>6,480</b>	13,095
Total revenue		<b>49,410</b>	201,951
Cost of sales		<b>(12,465)</b>	(107,680)
Gross profit		<b>36,945</b>	94,271
Other income, gains and losses	6	<b>63,984</b>	75,491
Administrative and other operating expenses		<b>(69,187)</b>	(86,979)
Share-based payment expenses		<b>(603)</b>	(1,787)
Provision for financial guarantees		<b>(50,177)</b>	(70,516)
Impairment loss, net of reversal	7	<b>(406,222)</b>	(239,236)
Impairment loss on goodwill		<b>(110,070)</b>	(117,963)
Impairment loss on right-of-use assets		–	(426)
Finance costs	8	<b>(37,234)</b>	(35,816)
Loss before taxation		<b>(572,564)</b>	(382,961)
Income tax expense	9	<b>(42,661)</b>	(14,964)
<b>Loss for the year</b>	<b>10</b>	<b>(615,225)</b>	(397,925)

	<i>Note</i>	<b>2023</b> <b>HK\$'000</b>	2022 <i>HK\$'000</i>
<b>Other comprehensive income (expense), net of tax</b>			
<i>Item that will not be reclassified subsequently to profit or loss:</i>			
Change in fair value of financial assets at fair value through other comprehensive income		<b>(4,422)</b>	6,124
<i>Items that are or may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<b>2,778</b>	(12,640)
Reserves released upon deregistration of subsidiaries		<b>10</b>	–
		<u><b>(1,634)</b></u>	<u>(6,516)</u>
<b>Other comprehensive expense for the year</b>		<b>(1,634)</b>	(6,516)
		<u><b>(616,859)</b></u>	<u>(404,441)</u>
<b>Total comprehensive expense for the year</b>		<b>(616,859)</b>	(404,441)
<b>Loss for the year attributable to:</b>			
Owners of the Company		<b>(472,487)</b>	(326,213)
Non-controlling interests		<b>(142,738)</b>	(71,712)
		<u><b>(615,225)</b></u>	<u>(397,925)</u>
<b>Total comprehensive expense for the year attributable to:</b>			
Owners of the Company		<b>(468,878)</b>	(316,336)
Non-controlling interests		<b>(147,981)</b>	(88,105)
		<u><b>(616,859)</b></u>	<u>(404,441)</u>
		<b>HK cents</b>	<b>HK cents</b>
<b>Loss per share</b>	<i>12</i>		
Basic		<u><b>(6.08)</b></u>	<u>(4.20)</u>
Diluted		<u><b>(6.08)</b></u>	<u>(4.20)</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	<i>Notes</i>	<b>2023</b> <b>HK\$'000</b>	2022 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		<b>51,739</b>	61,921
Right-of-use assets		<b>18,774</b>	22,816
Goodwill	<i>13</i>	–	110,070
Intangible assets		–	–
Interests in associates		–	–
Financial assets at fair value through other comprehensive income		<b>516</b>	4,938
Financial assets at fair value through profit or loss	<i>14</i>	<b>189,924</b>	188,021
Deferred tax assets		–	37,264
Pledged bank deposit		<b>5,502</b>	5,653
Other receivable	<i>16</i>	<b>2,607</b>	–
Deposits	<i>17</i>	–	853
		<b>269,062</b>	431,536
<b>Current assets</b>			
Loans and interest receivables	<i>15</i>	<b>36,291</b>	337,380
Trade and other receivables	<i>16</i>	<b>61,975</b>	104,612
Prepayments and deposits	<i>17</i>	<b>8,040</b>	11,907
Loans to and interest receivables from a non-controlling interest		–	36,148
Loans to and interest receivables from an associate		–	497
Financial assets at fair value through profit or loss	<i>14</i>	<b>3,378</b>	6,905
Restricted bank deposits		<b>6,396</b>	14,202
Cash and cash equivalents		<b>31,985</b>	26,280
		<b>148,065</b>	537,931
Assets classified as held for sale		–	5,781
		<b>148,065</b>	543,712

	<i>Notes</i>	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Current liabilities</b>			
Trade payables, other payables, deposits received and accruals	<i>18</i>	<b>103,000</b>	99,934
Contract liabilities		<b>434</b>	1,032
Lease liabilities		<b>918</b>	6,776
Liabilities from financial guarantees	<i>19</i>	<b>437,869</b>	402,219
Amount due to non-controlling interests		<b>11,167</b>	9,497
Borrowings	<i>20</i>	<b>123,763</b>	93,622
Tax payables		<b>21,866</b>	16,305
		<b>699,017</b>	629,385
Liabilities associated with assets classified as held for sale		–	1,142
		<b>699,017</b>	630,527
<b>Net current liabilities</b>		<b>(550,952)</b>	(86,815)
<b>Total assets less current liabilities</b>		<b>(281,890)</b>	344,721
<b>Non-current liabilities</b>			
Lease liabilities		–	4,777
Borrowings	<i>20</i>	<b>163,939</b>	185,463
Convertible notes	<i>21</i>	<b>205,938</b>	189,992
		<b>369,877</b>	380,232
<b>Net liabilities</b>		<b>(651,767)</b>	(35,511)
<b>Capital and reserve</b>			
Share capital	<i>22</i>	<b>7,776</b>	7,776
Reserves		<b>(642,400)</b>	(174,125)
Deficit attributable to owners of the Company		<b>(634,624)</b>	(166,349)
Non-controlling interests		<b>(17,143)</b>	130,838
<b>Total deficit</b>		<b>(651,767)</b>	(35,511)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2023

### 1. GENERAL INFORMATION

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

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

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

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

#### New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

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

### **Amendments to HKFRSs in issue but not yet effective**

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKFRS 16	Lease Liability in a Sales and Leaseback <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>1</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>1</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2025.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

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.

### **3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES**

#### **Statement of compliance**

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

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

## Going concern basis

The Group reported a loss attributable to the owners of the Company of HK\$472,487,000 for the year ended 31 December 2023. The Group's current liabilities exceeded its current assets by HK\$550,952,000 and its total liabilities exceeded its total assets by HK\$651,767,000 as at 31 December 2023. As at the same date, the Group's cash and cash equivalents amounted to HK\$31,985,000, while the Group recorded outstanding borrowing of approximately HK\$123,763,000 which are due for repayment within the next twelve months.

The Group has provided guarantees to some of its customers' lenders in relation to these customers' facilities and loans amounting to approximately RMB457,113,000 (equivalent to approximately HK\$502,961,000). As at 31 December 2023, certain guarantee projects of approximately RMB393,677,000 (equivalent to approximately HK\$433,162,000) out of the abovementioned guarantees were defaulted.

The courts of the People's Republic of China have ordered to freeze certain of the Group's bank accounts of approximately HK\$6,018,000.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the directors of the Company have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain measures have been taken to improve the liquidity pressure and to improve its financial position, but are not limited to, the following:

- (i) The Group is taking measures to tighten cost control with an aim to attain positive cash flow from operations;
- (ii) The Group has been actively negotiating with certain financial institutions and identifying various options for financing the Group's working capital as well as the commitments in the foreseeable future;
- (iii) The Group has been actively negotiating with a number of financial institutions for renewal and extension of bank borrowings and credit facilities;
- (iv) The Group is currently taking active actions in following up the repayment of overdue receivables including but not limited to taking legal action; and
- (v) The Group is considering corporate restructure proposals to reduce the liabilities and commitment within the Group.

The directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from 31 December 2023. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2023. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Notwithstanding the above, material uncertainties exist as to whether management of the Company will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate financing and operating cash flows through the following:

- (i) Successfully obtaining additional new sources of financing when needed;
- (ii) Successful negotiations between the lenders, borrowers and the guarantor, the subsidiary of the Group, for the renewal of or extension for repayment of the default borrowings in the guarantee projects; and
- (iii) Whether the Group can successfully improve its operation to generate sufficient operating cash inflow.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

#### 4. REVENUE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue from contracts with customers:		
Warehouse storage income	16,580	17,308
Income from loan financing business		
– Loan referral and consultancy services fee	13,245	52,622
– Guarantee fee income from financial guarantees	8,214	109,148
Commission income from securities dealing	55	31
Commission income from insurance brokerage	3,632	2,709
Commission income from asset management	44	15
Advertising income	1,160	7,023
	<u>42,930</u>	<u>188,856</u>
Revenue from interest under effective interest method:		
Interest income from loan financing	6,480	13,095
	<u>6,480</u>	<u>13,095</u>
Total revenue	<u><u>49,410</u></u>	<u><u>201,951</u></u>

## 5. SEGMENT INFORMATION

The Group's operations are organised into securities brokerage, asset management, insurance brokerage, loan financing, industrial property development business and general trading. Information reported to the chief operating decision maker ("CODM") for the purpose of resources allocation and assessment of segment performance is prepared on such basis. During the year ended 31 December 2023, management has revisited the reportable segments and the Group's internal reporting by managing its business. After considering the future strategic plan, the Group has identified the following four reportable segments. The corresponding segment information for the year ended 31 December 2022 have been restated. The Loan financing (I) segment and Loan financing (II) segment as disclosed in the last year have been restated into Loan financing segment.

- Industrial property development segment represents the operation of a warehouse in the People's Republic of China (the "PRC").
- General trading segment includes trading of consumable goods in the PRC.
- Loan financing segment represents the provision of financial guarantee, loan financing, micro-financing, loan referral and consultancy services in Hong Kong, Ningbo and Beijing.
- Others segment represents the operation of securities brokerage, margin financing, provision of asset management services and provision of insurance brokerage and agency service in Hong Kong and advertising service in the PRC.

## Segment revenues and results

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

For the year ended 31 December 2023

	Industrial property development <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>SEGMENT REVENUE</b>					
Recognised at a point in time	–	–	4	3,731	3,735
Recognised over time	16,580	–	21,455	1,160	39,195
Recognised from other source	–	–	6,480	–	6,480
	<u>16,580</u>	<u>–</u>	<u>27,939</u>	<u>4,891</u>	<u>49,410</u>
<b>SEGMENT RESULTS</b>	<u>(3,758)</u>	<u>(1,904)</u>	<u>(411,003)</u>	<u>(2,083)</u>	<u>(418,748)</u>
Impairment loss on goodwill	–	–	(110,070)	–	(110,070)
Impairment loss on loans to and interest receivables from a non-controlling interest	–	–	(41,105)	–	(41,105)
Impairment loss on other receivables					(12,932)
Unallocated corporate income					52,863
Unallocated corporate expenses					(22,948)
Unallocated finance costs					(17,397)
Net fair value change on financial assets at fair value through profit or loss					(1,624)
Share-based payment expenses					<u>(603)</u>
Loss before taxation					(572,564)
Income tax expense					<u>(42,661)</u>
Loss for the year					<u><u>(615,225)</u></u>

For the year ended 31 December 2022

	Industrial property development <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>SEGMENT REVENUE</b>					
Recognised at a point in time	–	–	18	2,755	2,773
Recognised over time	17,308	–	161,752	7,023	186,083
Recognised from other source	–	–	13,095	–	13,095
	<u>17,308</u>	<u>–</u>	<u>174,865</u>	<u>9,778</u>	<u>201,951</u>
<b>SEGMENT RESULTS</b>	<u>1,254</u>	<u>(22,260)</u>	<u>(137,169)</u>	<u>(2,887)</u>	<u>(161,062)</u>
Impairment loss on goodwill	–	–	(117,963)	–	(117,963)
Impairment loss on loans to and interest receivables from a non-controlling interest	–	–	(117,501)	–	(117,501)
Unallocated corporate income					20,984
Unallocated corporate expenses					(24,319)
Unallocated finance costs					(15,701)
Net fair value change on financial assets at fair value through profit or loss					34,388
Share-based payment expenses					<u>(1,787)</u>
Loss before taxation					(382,961)
Income tax expense					<u>(14,964)</u>
Loss for the year					<u><u>(397,925)</u></u>

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

## Segment assets and liabilities

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

At 31 December 2023

	Industrial property development <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>ASSETS</b>					
Segment assets	77,366	15,489	103,610	6,481	202,946
Goodwill	–	–	–	–	–
Loans to and interest receivables from a non-controlling interest	–	–	–	–	–
Unallocated cash and cash equivalents					3,206
Unallocated property, plant and equipment					135
Unallocated other receivables, prepayments and deposits					17,022
Unallocated financial assets at fair value through other comprehensive income					516
Unallocated Financial assets at fair value through profit or loss					193,302
Consolidated total assets					<u>417,127</u>
<b>LIABILITIES</b>					
Segment liabilities	65,876	16,878	726,016	4,315	813,085
Unallocated other payables					3,433
Unallocated borrowings					34,400
Unallocated lease liabilities					871
Unallocated amount due to non-controlling interests					11,167
Unallocated convertible notes					205,938
Consolidated total liabilities					<u>1,068,894</u>

At 31 December 2022

	Industrial property development <i>HK\$'000</i>	General trading <i>HK\$'000</i>	Loan financing <i>HK\$'000</i>	Others <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>ASSETS</b>					
Segment assets	83,647	7,897	520,877	11,111	623,532
Goodwill	–	–	110,070	–	110,070
Loans to and interest receivables from a non-controlling interest	–	–	36,148	–	36,148
Unallocated cash and cash equivalents					4,049
Unallocated property, plant and equipment					193
Unallocated other receivables, prepayments and deposits					1,392
Unallocated financial assets at fair value through other comprehensive income					4,938
Unallocated financial assets at fair value through profit or loss					194,926
Consolidated total assets					<u>975,248</u>
<b>LIABILITIES</b>					
Segment liabilities	47,553	28,406	700,279	4,724	780,962
Unallocated other payables					3,116
Unallocated borrowings					23,400
Unallocated lease liabilities					3,792
Unallocated amount due to non-controlling interests					9,497
Unallocated convertible notes					189,992
Consolidated total liabilities					<u>1,010,759</u>

## 6. OTHER INCOME, GAINS AND LOSSES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Net fair value change on financial assets at fair value through profit or loss	(1,624)	34,388
Interest income from:		
Bank deposits	107	491
Other loans	7,432	10,871
Loans to a non-controlling interest	4,691	20,885
Other receivables	2,002	–
Investment income	–	41
Realised loss on disposal of financial assets at value through profit or loss	–	(421)
Gain on disposal of property, plant and equipment	221	–
Loss on write-off of property, plant and equipment	–	(10)
Gain on disposal of subsidiaries	145	–
Gain on deregistration of a subsidiary	31	–
Loss on lease modification	–	(217)
Gain on lease termination	4,725	–
Gain on non-substantial modification of borrowings	146	3,735
Gain on substantial modification of financial asset ( <i>Note 16(g)</i> )	40,781	–
Net foreign exchange gain (loss)	4	(6)
Service fee income	4,487	995
Management service income	–	11
Bad debt recovered	222	3,345
Sundry income	614	707
Government subsidies	–	676
	<u>63,984</u>	<u>75,491</u>

## 7. IMPAIRMENT LOSSES, NET OF REVERSAL

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Impairment loss (reversal of impairment loss) recognised on:		
– Trade receivables and other receivables	52,188	99,771
– Loans and interest receivables	302,743	1,449
– Other deposits	4,136	20,533
– Loans to and interest receivables from a non-controlling interest	41,105	117,501
– Loans to and interest receivables from an associate	(436)	(18)
– Amounts due from associates	6,486	–
	<u>406,222</u>	<u>239,236</u>

*Note:*

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

## 8. FINANCE COSTS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Effective interest on convertible notes	15,946	14,712
Interest on lease liabilities	371	955
Interest on bank loans	4,472	6,704
Interest on other loans	16,445	13,445
	<u>37,234</u>	<u>35,816</u>

## 9. INCOME TAX EXPENSE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Current tax:		
PRC Enterprise Income Tax	4,989	5,297
Under provision in prior years:		
PRC Enterprise Income Tax	1,410	1,717
Deferred tax:		
Current year	36,262	7,950
	<u>42,661</u>	<u>14,964</u>

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

The directors of the Company considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years. No provision for Hong Kong Profits Tax has been made as the Group's subsidiaries in Hong Kong have no estimated assessable profits for the years ended 31 December 2023 and 2022.

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

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

## 10. LOSS FOR THE YEAR

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Auditor's remuneration		
– audit services	1,400	1,450
– other services	350	350
Depreciation of right-of-use assets	1,634	2,916
Depreciation of property, plant and equipment	8,546	9,368
Lease payments for short-term lease not included in the measurement of lease liabilities	820	1,079
Staff costs (including directors' emoluments)	<u>33,119</u>	<u>47,196</u>

## 11. DIVIDENDS

No dividend was paid, declared or proposed during the year ended 31 December 2023. The directors of the Company did not recommend the payment of dividend in respect of the year ended 31 December 2023 (2022: nil).

## 12. LOSS PER SHARE

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Loss</b>		
Loss for the year attributable to owners of the Company for the purpose of basic loss and diluted loss per share	<u>(472,487)</u>	<u>(326,213)</u>
	<i>'000</i>	<i>'000</i>
<b>Number of shares</b>		
Number of ordinary shares	<u>7,775,857</u>	<u>7,775,857</u>

The calculation of basic loss per share is based on the loss attributable to owners of the Company, and the number of shares of approximately 7,775,857,000 ordinary shares (2022: 7,775,857,000) in issue.

Diluted loss per share for the year ended 31 December 2023 and 2022 did not assume the exercise of the outstanding share options since this would result in a decrease in loss per share. No adjustment was made in calculating diluted loss per share for the year ended 31 December 2023 and 2022 as conversion of convertible notes would result in a decrease in loss per share. Accordingly, the diluted loss per share is the same as the basic loss per share.

### 13. GOODWILL

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
<b>Cost</b>		
Balance at beginning and end of the year	477,854	492,354
Transfer to assets held for sale	–	(14,500)
Disposal of a subsidiary	<u>(6,500)</u>	<u>–</u>
	<u><b>471,354</b></u>	<u><b>477,854</b></u>
<b>Accumulated impairment losses</b>		
Balance at beginning of the year	367,784	264,321
Impairment loss recognised for the year	110,070	117,963
Transfer to assets held for sale	–	(14,500)
Eliminated on disposal of a subsidiary	<u>(6,500)</u>	<u>–</u>
	<u><b>471,354</b></u>	<u><b>367,784</b></u>
<b>Carrying amount</b>		
Balance at end of the year	<u><u>–</u></u>	<u><u>110,070</u></u>

*Note:*

For the purpose of impairment assessment on carrying amount of goodwill allocated to tobacco financing cash-generating units (“Tobacco Financing CGU”), the directors of the Company have determined that an impairment loss of HK\$110,070,000 was recognised during the year ended 31 December 2023 (2022: HK\$117,963,000). There were no material changes in the methodology, source of market data and assumptions applied in the valuation performed by the independent valuer. The directors of the Company revised the carrying amount of Tobacco Financing CGU downwards based on cashflow forecasts.

### 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Early redemption option on convertible notes	<i>21</i>	3,378	6,905
Profit guarantee and incentive payment	<i>(i)</i>	<u>189,924</u>	<u>188,021</u>
		<u><b>193,302</b></u>	<u><b>194,926</b></u>
Analysed for reporting purposes as:			
Current assets		3,378	6,905
Non-current assets		<u>189,924</u>	<u>188,021</u>
		<u><b>193,302</b></u>	<u><b>194,926</b></u>

Note:

- (i) The balance represents the profit guarantee and incentive payment in relation to the acquisition of Xin Yunlian Investment Limited (“Xin Yunlian”) and its subsidiaries and associates (“Xin Yunlian Group”). Pursuant to the sales and purchase agreement and supplementary agreement, the vendor and vendor guarantor guaranteed to the indirectly wholly-owned subsidiary of the Company that if the aggregate audited net profit after tax attributable to the Company of Xin Yunlian Group for the five years ending 31 December 2024 (the “Actual Profit”), is less than RMB153,000,000 (the “Guaranteed Profit”), the vendor and vendor guarantor will compensate the Company for the shortfall for an amount equivalent to the difference between the Guaranteed Profit and the Actual Profit multiplied by 1.2 times, the Company shall have the right to deduct the shortfall from the respective convertible notes (Note 21) at maturity date; or if in the event that the Actual Profit (subject to a cap of RMB612 million) exceeds the Guaranteed Profit, the Company agreed to issue to the vendor additional convertible notes equivalent to the difference between Guaranteed Profit and Actual Profit multiplied by 0.2 times to 0.8 times based on the Actual profit, to settle the incentive payment or pay the vendor in cash.

During the year ended 31 December 2023, the fair value gain of HK\$1,903,000 (2022: HK\$43,508,000) was recognised in profit or loss.

## 15. LOANS AND INTERESTS RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Other loans ( <i>Note</i> )	555,107	552,993
Less: Impairment allowance	<u>(518,816)</u>	<u>(215,613)</u>
	<u><b>36,291</b></u>	<u><b>337,380</b></u>

Note:

Other loans are loans denominated in RMB made to independent third parties, of which approximately HK\$272,480,000 (2022: HK\$273,595,000) are secured and bear interest rates ranging from 5% to 6% (2022: 5% to 6%) per annum, and approximately HK\$282,627,000 (2022: HK\$279,398,000) are unsecured and bear interest rates ranging from 6% to 22% (2022: 6% to 22%) per annum.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
No past due	–	158,815
Less than 1 month past due	–	86,366
1 to 3 months past due	–	–
3 to 6 months past due	–	84
6 months to less than 1 year past due	36,291	20,659
More than 1 year past due	<u>–</u>	<u>71,456</u>
	<u><b>36,291</b></u>	<u><b>337,380</b></u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Balance at beginning of the year	215,613	222,965
Amounts recognised during the year	302,743	1,965
Amounts reversed during the year	–	(516)
Amounts recognised for credit-impaired loans ( <i>Note</i> )	6,257	8,681
Exchange realignment	(5,797)	(17,482)
	<u>518,816</u>	<u>215,613</u>

*Note:*

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

## 16. TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables arising from:		
Loan referral and consultancy services ( <i>Note a</i> )	5,987	7,803
Financial guarantee services ( <i>Note b</i> )	26,345	45,714
Insurance brokerage commission ( <i>Note c</i> )	683	82
Asset management fee ( <i>Note d</i> )	31	3
Advertising service fee ( <i>Note e</i> )	–	8
	<u>33,046</u>	<u>53,610</u>
Less: Impairment allowance	(29,728)	(35,700)
	<u>3,318</u>	<u>17,910</u>
Other receivables ( <i>Note f and Note g</i> )	253,180	248,654
Less: Impairment allowance	(191,916)	(161,952)
	<u>61,264</u>	<u>86,702</u>
Total trade and other receivables	<u>64,582</u>	<u>104,612</u>
Analysed for reporting purposes as:		
Current assets	61,975	104,612
Non-current assets	2,607	–
	<u>64,582</u>	<u>104,612</u>

*Notes:*

- (a) The normal settlement terms of trade receivables from loan referral and consultancy services are within 30 days upon the contractual obligation being performed.
- (b) The normal settlement terms of trade receivables from financial guarantee services are mainly within 60 to 90 days upon the contractual obligation being performed.
- (c) The normal settlement terms of trade receivables from product issuers arising from the provision of insurance brokerage commission are mainly within 45 to 60 days upon the execution of the insurance policies and/or receipt of statements from product issuers.
- (d) Credit terms granted to customers of asset management fee are within 30 days or as mutually agreed between the contracting parties.
- (e) The normal settlement terms of trade receivables from advertising service fee are mainly within 30 days upon the contractual obligation being performed
- (f) Included in other receivables were default payment receivables of HK\$217,640,000 (2022: HK\$210,241,000) in relation to loan financing operations.
- (g) During the year ended 31 December 2023, a subsidiary of the Group raised a lawsuit in respect of outstanding deposit of RMB26,000,000 and subsequently reached a settlement agreement with a co-operator who agreed to refund the deposit and made compensation to a subsidiary of the Group of RMB42,370,000 which will be settled by instalment in 22 months. The management of the Group considers that the terms of the settlement agreement are substantially different as the discounted present value of the cash flows under the new terms discounted using the original effective interest rate is different from the discounted present value of the remaining cash flows of the original financial asset by more than 10 per cent. Accordingly, such modification of terms was accounted for as an extinguishment of the original financial asset and the recognition of a new financial asset. Therefore, the Group derecognised the original deposit of RMB26,000,000 and impairment allowance of RMB26,000,000, and recognised compensation receivable amounting to RMB36,809,000 as at the date of extinguishment. The difference between the aforesaid carrying amounts of the deposit and impairment allowance derecognised and the aforesaid of the compensation receivables recognised amounting to approximately RMB36,809,000 (approximately HK\$40,781,000) was recognised as other gains as set out in note 6 at the date of modification during the year ended 31 December 2023.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 30 days	916	2,001
31 – 60 days	6	1,840
61 – 90 days	278	1,223
Over 90 days	<u>2,118</u>	<u>12,846</u>
	<u><u>3,318</u></u>	<u><u>17,910</u></u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Balance at beginning of the year	35,700	40,375
Amounts recognised during the year	17,871	31,007
Amounts reversed during the year	(1)	(828)
Amounts written-off during the year	(22,882)	(31,688)
Exchange realignment	(960)	(3,166)
	<u>29,728</u>	<u>35,700</u>

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Balance at beginning of the year	161,952	100,218
Amounts recognised during the year	34,752	71,989
Amounts reversed during the year	(434)	(2,397)
Exchange realignment	(4,354)	(7,858)
	<u>191,916</u>	<u>161,952</u>

## 17. PREPAYMENTS AND DEPOSITS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Prepayments	4,906	2,712
Rental and utilities deposits	1,160	1,491
Other deposits ( <i>Note</i> )	6,136	38,035
	<u>12,202</u>	<u>42,238</u>
Less: Impairment allowance	(4,162)	(29,478)
	<u>8,040</u>	<u>12,760</u>
Analysed for reporting purposes as:		
Current assets	8,040	11,907
Non-current assets	–	853
	<u>8,040</u>	<u>12,760</u>

*Note:*

As at 31 December 2023, other deposits mainly consist of deposits paid to co-operators in relation to the Group's guarantee and trading business, which amounted to HK\$6,056,000 (2022: HK\$8,604,000) and nil (2022: HK\$29,398,000) respectively.

During the year ended 31 December 2023, a subsidiary of the Group has entered into a settlement agreement with a co-operator of the Group's general trading business, the co-operator had agreed to refund the trading deposit and made compensation to the Group. Hence the original deposit of RMB26,000,000 and impairment allowance of RMB26,000,000 were derecognised and an other receivable was then recognised. The details are disclosed in note 16(g).

The movements in impairment allowance on deposits are as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Balance at beginning of the year	29,478	9,706
Amounts recognised during the year	4,139	20,905
Amounts derecognised during the year	(29,450)	–
Amounts reversed during the year	(3)	(372)
Exchange realignment	(2)	(761)
	<u>4,162</u>	<u>29,478</u>
Balance at end of the year	<u><u>4,162</u></u>	<u><u>29,478</u></u>

#### 18. TRADE PAYABLES, OTHER PAYABLES, DEPOSIT RECEIVED AND ACCRUALS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade payables from:		
Insurance brokerage service ( <i>Note a</i> )	918	219
Loan referral service ( <i>Note b</i> )	18,011	16,105
	<u>18,929</u>	<u>16,324</u>
Total trade payables	<u>18,929</u>	<u>16,324</u>
Accrued expenses	8,054	11,066
Interest payables	19,318	8,823
Deposits received ( <i>Note c</i> )	27,649	36,055
Other payables	27,620	27,666
Receipt in advance	1,430	–
	<u>84,071</u>	<u>83,610</u>
Total other payables, deposit received and accruals	<u>84,071</u>	<u>83,610</u>
Total trade payables, other payables, deposit received and accruals	<u><u>103,000</u></u>	<u><u>99,934</u></u>

*Notes:*

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

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 30 days	<b>752</b>	91
31 – 60 days	<b>48</b>	7
61 – 90 days	<b>28</b>	3
Over 90 days	<b>90</b>	118
	<u><b>918</b></u>	<u>219</u>

- (b) Trade payables arising from loan referral service are generally settled within 5 days upon receipt of invoice.

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

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
0 – 30 days	<b>12,076</b>	16,105
Over 90 days	<b>5,935</b>	–
	<u><b>18,011</b></u>	<u>16,105</u>

- (c) Included in deposits received was an amount of HK\$21,734,000 (2022: HK\$22,195,000) which was received from customers or third parties as collateral security for the financial guarantees issued by the Group. These deposits will be refunded to the customers or third parties upon expiry of the corresponding guarantee contracts. According to the contracts, these deposits are expected to be settled within one year.

## **19. LIABILITIES FROM FINANCIAL GUARANTEES**

	<b>2023</b> <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Deferred income	<b>8</b>	8
Provision for guarantee losses	<b>437,861</b>	402,211
	<u><b>437,869</b></u>	<u>402,219</u>

Movement analysis of provision for guarantee losses:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Balance at beginning of the year	402,211	359,917
Amounts charged during the year	58,038	81,832
Amounts reversed during the year	(7,861)	(11,316)
Utilisation of provision	(3,713)	–
Exchange realignment	(10,814)	(28,222)
	<u>437,861</u>	<u>402,211</u>

## 20. BORROWINGS

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Bank loans ( <i>Note a</i> )	79,552	104,025
Other loans ( <i>Note b</i> )	208,150	175,060
	<u>287,702</u>	<u>279,085</u>

	Bank loans		Other loans	
	31/12/2023 <i>HK\$'000</i>	31/12/2022 <i>HK\$'000</i>	31/12/2023 <i>HK\$'000</i>	31/12/2022 <i>HK\$'000</i>
Carrying amounts repayable:				
Within one year	30,259	67,277	93,504	26,345
More than one year, but not exceeding two years	16,504	19,787	114,646	148,715
More than two years, but not exceeding five years	–	16,961	–	–
More than five years	32,789	–	–	–
	<u>79,552</u>	104,025	<u>208,150</u>	175,060
Less: Amounts shown under current liabilities	(30,259)	(67,277)	(93,504)	(26,345)
Amounts shown under non-current liabilities	<u>49,293</u>	<u>36,748</u>	<u>114,646</u>	<u>148,715</u>

*Notes:*

- (a) The bank loans of RMB72,300,000 (approximately HK\$79,552,000) (2022: RMB65,000,000 (approximately HK\$73,496,000)) are secured by the pledge of the Group's assets as set out in note 23 which carry effective interest rates of 3.65% to 4.95% (2022: 3.65% to 6.27%) per annum. At 31 December 2022, bank loan of RMB27,000,000 (approximately HK\$30,529,000) bearing interest at fixed rate of 3.65% per annum, is secured by a property provided by an independent third party, and is repayable within one year.
- (b) The other loans bear interest at fixed rates ranging from 6% to 12% (2022: 6% to 10.55%) per annum and are unsecured.

## 21. CONVERTIBLE NOTES

Pursuant to the sale and purchase agreement and the supplementary agreement for the acquisition of Xin Yunlian Group, convertible notes with principal amounts of HK\$200,000,000 at conversion price of HK\$1.00 was issued to the vendor of Xin Yunlian Group on 31 July 2020 (“Issue Date”). It entitled the noteholder to convert 30% of them into ordinary shares of the Company at any time after the third anniversary of the Issue Date and ending on the maturity date, which is on the fifth anniversary of the Issue Date. On the maturity date, the noteholder has the right to convert the remaining 70% of them in full. The conversion of the convertible notes is subject to a lockup period until the date which the Company, vendor and vendor guarantor confirm or mutually agreed the principal amount to be reduced by the shortfall of guaranteed profit of Xin Yunlian Group for the five years ending 31 December 2024 as disclosed in Note 14(i). The principal amount of the convertible notes equals to the guaranteed profit cannot be converted during the lock-up period.

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

At initial recognition, the equity component of the convertible loan notes was separated from the liability component. The equity element is presented in equity heading “convertible notes equity reserve”. The early redemption option is considered as closely related to the host debt. The effective interest rate of the liability component is 8.22%.

During the year, no convertible notes were converted into ordinary shares by the noteholder or redeemed by the Company.

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

	<b>Convertible Notes HK\$'000</b>
<b>Equity component</b>	
At 1 January 2022, 31 December 2022 and 31 December 2023	<u>53,452</u>
<b>Liability component</b>	
At 1 January 2022	175,280
Effective interest expenses	<u>14,712</u>
At 31 December 2022	189,992
Effective interest expenses	<u>15,946</u>
At 31 December 2023	<u>205,938</u>
<b>Derivative component – redemption option</b>	
At 1 January 2022	(16,025)
Loss on fair value change	<u>9,120</u>
At 31 December 2022	(6,905)
Loss on fair value change	<u>3,527</u>
At 31 December 2023	<u>(3,378)</u>

## 22. SHARE CAPITAL

	Number of shares '000	Nominal amount HK\$'000
Authorised:		
Ordinary shares of HK\$0.001 each At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>2,109,890,000</u>	<u>2,109,890</u>
Preference shares of HK\$0.001 each At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>110,000</u>	<u>110</u>
Issued and fully paid:		
Ordinary shares of HK\$0.001 each At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<u>7,775,857</u>	<u>7,776</u>

## 23. PLEDGE OF ASSETS

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

	2023 HK\$'000	2022 HK\$'000
Property, plant and equipment	49,447	58,804
Right-of-use assets – leasehold lands in the PRC	18,774	20,007
Bank deposit	<u>5,502</u>	<u>5,653</u>
	<u>73,723</u>	<u>84,464</u>

## 24. GUARANTEE ISSUED

At 31 December 2023, the total maximum amount of financial guarantees issued was RMB457,113,000 (approximately HK\$502,961,000) (2022: RMB1,004,020,000 (approximately HK\$1,135,245,000)). The total maximum amount of financial guarantees issued represents the maximum potential loss amount that would be recognised if counterparties failed completely to perform as contracted.

## 25. CONTINGENT ASSETS AND LIABILITIES

The Group had no significant contingent assets or liabilities as at 31 December 2023 and 2022 other than those described in Note 24.

## 26. EVENTS AFTER THE REPORTING PERIOD

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

## 27. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current period presentation.

## **EXTRACT OF INDEPENDENT AUDITOR’S REPORT**

The below sections set out an extract of the report by the auditor of the Company (the “Auditor”), regarding the consolidated financial statements of the Group for the year ended 31 December 2023.

### **DISCLAIMER OF OPINION**

We do not express an opinion on the consolidated financial statements of the Group. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements. In all other respects, in our opinion the consolidated financial statements have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

### **BASIS OF DISCLAIMER OF OPINION**

#### **Material uncertainties relating to going concern**

As described in note 3 to the consolidated financial statements, the Group reported a loss attributable to the owners of the Company of HK\$472,487,000 for the year ended 31 December 2023. The Group’s current liabilities exceeded its current assets by HK\$550,952,000 and its total liabilities exceeded its total assets by HK\$651,767,000 as at 31 December 2023. As at the same date, the Group’s cash and cash equivalents amounted to HK\$31,985,000, while the Group recorded outstanding borrowing of approximately HK\$123,763,000 which are due for repayment within the next twelve months.

As disclosed in note 3 to the consolidated financial statements, the Group has provided guarantees to some of its customers’ lenders in relation to these customers’ facilities and loans amounting to approximately RMB457,113,000 (equivalent to approximately HK\$502,961,000). As at 31 December 2023, certain guarantee projects of approximately RMB393,677,000 (equivalent to approximately HK\$433,162,000) out of the abovementioned guarantees were defaulted.

These conditions indicate the existence of material uncertainties which may cast significant doubt on the Group’s ability to continue as a going concern.

The directors of the Company have carried out a detailed review of the cash flow forecast of the Group for the next twelve months from the date of this report and have been undertaking a number of measures to improve the Group’s liquidity and financial position which are set out in note 3 to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, on the assumption that there is no indication of the lenders have any current intention to exercise their right to demand immediate repayment thereon. The validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) whether the Group is able to obtain additional sources of financing when needed; (ii) the successful negotiations between the customers’ lenders, borrowers and the guarantor, the subsidiary of the Group, for the renewal of or extension for repayment of the default borrowings in the guarantee projects; and (iii) whether the Group can successfully improve its operation to generate sufficient operating cash inflow.

Should the Group be unable to operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these consolidated financial statements.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND PROSPECT

The Group is principally engaged in investment holding, industrial property development, general trading of consumable goods and loan financing operations including the provision of loan financing, financial guarantee services, loan referral and consultancy services. The segment revenue and results of the Group for the year ended 31 December 2023 ("FY2023") are stated in the table below:

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2023</b>	2022
	<b>HK\$'000</b>	HK\$'000
<b>Segment Revenue from:</b>		
Industrial property development	<b>16,580</b>	17,308
General trading	–	–
Loan financing	<b>27,939</b>	174,865
Others	<b>4,891</b>	9,778
	<u><b>49,410</b></u>	<u>201,951</u>
<b>Segment (loss) profit from:</b>		
Industrial property development	<b>(3,758)</b>	1,254
General trading	<b>(1,904)</b>	(22,260)
Loan financing	<b>(411,003)</b>	(137,169)
Others	<b>(2,083)</b>	(2,887)
	<u><b>(418,748)</b></u>	<u>(161,062)</u>

### Industrial Property Development

Revenue from the segment mainly represents warehouse storage income generated from warehouse operation. The Group's warehouse is located in Taicang, Jiangsu Province, the PRC. It is divided into six units and the total area is approximately 48,600 square meters. Revenue from the warehouse operation recorded a decrease of HK\$728,000 from approximately HK\$17,308,000 for the year ended 31 December 2022 ("FY2022") to approximately HK\$16,580,000 for FY2023, resulting in a segment loss of approximately HK\$3,758,000 for FY2023 (FY2022: segment profit of approximately HK\$1,254,000). The decrease in revenue and the segment loss for FY2023 was mainly a result of the drop in exchange rate between Renminbi and Hong Kong dollars and the deferred payment of the property tax paid for FY2022. The average occupancy rate of the Group's warehouse during FY2023 was 100% and was primarily used as storage of small electric and non-electric power tools. The Group's warehouse operation maintained high percentage of occupancy rate during FY2023 due to the advantageous location of its warehouse and long term relationship with the customers. The Group's management anticipates that the Group's warehouse occupancy can maintain at a rate of over 95% for the year of 2024.

## **General Trading**

The Group confronted difficulties in the operation of liquor trading and no sales revenue was generated during FY2023. The segment recorded a loss of approximately HK\$1,904,000 for FY2023 (FY2022: approximately HK\$22,260,000) due to the legal and professional fee incurred for recovery of the outstanding deposit.

## **Loan Financing**

The Group's loan financing services comprise the provision of loan financing, financial guarantees, loan referral and consultancy services in Hong Kong, Beijing and Ningbo. Revenue from the segment for FY2023 was approximately HK\$27,939,000 (FY2022: approximately HK\$174,865,000), resulted in a segment loss of approximately HK\$411,003,000 (FY2022: approximately HK\$137,169,000). The segment loss was mainly the result of impairment loss on loans and interest receivables recognized during FY2023.

In 2023, China mitigated the impact of the epidemic and began to restore economic order. Despite signs of economic recovery in China over the past year, the overall economy still faced a number of risks and challenges, including increased employment pressures, insufficient effective demand, heightened real estate credit risks, and mounting difficulties in local government debt management. These issues have significantly affected the Group's loan financing operations in FY2023 and hence revenue generated from the loan financing operations in Beijing and Ningbo decreased dramatically.

## **Loan Financing Business in Beijing**

During the past year, in order to improve the Group's financial position on a going concern basis, one of the key actions of the Group was to consider the potential disposal of the financial guarantee business in Beijing, which currently operates at a net liabilities position.

The decision to explore this option stemmed from a comprehensive assessment of the Group's overall business portfolio and the need to allocate resources in a manner that maximizes profitability and sustainability. This strategic move will allow the Group to streamline its operations, focus on its core strengths, and allocate resources to areas that offer stronger growth prospects. The Group is committed to diligently evaluating options for the disposal of the financial guarantees business in Beijing or any other possible options to improve its performance. Updates on the progress of this potential disposal will be provided as it materializes.

## **Loan Financing Business in Ningbo**

Due to the continual losses in loan financing business in Ningbo and the challenging business environment in the PRC, the Group conducted careful evaluation and consideration, and made strategic adjustments to its operation and staff structure in Ningbo for FY2023. The management decided to slow down the loan referral business in order to minimize further losses stemming from the default rate. By temporarily suspending the loan referral business, the Group aims to mitigate the risks associated with defaults and focus on implementing necessary measures to address the underlying issues. This temporary suspension will allow the Group to reassess its strategies, refine its risk management framework, and explore alternative business models that align with the changing market dynamics. The Group's priority remains the long-term viability and stability of its operations, and the Group is committed to taking proactive steps to minimize further loss and ensure a solid foundation for future growth.

As part of the Group's comprehensive restructuring plan for the loan referral business, the Group is actively seeking potential investors to inject capital and support its operations. Recognizing the need for financial stability and strategic partnerships, the Group is exploring opportunities to engage with investors who share the same vision and can contribute to the growth and profitability of the business. These potential investors will bring not only financial resources but also industry expertise and networks that can enhance the Group's competitive position in the market. The Group is committed to conducting thorough due diligence and identifying suitable investors who align with the Group's values and long-term objectives.

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

The Group's loan financing business in Hong Kong mainly involves the provision of mortgage loans. The property mortgage interest rate in Hong Kong has remained at a high level in the past year, which has suppressed consumer demand and investment motivation, and caused a downward trend in the Hong Kong property market. There was no new loan drawdown during FY2023, and no outstanding loan as at 31 December 2023. The Group has decided not to continue the loan financing business in Hong Kong due to the unfavorable economic outlook.

## **Others**

Others segment represents the operation of provision of asset management services, provision of insurance brokerage and agency services in Hong Kong and advertising services in the PRC. In order to simplify the Group's structure and divest loss-making businesses, the Group disposed of the securities brokerage business in December 2023. Revenue from the segment for FY2023 was approximately HK\$4,891,000 (FY2022: approximately HK\$9,778,000), resulted in a segment loss of approximately HK\$2,083,000 (FY2022: approximately HK\$2,887,000). In the future, the Group will continue to implement strict cost control measures to increase the return on assets of the others segment.

## SIGNIFICANT IMPAIRMENT

During FY2023, an impairment loss, net of reversal of approximately HK\$406,222,000 (FY 2022: approximately HK\$239,236,000) was resulted in the loan financing operations of the Group. The breakdown of the impairment loss recognized during the year as indicated is set out below:

	For the year ended	
	31 December	
	2023	2022
	HK\$'000	HK\$'000
Impairment loss (reversal of impairment loss) recognized on:		
– Trade and other receivables	52,188	99,771
– Loans and interest receivables	302,743	1,449
– Other deposits	4,136	20,533
– Loans to and interest receivables from a non-controlling interest	41,105	117,501
– Loans to and interest receivables from an associate	(436)	(18)
– Amounts due from associates	6,486	–
	<u>406,222</u>	<u>239,236</u>

## FINANCIAL REVIEW

### Administrative and Other Operating Expenses

Administrative expenses include office utilities and administration, legal and professional fee, employee expenses, depreciation of right-of-use assets and property, plant and equipment and amortisation. Other operating expenses mainly consist of operating expenses of industrial property development and loan financing. Administrative and other operating expenses amounted to approximately HK\$69,187,000 during FY2023, representing a decrease of approximately 20.5% or HK\$17,792,000 as compared to FY2022, mainly due to the streamlining of the Group's loan financing operations in the PRC and the Group's persistent efforts in optimizing and reforming business processes in order to reduce costs and improve operational efficiency. The Company's management will consistently implement stringent cost control measures to maintain administrative and other operating expenses at a reasonable level.

### Finance Costs

The finance costs of the Group for FY2023 mainly consisted of effective interest expenses on convertible bonds issued for the acquisition of Xin Yunlian Investment Limited and its subsidiaries and associates in 2020, and interests on bank loans and others loans. Finance costs increased from approximately HK\$35,816,000 for FY2022 to approximately HK\$37,234,000 for FY2023, representing an increase of approximately 4.0% or HK\$1,418,000, which was caused by the additional interests on loan borrowings for FY2023.

## **Liquidity and Financial Resources**

The Group continued to adopt the policy of prudence in managing its working capital. During FY2023, the operations of the Group were primarily financed by internally generated cash flow from operating activities and external financing. As at 31 December 2023, the shareholder's deficit attributable to owners of the Company amounted to approximately HK\$634,624,000 (31 December 2022: approximately HK\$166,349,000), and net current liabilities of the Group amounted to approximately HK\$550,952,000 (31 December 2022: approximately HK\$86,815,000). As at 31 December 2023, the Group's cash and cash equivalents amounted to approximately HK\$31,985,000 (31 December 2022: approximately HK\$26,280,000), which were principally denominated in Hong Kong dollars and Renminbi. Current ratio as at 31 December 2023 was 0.21 (31 December 2022: 0.86).

As at 31 December 2023, the Group's total borrowings amounted to approximately HK\$287,702,000 (31 December 2022: approximately HK\$279,085,000) of which approximately HK\$123,763,000 is repayable within 1 year, approximately HK\$131,150,000 is repayable between 1 to 2 years, approximately HK\$32,789,000 is repayable over 5 years. As at 31 December 2023, the Group's borrowings denominated in Hong Kong dollars and Renminbi were approximately HK\$34,400,000 and HK\$253,302,000, respectively, and bear fixed interest rates from 3.65% to 12.00%. The gearing ratio of the Group as at 31 December 2023 and 2022 (defined as total borrowings over the Group's total equity) are not applicable due to the capital deficiency of the Group.

There was no capital commitment in respect of the acquisition and construction of property, plant and equipment as at 31 December 2023 (31 December 2022: nil).

The Group does not anticipate any material foreign exchange exposure since its cash, borrowings, revenue and expenses are mainly in Hong Kong dollars and Renminbi. Therefore, the Group did not use any financial instruments for hedging purposes during FY2023.

## **Fund Investments**

The Group's investment portfolio is classified as financial assets at fair value through other comprehensive income ("FVTOCI") according to HKFRS 9. The relevant carrying amounts of the financial assets at FVTOCI as at 31 December 2023 was approximately HK\$516,000 (31 December 2022: approximately HK\$4,938,000). The Group's investment portfolio includes listed equity in Hong Kong.

## **Contingent Liabilities**

The Group had no significant contingent liabilities as at 31 December 2023 (31 December 2022: nil) other than the financial guarantees issued as disclosed below.

## Guarantee Issued

Financial guarantees are contracts that oblige the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for any losses incurred by the holder due to the failure of a specified debtor to make payment when due in accordance with the terms of a debt instrument. For FY2023, the Group’s total maximum amount of financial guarantees issued was approximately RMB457,113,000 (equivalent to approximately HK\$502,961,000) (31 December 2022: approximately RMB1,004,020,000 (equivalent to approximately HK\$1,135,245,000)).

## Capital Structure

As at 31 December 2023, the total number of issued ordinary shares of the Company with a par value of HK\$0.001 each (the “Share(s)”) was 7,775,857,621 (31 December 2022: 7,775,857,621).

## Charges on Assets

The Group’s warehouse located in Taicang, the PRC with the following carrying amount and the bank deposit had been pledged to secure general banking facilities granted to the Group:

	As at 31 December	
	2023	2022
	<i>HK\$’000</i>	<i>HK\$’000</i>
Property, plant and equipment	<b>49,447</b>	58,804
Right-of-use assets	<b>18,774</b>	20,007
Bank deposit	<b>5,502</b>	5,653
	<b>73,723</b>	84,464

Save for the above, the Group did not charge other assets to secure its borrowings as at 31 December 2023 and 31 December 2022.

## Foreign currency exposure

As confirmed by the Directors, the Group’s present operations are mainly carried out in the PRC and Hong Kong, and all of the Group’s receipts and payments in relation to the operations are denominated in Renminbi or Hong Kong dollars. The Group does not anticipate any material foreign exchange exposure and therefore no derivative financial instruments were used to hedge its foreign currency risks as at 31 December 2023 and 31 December 2022. The management will continue to monitor its foreign exchange exposure and take appropriate measures if needed.

## Significant investments, material acquisitions and disposals

Save as disclosed in this announcement, the Group did not hold any significant investments and did not conduct any material acquisition or disposal of subsidiaries, associates or joint ventures during FY2023 and FY2022.

## **Future plans for material investments or capital assets**

As at 31 December 2023 and 31 December 2022, the Group did not have immediate plans for material investments or capital assets acquisition.

## **Employees and Remuneration Policies**

As at 31 December 2023, the Group had 82 employees (31 December 2022: 122 employees). Remuneration is determined by reference to their respective qualifications and experiences and according to the prevailing industry practice. In addition to salary payments, the Group's staff benefits include contribution of mandatory provident fund, a discretionary bonus program and a share option scheme. As required by the regulations in the PRC, the Group makes contributions to mandatory social security funds for the benefit of the Group's employees in the PRC, including pension insurance, medical insurance, unemployment insurance, personal injury insurance, maternity insurance and housing funds.

## **DIVIDEND**

The Board did not recommend the payment of any final dividend for FY2023 (FY2022: nil).

## **SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD**

As at the date of this announcement, no significant event that may affect the Group has occurred subsequent to 31 December 2023.

## **DETAILS OF AUDIT QUALIFICATION AND RESPONSE FROM THE COMPANY**

### **Details of the Audit Qualification**

The Group reported a loss attributable to the owners of the Company of HK\$472,487,000 for FY2023. The Group's net current liabilities and net liabilities of approximately HK\$550,952,000 and HK\$651,767,000, respectively as at 31 December 2023, and the Group's cash and cash equivalents amounted to approximately HK\$31,985,000, while the Group recorded outstanding borrowing of approximately HK\$123,763,000 which are repayable within the next twelve months. These conditions indicate that material uncertainties exist that may cast significant doubt on the Group's ability to continue as a going concern. In this regard, the auditor of the Company (the "Auditor") issued a disclaimer of opinion on the consolidated financial statement of the Group for the year ended 31 December 2023 on material uncertainties on the Group's ability to continue as a going concern (the "Audit Qualification").

## **Actual or potential impact of the Audit Qualification on the Group's financial position**

The Audit Qualification does not itself show any actual impact on the Group's financial position. As set out in note 3 to the consolidated financial statements, the consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period. Should the Group fail to achieve the intended effects resulting from the plans and measures as mentioned in note 3 to this announcement, it might not be able to operate as a going concern, and adjustments would have to be made to write down the carrying values of the Group's assets to their net recoverable amounts, and to provide for any further liabilities that may arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effects of these adjustments have not been reflected in the consolidated financial statements.

## **Management's position**

In view of the Audit Qualification, the management of the Group (including the Directors) (collectively, the "Management") has given consideration related to the Group's current liquidity, performance and available sources of financing in assessing the Group's ability to continue as a going concern. Taking into account the successful and continued implementation of various measures such as successful negotiations with certain financial institutions and identifying various options for financing the Group's working capital, and successful negotiations with a number of financial institutions for renewal and extension of bank borrowings and credit facilities, the Management believes that the Group should have sufficient working capital for a period of not less than 12 months from 31 December 2023, and hence it was appropriate to prepare the Group's consolidated financial statements on a going concern basis.

There was no disagreement between the Management and the Auditor regarding the Audit Qualification, considering that the consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of the measures under Management's assumptions, which are subject to certain uncertainties, including the Group's ability to generate operating cash flows and to obtain additional sources of financing. While the Company is of the view that it has already provided all available information and documents to demonstrate that the Group will have sufficient working capital for the 12 months after the year ended 31 December 2023, the Company also acknowledges the uncertainties raised by the Auditor specified above in that such uncertainties cannot be satisfied with the mere provision of documents and information.

## **Audit Committee's views towards the Audit Qualification**

The audit committee of the Company (the "Audit Committee") has reviewed and agreed with the Management's position concerning the action plan of the Group to address the Audit Qualification disclosed above. The Audit Committee has also discussed with the Management and the Auditor to understand the reason for the Audit Qualification and the views of the Board and the Auditor. The Audit Committee concurs with the Management's position and views with respect to the Audit Qualification and the Group's ability to continue as a going concern and the actions to be implemented by the Management.

## **Proposed plans to address the Audit Qualification**

The Board is satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future, after taking into consideration of points (i) to (v) as set out in note 3 to this announcement. The Management recognises that relevant evidence is required to resolve the Auditor's concern on the going concern issue. As such, the Management will initiate contact and negotiate with various financial institutions to obtain credit facilities and the bank in the PRC to increase the bank loan. The Management will vigorously consider any feasible plans from potential investors for corporate restructuring and will proceed as and when appropriate and practicable.

In view of the foregoing, and assuming all of the Company's plans or actions can be implemented as planned, including the obtaining of alternative financing and successful completion of the corporate restructuring plan, and no unforeseen circumstances or conditions arise, subject to the satisfactory completion of review of the Management's assessment of the Group's going concern, and the Auditor being satisfied with the documents, information and evidence to be provided by the Company going forward, the Directors are of the view that the Group will have sufficient working capital to meet its financial obligations as and when they fall due in the next twelve months from the year ended 31 December 2023 and the Company is hopeful that the Audit Qualification may be removed in connection with the audit of the consolidated financial statements of the Group for the year ending 31 December 2024.

## **CLOSURE OF REGISTER OF MEMBERS**

The forthcoming annual general meeting of the Company (the "2024 AGM") is scheduled to be held on Tuesday, 18 June 2024. For determining the entitlement of shareholders of the Company (the "Shareholders") to attend and vote at the 2024 AGM, the register of members of the Company will be closed from Thursday, 13 June 2024 to Tuesday, 18 June 2024, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2024 AGM, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 12 June 2024.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

Throughout FY2023, the Company has applied the principles and complied with the code provisions as set out in Part 2 of Appendix C1 to the Listing Rules as in effective from time to time.

## **AUDIT COMMITTEE REVIEW**

The Audit Committee has reviewed with the management of the Company the accounting principles and practices adopted by the Group and the consolidated financial statements of the Group for FY2023.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

During FY2023, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules as the Company's code of conduct regarding securities transactions by the Directors. Having made specific enquiry, all Directors have confirmed that they have complied with the Model Code throughout FY2023.

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

Hong Kong, 28 March 2024

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