CHINA FINANCE INVESTMENT HOLDINGS LIMITED
中國金控投資集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 875)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

The board (the "Board") of directors (the "Directors") of China Finance Investment Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018 (the "Reporting Period") together with the comparative figures for the year ended 31 December 2017 (the "Corresponding Period") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Continuing operations			
Revenue	*3*	**157,221**	82,669
Cost of sales and services rendered		**(122,435)**	(38,251)
Gross profit		**34,786**	44,418
Other gains	*5*	**8,560**	35,620
Gain/(loss) from fair value change less costs to sell of biological assets		**1,071**	(434)
Selling and distribution expenses		**(28,789)**	(17,578)
Administrative expenses		**(41,339)**	(75,259)
Other operating expenses	*6*	**(64,897)**	(43,403)
Share of result and impairment losses of an associate		**(44,128)**	5,426
Finance costs	*7*	**(22,053)**	(7,902)
Loss before taxation	*8*	**(156,789)**	(59,112)
Income tax expense	*9*	**(4,866)**	(5,308)
Loss for the year from continuing operations		**(161,655)**	(64,420)
Discontinued operations			
Profit/(loss) from discontinued operations, net of tax		**3,061**	(8,509)
Loss for the year		**(158,594)**	(72,929)
Other comprehensive income, net of tax:			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translating foreign operations		**1,363**	(2,574)
Loss and total comprehensive income for the year attributable to owners of the Company		**(157,231)**	(75,503)
Loss attributable to equity shareholders of the Company:			
– from continuing operations		**(161,655)**	(64,420)
– from discontinued operations		**3,061**	(8,509)
		(158,594)	(72,929)

	Notes	2018 HK$'000	2017 HK$'000
Total comprehensive income attributable to equity shareholders of the Company:			
– from continuing operations		**(160,292)**	(66,992)
– from discontinued operations		**3,061**	(8,511)
		(157,231)	(75,503)
Loss per share (cents)			
			(Restated)
Basic	*10*		
– Continuing operations		**(14.46)**	(6.66)
– Discontinued operations		**0.27**	(0.88)
		(14.19)	(7.54)
Diluted	*10*		
– Continuing operations		**(14.46)**	(6.66)
– Discontinued operations		**0.27**	(0.88)
		(14.19)	(7.54)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**47,299**	43,477
Goodwill		**15,777**	50,732
Investment in an associate		**–**	46,911
Other non-current assets		**–**	1,370
		63,076	142,490
Current assets			
Inventories		**12,880**	1,328
Biological assets		**–**	1,632
Trade and other receivables	*11*	**94,346**	14,526
Loan receivables	*12*	**257,621**	292,971
Bank balances and cash		**4,834**	10,247
		369,681	320,704
Assets associated with disposal group held for sale		**21,273**	14,759
		390,954	335,463
Current liabilities			
Trade and other payables	*13*	**54,560**	41,821
Convertible bonds		**41,577**	–
Bonds		**40,975**	28,204
Promissory notes		**–**	24,770
Bank and other borrowings		**79,822**	32,260
Finance lease payables		**171**	164
Deferred income		**1,081**	1,173
Tax payables		**10,455**	6,129
		228,641	134,521
Liabilities associated with disposal group held for sale		**11,410**	5,477
		240,051	139,998
Net current assets		**150,903**	195,465
Total assets less current liabilities		**213,979**	337,955

	2018 *HK$'000*	2017 *HK$'000*
Capital and reserves		
Share capital	**12,354**	102,991
Reserves	**169,971**	229,021
Total equity	**182,325**	332,012
Non-current liabilities		
Promissory notes	**27,250**	–
Finance lease payables	**73**	244
Deferred income	**4,331**	5,699
	31,654	5,943
	213,979	337,955

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

China Finance Investment Holdings Limited (the "Company") was incorporated in Bermuda as an exempted Company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The principal place of business is Suite 1510, 15/F, Ocean Centre, Harbour City, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (together the "Group") are engaged in assets and investment holding, growing, processing and trading of agricultural produce, money lending and securities brokerage businesses respectively.

2.1 BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which in collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are discussed below.

Material uncertainty related to going concern

For the year ended 31 December 2018, the Group incurred a loss of approximately HK$158,594,000 with net cash outflow from operating activities before working capital changes of approximately HK$38,797,000 and as at 31 December 2018, the Group had bank balances and cash of approximately HK$4,834,000, in contrast, the Group's bonds and convertible bonds of approximately HK$29,358,000 and HK$41,577,000 respectively were overdue which have become repayable on demand. In addition, the Group's bonds and bank borrowings of approximately HK$11,617,000 and HK$15,940,000 are subject to renewal or to be fully repaid within the next twelve months. Based on the current liquidity position of the Group, the Group might have difficulties to fulfill its overdue financial obligations from time to time. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group.

The validity of the Group to operate as a going concern is dependent upon the successful outcomes of the Group to (i) attain profitable and positive cash flows from operations; (ii) renew or extend the existing borrowings, complete debt financing or obtain new credit line, at a level sufficient to finance the working capital requirements and financial obligations of the Group. Having considered the above scenarios, the directors considered that it is appropriate to adopt the going concern in preparing these consolidated financial statements.

In order to strengthen the Group's capital base and liquidity in the foreseeable future, the Group has taken the following measures:

- the directors of the Company have been taking various cost control measures to tighten the costs of operations and implementing various strategies to enhance the Group's revenue;
- the completion of the issuance of convertible bonds to raise approximately HK$39,300,000 and HK$18,412,000 on 14 February 2019 and 25 March 2019 respectively;
- obtained a new credit line to the extent of RMB150,000,000 (equivalent HK$170,790,000) from a financial institution to repay the Group's outstanding liabilities as they fall due;
- extension agreements had been entered into between the Company and subscribers of promissory notes to extend the repayment terms of overdue promissory notes;
- extension agreements had been entered into between the Company and certain holders of bonds to extend the repayment terms of overdue bonds subsequent to the end of reporting period; and
- an unsecured, interest-free director's loan of approximately RMB49,500,000 (equivalent to HK$56,361,000) had been obtained by the Group subsequent to the end of reporting period.

Based on the cash flow projections of the Group and having taken into account the available financial resources of the Group together with the above measures, the directors have concluded that the Group is able to continue as a going concern and to meet their financial liabilities as and when they fall due for the next twelve months. Should the Group be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value 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 liabilities as current assets and current liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9 Financial Instruments; and

(ii) HKFRS 15 Revenue from Contracts with Customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

The application of HKFRS 9 did not affect the classification and measurement of the Group's loans and receivables as at 1 January 2018 which are continue to be measured at amortised cost after initial application. As permitted by the transitional provisions of HKFRS 9, any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening accumulated losses of the current period.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognsied. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference, if any, at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. The initial adoption of HKFRS 15 did not have impact on the Group's opening accumulated losses and how the Group recognises its revenue.

New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2018. These new and revised HKFRSs include the following which may be relevant to the Group:

		Effective for accounting periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK(IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to HKFRSs	Annual Improvement to HKFRS Standards 2015–2017 Cycle	1 January 2019

3. REVENUE

An analysis of revenue is as follows:

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Sale of agricultural produce	**118,079**	45,521
Money lending interest income	**39,142**	37,148
	157,221	82,669

4. SEGMENT INFORMATION

Operating segment information

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(i) the "Agricultural produce" segment engages in cultivating and trading of agricultural produce;

(ii) the "Money lending" segment engages in money lending services; and

(iii) the "Securities broking" segment engages in securities brokerage services in securities traded in Hong Kong.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segments performance for the year is set out below.

(i) Information about profit or loss

	2018					
	Continuing operations				Discontinued operations	
	Agricultural produce	Money lending	Unallocated	Subtotal	Securities broking	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue						
Reportable segment revenue	**118,079**	**39,142**	**–**	**157,221**	**18,976**	**176,197**
Elimination of inter-segment revenue	**–**	**–**	**–**	**–**	**–**	**–**
Consolidated revenue	**118,079**	**39,142**	**–**	**157,221**	**18,976**	**176,197**
Loss						
Reportable segment (loss)/profit (adjusted (LBITDA)/EBITDA)	**(35,637)**	**32,651**	**–**	**(2,986)**	**3,061**	**75**
Depreciation	**(7,493)**	**(108)**	**(2,163)**	**(9,764)**	**–**	**(9,764)**
Finance costs	**(13,501)**	**–**	**(8,552)**	**(22,053)**	**–**	**(22,053)**
Government grants	**2,376**	**–**	**–**	**2,376**	**–**	**2,376**
Gain on disposal of a subsidiary	**–**	**–**	**100**	**100**	**–**	**100**
Impairment losses of goodwill	**–**	**(34,955)**	**–**	**(34,955)**	**–**	**(34,955)**
Impairment losses of investment in an associate	**–**	**–**	**(14,375)**	**(14,375)**	**–**	**(14,375)**
Impairment losses of loan receivables	**–**	**(8,496)**	**–**	**(8,496)**	**–**	**(8,496)**
Interest income	**3**	**2**	**29**	**34**	**–**	**34**
Reversal of impairment losses on trade receivables	**1,808**	**–**	**–**	**1,808**	**–**	**1,808**
Reversal of impairment on other receivables	**1,132**	**–**	**–**	**1,132**	**–**	**1,132**
Reversal of impairment on inventories	**60**	**–**	**–**	**60**	**–**	**60**
Share-based payment transactions	**(1,241)**	**(2,458)**	**(248)**	**(3,947)**	**–**	**(3,947)**
Share of loss of an associate		**–**	**(29,753)**	**(29,753)**	**–**	**(29,753)**
Unallocated head office and corporated income	**–**	**–**	**461**	**461**	**–**	**461**
Unallocated head office and corporate expenses	**–**	**–**	**(36,431)**	**(36,431)**	**–**	**(36,431)**
Consolidated (loss)/profit before taxation	**(52,493)**	**(13,364)**	**(90,932)**	**(156,789)**	**3,061**	**(153,728)**

	2017					
	Continuing operations				Discontinued operations	
	Agricultural produce	Money lending	Unallocated	Subtotal	Securities broking	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue						
Reportable segment revenue	45,521	37,148	–	82,669	1,174	83,843
Elimination of inter-segment revenue	–	–	–	–	–	–
Consolidated revenue	45,521	37,148	–	82,669	1,174	83,843
Loss						
Reportable segment (loss)/profit (adjusted (LBITDA)/EBITDA)	(9,567)	24,904	–	15,337	(7,515)	7,822
Depreciation	(6,113)	(185)	(3,612)	(9,910)	(994)	(10,904)
Finance costs	(2,297)	–	(5,605)	(7,902)	–	(7,902)
Government grants	5,867	–	–	5,867	–	5,867
Impairment losses of goodwill	–	(17,585)	–	(17,585)	–	(17,585)
Impairment losses of other receivables	(1,935)	(16)	(8,000)	(9,951)	–	(9.951)
Impairment losses of property, plant and equipment	(13,129)	–	–	(13,129)	–	(13,129)
Impairment losses of trade receivables	(647)	–	–	(647)	–	(647)
Interest income	5	16	323	344	–	344
Loss incurred from fire accident	(2,091)	–	–	(2,091)	–	(2,091)
Share-based payment transactions	(4,975)	(4,801)	(14,834)	(24,610)	–	(24,610)
Share of profit of an associate	–	–	5,426	5,426	–	5,426
Unallocated head office and corporated income	–	–	23,514	23,514	–	23,514
Unallocated head office and corporate expenses	–	–	(23,775)	(23,775)	–	(23,775)
Consolidated (loss)/profit before taxation	(34,882)	2,333	(26,563)	(59,112)	(8,509)	(67,621)

The measure used for reporting segment profit/(loss) is "adjusted EBITDA/(LBITDA)" i.e. "adjusted earning/(loss) before interest, taxes, depreciation and amortisation, impairment losses/reversal of impairment of property, plant and equipment, other financial asset, inventories, goodwill and investment in an associate", where "interest" is regarded as not including interest income from money lending business. To arrive at adjusted EBITDA/(LBITDA), the Group's loss is further adjusted for items not specifically attributed to individual segments, such as share of result and impairment losses of an associate, directors' and auditor's remuneration and other head office or corporate administration costs.

(ii) Reconciliations of reportable segment assets and liabilities

	2018					
	Continuing operations				Discontinued operations	
	Agricultural produce	Money lending	Unallocated	Subtotal	Securities broking	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets						
Reportable segment assets	149,755	262,604	–	412,359	21,273	433,632
Goodwill	–	15,777	–	15,777	–	15,777
Unallocated head office and corporate assets	–	–	4,621	4,621	–	4,621
Consolidated total assets	149,755	278,381	4,621	432,757	21,273	454,030
Liabilities						
Reportable segment liabilities	110,889	12,725	–	123,614	11,410	135,024
Convertible bonds	–	–	41,577	41,577	–	41,577
Bonds	–	–	40,975	40,975	–	40,975
Promissory notes	–	–	27,250	27,250	–	27,250
Unallocated head office and corporate liabilities	–	–	26,879	26,879	–	26,879
Consolidated total liabilities	110,889	12,725	136,681	260,295	11,410	271,705
Other segment information						
Capital expenditure (Note)	17,286	190	–	17,476	30	17,506
Income tax expense	–	4,849	17	4,866	–	4,866

Note: Capital expenditure consists of additions to property, plant and equipment and intangible assets.

	2017					
	Continuing operations				Discontinued operations	
	Agricultural produce	Money lending	Unallocated	Subtotal	Securities broking	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets						
Reportable segment assets	56,308	304,530	–	360,838	14,759	375,597
Goodwill	–	50,732	–	50,732	–	50,732
Interest in an associate	–	–	46,911	46,911	–	46,911
Unallocated head office and corporate assets	–	–	4,713	4,713	–	4,713
Consolidated total assets	56,308	355,262	51,624	463,194	14,759	477,953
Liabilities						
Reportable segment liabilities	54,832	7,086	–	61,918	5,477	67,395
Bonds	–	–	28,204	28,204	–	28,204
Promissory notes	–	–	24,770	24,770	–	24,770
Unallocated head office and corporate liabilities	–	–	25,572	25,572	–	25,572
Consolidated total liabilities	54,832	7,086	78,546	140,464	5,477	145,941
Other segment information						
Capital expenditure *(Note)*	3,135	9	3	3,147	–	3,147
Income tax (credit)/expense	(20)	5,328	–	5,308	–	5,308

Note: Capital expenditure consists of additions to property, plant and equipment and intangible assets.

(iii) Geographical information

Information about the Group's revenue from external customers is presented based on the geographical location as follows:

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Revenue		
– Hong Kong	**83**	3,775
– the People's Republic of China (the "PRC")	**157,138**	78,894
	157,221	82,669

Non-current assets of the Group are presented based on the geographical location as follows:

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Non-current assets		
– Hong Kong	**81**	2,312
– the PRC	**62,995**	140,178
	63,076	142,490

Non-current assets of the Group include property, plant and equipment, goodwill, investment in an associate and other non-current asssets.

(iv) Information about major customers

The Group's customer base included two (2017: Nil) customers with whom transactions have exceed 10% of its revenue during the years is set out below:

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Customer A – Agricultural produce	**61,134**	N/A
Customer B – Agricultural produce	**30,310**	N/A

These customers did not contribute over 10% of the total turnover of the Group for the year ended 31 December 2017.

5. OTHER GAINS

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Amortisation of government grants	**2,376**	5,867
Bank interest income	**5**	21
Other interest income	**29**	323
Foreign exchange gain, net	**–**	23,356
Gain on disposal of items of property, plant and equipment	**2,096**	4,384
Gain on disposal of a subsidiary	**100**	–
Rental income	**212**	1,135
Reversal of impairment of trade receivables	**1,808**	–
Reversal of impairment of other receivables	**1,132**	–
Reversal of impairment of inventories	**60**	–
Sundry income	**742**	534
	8,560	35,620

6. OTHER OPERATING EXPENSES

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Foreign exchange loss, net	**21,443**	–
Impairment losses of goodwill	**34,955**	17,585
Impairment losses of trade and other receivables	**–**	10,598
Impairment losses of property, plant and equipment	**–**	13,129
Impairment losses of loan receivables	**8,496**	–
Loss incurred from fire accident	**–**	2,091
Others	**3**	–
	64,897	43,403

7. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Imputed interest expenses on bonds	**2,794**	1,821
Imputed interest expenses on convertible bonds	**3,101**	–
Imputed interest expenses on promissory notes	**2,480**	3,039
Interest on bank and other borrowings	**13,664**	2,992
Finance lease charges	**14**	50
	22,053	7,902

8. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

	2018	2017
	HK$'000	*HK$'000*
Continuing operations		
Staff costs (including directors' emoluments)		
Salaries and allowances	**26,358**	43,580
Retirement benefit costs	**999**	962
Equity-settled share-based payment	**3,947**	24,610
Total staff costs	**31,304**	69,152
Auditor's remuneration	**730**	800
Cost of inventories recognised as an expense	**110,397**	35,465
Depreciation:		
– on owned assets	**9,459**	9,544
– on leased assets	**305**	366
Impairment losses of goodwill	**34,955**	17,585
Impairment losses of loan receivables	**8,496**	–
Impairment losses of an associate	**14,375**	–
(Gain)/loss arising from change in fair value less costs to sell of biological assets	**(1,071)**	434
Minimum lease payments under operating leases	**12,731**	11,193
Equity-settled share-based payment		
Directors	**246**	12,657
Employees	**3,701**	11,953
Total equity-settled share-based payment	**3,947**	24,610

9. INCOME TAX EXPENSE (RELATING TO CONTINUING OPERATIONS)

	2018	2017
	HK$'000	*HK$'000*
Hong Kong Profits Tax		
Over-provision in respect of prior years	**–**	(20)
Enterprise Income Tax ("EIT") in the PRC		
Provision for the year	**4,866**	5,328
	4,866	5,308

The tax rate applicable to the Group's Hong Kong subsidiaries were 16.5% (2017: 16.5%) for the year ended 31 December 2018.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. 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%.

No provision for Hong Kong Profits Tax is required as the Group's Hong Kong subsidiaries did not have assessable profit (2017: Nil).

EIT in the PRC is provided at the rates applicable to the subsidiaries in the PRC of the income for statutory reporting purpose, adjusted for income and expense items which are not assessable or deductible for income tax purposes based on existing PRC income tax regulations, practices and interpretations thereof.

According to the PRC tax law and its interpretation rules (the "PRC tax law"), enterprises that engage in qualifying agricultural business are eligible for full EIT exemption or half reduction of EIT on profits derived from such business. The Group's PRC subsidiaries engaged in qualifying agricultural business, which includes growing, processing and selling of vegetables, are entitled to full exemption of EIT.

10. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to the equity holders of the Company of approximately HK$158,594,000 (2017: HK$72,929,000) and the weighted average number of 1,117,310,542 (2017 restated: 967,049,638) ordinary shares in issue during the year.

The computation of diluted loss per share for the years ended 31 December 2018 and 2017 does not assume the conversion of the Company's preference shares and convertible bonds, and the exercise of the Company's share options since their assumed conversion and exercise would result in a decrease in loss per share. Therefore, the basic and diluted loss per share are the same.

From continuing operations

The calculation of basic loss per share is based on the Group's loss for the year attributable to the equity holders of the Company of approximately HK$161,655,000 (2017: HK$64,420,000) and the weighted average number of 1,117,310,542 (2017 restated: 967,049,638) ordinary shares in issue during the year.

The computation of diluted loss per share for the years ended 31 December 2018 and 2017 does not assume the conversion of the Company's preference shares and convertible bonds, and the exercise of the Company's share options since their assumed conversion and exercise would result in a decrease in loss per share. Therefore, the basic and diluted loss per share are the same.

From discontinued operations

The calculation of basic earning/(loss) per share is based on the Group's profit/(loss) attributable to the equity holders of the Company of approximately HK$3,061,000 (2017: loss of HK$8,509,000) and the weighted average number of 1,117,310,542 (2017 restated: 967,049,638) ordinary shares in issue during the year.

The computation of diluted earning/(loss) per share for the years ended 31 December 2018 and 2017 does not assume the conversion of the Company's preference shares and convertible bonds, and the exercise of the Company's share options since their assumed conversion and exercise are anti-dilutive. Therefore, the basic and diluted earning/(loss) per share are the same.

For the years ended 31 December 2018 and 2017, the weighted average number of ordinary shares for the purpose of basic and diluted earning/(loss) per share has been adjusted to take into effect of the share reorganisation on 25 June 2018 as if it had been effective on 1 January 2017.

11. TRADE AND OTHER RECEIVABLES

	Notes	**2018** ***HK$'000***	2017 *HK$'000*
Trade receivables arising from trading of agricultural produce		**51,201**	5,147
Less: Impairment		**(1,284)**	(1,373)
Total trade receivables	*(a)*	**49,917**	3,774
Accounts receivable arising from dealing in securities			
– Cash clients		**–**	–
– Margin clients		**–**	–
– Clearing houses		**–**	–
Total accounts receivable	*(b)*	**–**	–
Other receivables		**15,367**	16,268
Less: Impairment		**(9,036)**	(10,185)
Total other receivables	*(c)*	**6,331**	6,083
Deposits and prepayments		**66,348**	32,919
Less: Impairment		**(28,250)**	(28,250)
Total deposits and prepayments	*(d)*	**38,098**	4,669
		94,346	14,526

(a) The average credit period on sales of goods is 60 days. As at the end of reporting period, the ageing analysis of trade receivables from trading of agricultural produce, based on the invoice date and net of impairment losses, is as follows:

	2018 ***HK$'000***	2017 *HK$'000*
0 – 60 days	**27,858**	1,217
61 – 120 days	**11,878**	6
Over 120 days	**10,181**	2,551
	49,917	3,774

The ageing analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2018	2017
	HK$'000	*HK$'000*
Less than 60 days past due	**11,878**	6
Over 60 days past due	**10,181**	2,551
	22,059	2,557

Note:

The movements in impairment of trade receivables are as follows:

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**1,373**	666
Recognition of expected credit loss as at 1 January 2018	**1,945**	–
Impairment loss recognised	**–**	647
Reversal of impairment loss	**(1,808)**	–
Exchange realignment	**(226)**	60
At 31 December	**1,284**	1,373

Included in the above, no impairment of trade receivables for the year are individually impaired trade receivables (2017: HK$647,000) which have been considered not recoverable. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

(b) The normal settlement terms of accounts receivable from cash clients and clearing houses are within two days after trade date.

Accounts receivable from cash clients arising from the securities broking are repayable on demand subsequent to settlement date. No ageing analysis is disclosed as the ageing analysis does not give additional value in view of the nature of these accounts receivable.

Margin clients are required to pledge securities collateral to the Group in order to obtain credit facilities for securities trading. The amount of credit facilities granted to them is determined by discounted value accepted by the Group.

There is trading limit for all clients. The Group strictly monitors outstanding accounts receivable in order to minimise the credit risk. The management reviews the accounts receivable regularly to ensure that the listed stocks held by the Group on clients' behalf is able to offset their debts owed to the Group.

The balance of accounts receivable is reclassified to "Assets associated with disposal group held for sale".

(c) The movements in impairment of other receivables are as follows:

	2018	2017
	HK$'000	*HK$'000*
At 1 January	**10,185**	195
Impairment loss recognised	**–**	9,951
Reversal of impairment loss	**(1,132)**	–
Exchange realignment	**(17)**	39
At 31 December	**9,036**	10,185

(d) The amounts included approximately HK$28,250,000 for deposit of acquiring properties from Elite One International Holdings Limited. The rest are rental deposit and prepayments.

During the year, there is no movement in impairment of deposits and prepayments.

12. LOAN RECEIVABLES

The Group's loan receivables arose from the money lending business. Loan receivables bear interest at rates range from 7.2% to 48% (2017: 7.2% to 48%), and with credit periods, mutually agreed between the contracting parties. Each customer has a credit limit. Overdue balances are reviewed regularly and handled closely by senior management.

	2018	2017
	HK$'000	*HK$'000*
Carrying amount receivables based on scheduled repayment dates set out in the loan agreements		
Within one year	**257,621**	292,971
Repayment on demand clause (shown under current assets)	**–**	–
	257,621	292,971
Less: current portion	**(257,621)**	(292,971)
Non-current portion	**–**	–

The Group's loan receivables, which arise from money lending business of providing property mortgage loans and personal loans in Hong Kong and in the PRC, are denominated in HK$ with amount of approximately HK$6,916,000 (2017: HK$6,979,000) and in Renminbi ("RMB") with amount of approximately HK$286,223,000 (2017: HK$285,992,000), respectively.

Except for loan receivables of approximately HK$286,241,000 (2017: HK$286,073,000) as at 31 December 2018 which are unsecured, interest-bearing and are repayable with fixed terms agreed with customers, all loan receivables are secured by collaterals provided by customers, interest-bearing and are repayable with fixed terms agreed with the customers. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the loan receivables mentioned above.

A maturity profile of the loan receivables before impairment as at the end of the reporting periods, based on the maturity date, net of provision, is as follows:

	2018 ***HK$'000***	2017 *HK$'000*
Receivable:		
Within 3 months	**179,279**	24,796
3 months to 1 year	**113,860**	268,175
	293,139	292,971
Classified as non-current assets	**–**	–
Current assets	**293,139**	292,971

The movements in impairment of loan receivables are as follows.

	2018 ***HK$'000***	2017 *HK$'000*
At 1 January	**–**	–
Recognition of expected credit loss as at 1 January 2018	**27,022**	–
Impairment loss recognised	**8,496**	–
At 31 December	**35,518**	–

13. TRADE AND OTHER PAYABLES

	Notes	2018 HK$'000	2017 HK$'000
Trade payables arising from trading of agricultural produce	(a)	**11,096**	17,312
Accounts payable arising from dealing in securities			
– Cash clients		**–**	–
– Clearing houses		**–**	–
Total accounts payable	(b)	**–**	–
Accruals and other payables		**43,464**	23,910
Amounts due to directors of subsidiaries in the PRC		**–**	599
		54,560	41,821

(a) Trade payables arising from trading of agricultural produce principally comprise amounts outstanding for trade purchases and have an average credit period of 30 days. The ageing analysis of trade payables based on the invoice date at the end of the reporting period is as follows:

	2018 HK$'000	2017 HK$'000
0 – 60 days	**2,134**	801
61 – 120 days	**783**	3,780
Over 120 days	**8,179**	12,731
	11,096	17,312

(b) The normal settlement terms of accounts payable to cash clients and clearing houses are two days after the trade date.

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

The Group has a practice to satisfy all the requests for payments immediately within the credit period. All accounts payable are non-interest bearing.

Accounts payable to clients also include those payables placed in trust accounts with authorised institutions of approximately HK$10,782,000 (2017: HK$3,156,000).

The balance of accounts payable is reclassified to "Liabilities associated with disposal group held for sale".

14. EVENTS AFTER THE REPORTING PERIOD

(a) Issuance of convertible bonds

(i) On 18 July 2018, the Company entered into five subscription agreements with five subscribers in relation to the issue of convertible bonds in an aggregate principal amount of HK$39,500,000. The gross and net proceeds from the issuance of convertible bonds were approximately HK$39,500,000 and HK$39,300,000 respectively. The net proceeds were used for repayment of the Group's overdue debts owed to several individual creditors arising from borrowings to discharge operating expenses of the Group's agricultural business. The issuance of convertible bonds was completed on 14 February 2019. Details of the above are set out in the Company's announcements dated 18 July 2018, 8 January 2019 and 14 February 2019.

(ii) On 4 March 2019, the Company entered into four subscription agreements with four subscribers in relation to the issue of convertible bonds in an aggregate principal amount of approximately HK$18,592,000. The gross and net proceeds from the issuance of convertible bonds were approximately HK$18,592,000 and HK$18,412,000 respectively. The net proceeds of were used for repayment of the outstanding liabilities of the Group. The issuance of convertible bonds was completed on 25 March 2019. Details of the above are set out in the Company's announcements dated 4 March 2019 and 25 March 2019.

(b) Expiry of convertible bonds

On 20 February 2019, the Company received a repayment demand letter from a subscriber of convertible bonds which matured on 7 February 2019, requesting the Company to repay the outstanding principal amount and the interest accrued in a total sum of approximately HK$42,000,000. Up to date of this announcement, the Company is still in the process of negotiating the terms of repayment with the subscriber. Since the Group has already recorded the convertible bonds in the consolidated statement of financial position of the Group as at 31 December 2018, the directors are of the view that the above matter will not have any significant financial impact to the Group.

Details of the above are set out in the Company's announcement dated 22 February 2019.

(c) Capital Reorganisation

On 18 March 2019, the Company proposed to implement a capital reorganisation which will involve the following:

(i) Capital Reduction – the par value of each of the issued existing ordinary shares ("Existing Shares") of the Company to be reduced from HK$0.01 to HK$0.0005 per issued ordinary share by the cancellation of the paid up share capital of the Company to the extent of HK$0.0095 per issued ordinary share by way of a reduction of capital, such that the par value of the issued Existing Shares will be reduced to HK$0.0005 ("Reduced Shares") each; and

(ii) Shares consolidation – consolidation of the shares on the basis that every 20 issued Reduced Shares of HK$0.0005 each will be consolidated into one consolidated share of HK$0.01 each.

The capital reorganisation is not yet effective as at date of this announcement. Details of the above are set out in the Company's announcement dated 18 March 2019.

(d) Director's Loan

On 28 March 2019, a director of the Company has advanced an unsecured, interest-free loan of RMB49,500,000 (equivalent to HK$56,361,000).

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract from the report issued by World Link CPA Limited, the Company's auditor, on the consolidated financial statements of the Group for the year ended 31 December 2018:

"QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institution of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

In the predecessor auditor's report dated 28 March 2018 in respect of the audit of the consolidated financial statements of the Group for the year ended 31 December 2017 (the "2017 Financial Statements"), the predecessor auditor did not express an opinion on the 2017 Financial Statements. The disclaimer of opinion was resulted from scope limitation arose from lack of fundamental audit evidence of supporting documents for the period from March 2017 to July 2017 of one of the Group's agricultural production base in Ningxia, the PRC (the "Ningxia Base") due to a fire accident. As resulted by the lack of supporting documents of Ningxia Base, the predecessor auditor was unable to obtain sufficient appropriate audit evidence to validate the transactions and the resulting movement in the reserves in the 2017 Financial Statements.

Any adjustments that might have been found necessary may have an effect on the Group's financial performance, movement in the reserve and elements making up the consolidated cash flows of the Group for the year ended 31 December 2017, and the presentation and disclosure thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by HKICPA. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the consolidated financial statements which reveals that the Group incurred a loss of approximately HK$158,594,000 with net cash outflow from operating activities before working capital changes of approximately HK$38,797,000 for the year ended 31 December 2018 and as at 31 December 2018, the Group had bank balances and cash of approximately HK$4,834,000, in contrast, the Group's bonds and convertible bonds of approximately HK$29,358,000 and HK$41,577,000 respectively were overdue which have become repayable on demand. In addition, the Group's bonds and bank borrowings of approximately HK$11,617,000 and HK$15,940,000 are subject to renewal or to be fully repaid within the next twelve months. Based on the current liquidity position of the Group, the Group might have difficulties to fulfill its overdue financial obligations from time to time. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group will be able to successfully achieve the outcomes as set forth in note 2.1 to the consolidated financial statements to meet its overdue, financial obligations from time to time. Our opinion is not modified in respect of this matter."

PRELIMINARY ANNOUNCEMENT OF THE RESULTS AGREED BY AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in this preliminary announcement have been agreed by the Group's auditor, World Link CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2018. The work performed by World Link CPA Limited in this respect did not constitute as assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by World Link CPA Limited on the preliminary announcement.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2018 (2017: Nil) to the holders of both ordinary shares and preference shares of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in (i) growing and trading of agricultural produce ("Agricultural Business"); (ii) provision of money lending services ("Money Lending Business"); and (iii) internet finance business ("Internet Finance Business") during the Reporting Period.

Results of Continuing Operations

Agriculture Business

Due to (i) fierce competition in the agricultural market and the general decreasing trend in average selling price of vegetables; (ii) increase in production costs (including but not limited to labour and rental costs); and (iii) the worsening soil condition of certain farmlands, profitability of the Group's Agricultural Business has been affected. To place viability as its top priority, the Group decisively adjusted its strategies by minimising inventory level, promoting sales at competitive prices and increasing liquidity. As a result, during the Reporting Period, the turnover of the Agricultural Business segment increased by approximately 159.6% to approximately HK$118.1 million from approximately HK$45.5 million for the Corresponding Period. Given the margin squeeze, the rise in turnover co-existed with the decrease in gross profit margin. During the Reporting Period, the Agricultural Business segment recorded a gross loss of approximately HK$4.3 million (31 December 2017: gross profit of HK$8.2 million).

In the second quarter of 2018, the management decided to focus on new agricultural products with high potential for development. On 9 July 2018, the Group signed a framework cooperation agreement with Guangdong Academy of Agricultural Sciences*（廣東省農業科學院作物研究所）, pursuant to the framework cooperation agreement, the Company will collaborate with Guangdong Academy of Agricultural Sciences*（廣東省農業科學院作物研究所）to conduct the research and development of growing medicinal value crop such as Dendrobium officinale Kimura et Migo*（鐵皮石斛）.

After years of cultivation, soil quality has been seriously declined because of the previous cultivation methods and the use of chemical fertilisers, which prevent land from regenerating. Therefore, in April 2018, the management engaged sub-contractors to apply a more conservative/eco-friendly method for cultivation. The management believed that conservative cultivation will be a sustainable way of minimising soil quality decline which can take minimal changes to the soil's natural condition and at the same time improving the soil's productivity and minimised the cost in the long run. The soil improvement started in May 2018 and completed in late August 2018.

In late 2018, the Group started consolidating agricultural products from various labourhood farms and agricultural companies to process, package and sell to customers.

In 2019, the Group also entered into long term co-operation agreements with certain agricultural companies in other provinces in the PRC for broadening the agricultural bases and sourcing/subcontracting of the agricultural produce of the Group.

Looking ahead, the Group will continue to control the costs, utilise the existing resources and collaborate with research institutes in Mainland China to further strengthen the agricultural products with high potential for development, or through acquisitions when opportunities arise.

Money Lending Business

Given increasingly stringent conventional bank lending requirements, licensed and non-bank money lenders provide another alternative for potential borrowers to obtain efficient and flexible liquidity solutions. This has driven an increase in demand for loan services in the money lending business, and creates potential for the Group to further expand its Money Lending Business segment. Following the completion of the acquisition of Shenzhen Taihengfeng Technology Company Limited and its subsidiaries (the "Taihengfeng Group") in November 2016, the Group expanded into the micro finance business sector in Shenzhen, the PRC through the provision of personal loans and corporate loans services. The Taihengfeng Group has generated stable segment profits and contributed to the stability of the overall results of the Group during the Reporting Period.

During the Reporting Period, loan interest income and gross profit under Money Lending Business amounted to approximately HK$39.1 million (2017: HK$37.1 million) and HK$39.1 million (2017: HK$36.2 million) respectively. Outstanding loan principal and interest receivables amounted to approximately HK$293.1 million (2017: HK$293.0 million). The average interest rate charged on the loans is 13.83% per annum. No material default event occurred as at 31 December 2018 but a provision of approximately HK$35.5 million for the loss allowance for loan receivables was considered necessary upon the application of HKFRS 9 by the Group effective from 1 January 2018 during the Reporting Period. An impairment loss of goodwill of approximately HK$35 million (2017: HK$18.5 million) was recognised during the Reporting Period given the worsening business environment of micro-finance business in the PRC.

The Company has engaged World Link Corporate Finance Limited ("World Link Corporate") as the internal control consultant, to perform an independent internal control review to assess the effectiveness of the financial, operational and compliance controls, and risk management functions of the Money Lending Business in PRC. The Audit Committee and the Board, having discussed with World Link Corporate and reviewed the internal control review report compiled by World Link Corporate, were reasonably satisfied that no material deficiencies or inadequacies existed or identified during the Reporting Period.

To further strengthen the development of Money Lending Business in future, the Group may consider obtaining bank loans or other financing opportunities by prudent credit control procedures and strategies to balance between business growth and risk management.

Results of Discontinued Operations

Securities Brokerage

In 2017, having considered that there is no clear potential for material improvement on the performance of the securities brokerage services ("Securities Brokerage Business") under the operation scale, the Group believed that the disposal of the Securities Brokerage Business represented a good opportunity for the Group to improve its overall returns and would provide a greater value to the shareholders of the Company by focusing its resources on other profitable business segments.

As such, on 25 May 2017, the Group entered into a sale and purchase agreement (the "Agreement") with an independent third party, pursuant to which the Group has conditionally agreed to sell the Securities Brokerage Business at the consideration of net asset value of the Securities Brokerage Business as at the date of the Agreement plus HK$12 million.

On 20 October 2017, the Group entered into a supplemental deed whereby the parties have agreed to extend the date for fulfillment of the conditions precedent set out in the Agreement for a further 3 months to a date falling on the expiration of 9 months from the date of the Agreement.

On 22 February 2018, the Group entered into a second supplemental deed whereby the parties have agreed to extend the date for fulfillment of the conditions precedent set out in the Agreement for a further 2 months to a date falling on the expiration of 11 months from the date of the Agreement.

On 24 April 2018, the Group entered into a third supplemental deed whereby the parties have agreed to extend the date for fulfillment of the conditions precedent set out in the Agreement for a further 1 month to a date falling on the expiration of 12 months from the date of the Agreement.

On 25 May 2018, the Group entered into a fourth supplemental deed whereby the parties have agreed to extend the date for fulfillment of the conditions precedent set out in the Agreement for a further 2 months to a date falling on the expiration of 14 months from the date of the Agreement.

On 24 July 2018, the Group entered into a fifth supplemental deed whereby the parties have agreed to extend the date for fulfillment of the conditions precedent set out in the Agreement for a further 2 months to a date falling on the expiration of 16 months from the date of the Agreement.

On 24 September 2018, the Group entered into a sixth supplemental deed whereby the parties have agreed to extend the date for fulfillment of the conditions precedent set out in the Agreement for a further 2 months to a date falling on the expiration of 18 months from the date of the Agreement.

On 23 November 2018, the Group entered into a seventh supplemental deed whereby the parties have agreed to extend the date for fulfillment of the conditions precedent set out in the Agreement for a further 1 month to a date falling on the expiration of 19 months from the date of the Agreement.

On 24 December 2018, the Group entered into a eight supplemental deed whereby the parties have agreed to extend the date for fulfillment of the conditions precedent set out in the Agreement for a further 2 months to a date falling on the expiration of 21 months from the date of the Agreement.

On 25 February 2019, the Group entered into a ninth supplemental deed whereby the parties have agreed to extend the date for fulfillment of the conditions precedent set out in the Agreement for a further 1 month to a date falling on the expiration of 22 months from the date of the Agreement.

On 25 March 2019, the Group entered into a tenth supplemental deed whereby the parties have agreed to extend the date for fulfillment of the conditions precedent set out in the Agreement for a further 1 month to a date falling on the expiration of 23 months from the date of the Agreement.

Further details of the above were made in the announcements of the Company dated 25 May 2017, 31 May 2017, 20 October 2017, 22 February 2018, 24 April 2018, 25 May 2018, 24 July 2018, 24 September 2018, 23 November 2018, 24 December 2018, 25 February 2019 and 25 March 2019.

During the Reporting Period, the Securities Brokerage Business generated revenue and profit before taxation of approximately HK$19.0 million (2017: HK$1.2 million) and approximately HK$3.1 million (2017: loss of HK$8.5 million) respectively. The increase in revenue and turnaround was mainly due to commission earned from placing exerises during the Reporting Period. As at 31 December 2018, the Company is expected to record a gain on disposal in the amount of approximately HK$9.8 million.

Investment in Internet Finance Business in Mainland China

The Group owns 25% equity interest in Shenzhen Qianhai Gelin Internet Financial Services Company Limited (the "GLQH"), which is engaged in internet finance business in Mainland China.

During the Reporting Period, GLQH recorded revenue of approximately HK$2.9 million (2017: HK$41 million) and net loss of approximately HK$119 million (2017: net profit of HK$21.7 million).

On 19 December 2018, Office of the Leading Group for the Special Remediation of Internet Finance Risks*（互聯網金融風險專項整治工作領導小組辦公室）and Office of the Leading Group for the Special Remediation of P2P Internet Lending Risks* (P2P網貸風險專項整治工作領導小組辦公室）jointly issued "Remediation Officer Letter [2018] No.175" regarding "Opinions in Categorized Actions and Risk Prevention of Internet Lending Organizations"*（關於做好網貸機構分類處置和風險防範工作的意見）("Letter No. 175"). In Letter No. 175, the two offices represent the People's Bank of China and China Banking and Insurance Regulatory Commission to further clarify the actions in risk prevention for categorized P2P internet lending companies in internet finance industry. On 1 March 2019, Shenzhen Internet Finance Association issued a notice for consultation of guidelines for exit of internet finance industry by categorized P2P internet lending companies.

In consideration of the foregoing conditions which induce high uncertainties to business of internet financing of GLQH, an impairment loss of investment in GLQH of approximately HK$14.4 million (2017: nil) was recognised during the Reporting Period. The Group is assessing potentials or impacts, and risks for GLQH and working with GLQH to utilise the existing resources of GLQH for other business development in future.

FINANCIAL REVIEW

During the Reporting Period, the Group recorded a turnover of approximately HK$157.2 million, an increase of 90.1% from HK$82.7 million for the Corresponding Period. The Group recorded a gross profit of approximately HK$34.8 million as compared with approximately HK$44.4 million for the Corresponding Period. The increase in turnover was mainly due to increase in revenue from Agriculture Business during the Reporting Period as explained above. The decrease of the profitability was mainly attributable to the increase in the self-plantation costs and decrease in unit selling price of vegetables in the Agricultural Business.

Administrative expenses decreased by approximately HK$34 million to HK$41.3 million (2017: HK$75.3 million). The decrease was mainly due to (i) decrease of approximately HK$20.7 million in the equity-settled share-based payment of approximately HK$3.9 million (2017: HK$24.6 million); and (ii) decrease of approximately HK$7.3 million in staff costs and directors remuneration. Selling and distribution expenses increased by approximately HK$11.2 million to approximately HK$28.8 million (2017: HK$17.6 million). Such increase was mainly attributable to increase of HK$7.5 million in delivery and freight expenses and HK$3.7 million in packaging expenses.

Other operating expenses increased from approximately HK$43.4 million to approximately HK$64.9 million. Such significant increase in the operating expenses was mainly attributable to impairment of goodwill in relation to the acquisition of micro finance business of approximately HK$35.0 million (2017: HK$17.6 million), impairment losses of loan receivables of approximately HK$8.5 million (2017: nil) and the foreign exchange losses of approximately HK$21.4 million (2017: nil) during the the Reporting Period as compared to the Corresponding Period.

The net loss of the Group for the Reporting Period was HK$158.6 million as compared to a net loss of HK$72.9 million for the Corresponding Period. Such increase in loss for the Reporting Period was mainly due to significant increase in other operating expenses as explained above and share of result and impairment loss of GLQH of approximately HK$44.1 million (2017: profit of HK$5.4 million).

Liquidity and Financial Resources

Except for equity fund raising from the Company as detailed in below section headed "Capital Structure and Gearing Ratio", the Group mainly finances its business operations with internally generated cash flows and general banking facilities during the Reporting Period.

As at 31 December 2018, the Group had bank balances and cash of approximately HK$4.8 million (2017: HK$10.2 million). The Group's quick ratio (measured as total current assets less inventories, biological assets and deposits and prepayments divided by total current liabilities) was approximately 1.6 times (2017: 2.3 times).

As at 31 December 2018, the total borrowings of the Group amounted to approximately HK$189.9 million of which, approximately HK$16.2 million were secured by certain buildings, plant and machineries and motor vehicles of the Group. As at 31 December 2017, the total borrowings of the Group amounted to approximately HK$85.6 million of which, HK$0.4 million were secured by motor vehicles of the Group. As at 31 December 2018, borrowings in the amount of approximately HK$162.5 million (2017: HK$75.4 million) were repayable within one year.

The Group will continue to adopt a positive but prudent approach in managing its financial resources. Should other opportunities arise requiring additional funding, management also believes that the Group is in a good position to obtain financing on favorable terms.

At the end of the Reporting Period, the Group had capital expenditure commitments of approximately HK$0.8 million (2017: HK$1.5 million) in respect of acquisition of property, plant and equipment. The Group had commitments for future minimum lease payments under non-cancellable operating leases of approximately HK$67.0 million (2017: HK$79.9 million). Operating lease payments represent rental payable by the Group for office premises and farmland. Leases are negotiated for fixed terms ranging from 1 to 26 years.

Capital Structure and Gearing Ratio

The Group and the Company manage its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The Group reviews the capital structure on a regular basis. As a part of this review, the Group monitors capital on the basis of net debt to adjusted equity ratio, the ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "adjusted equity", as shown in the consolidated statement of financial position, plus net debt. The Group considers the cost of capital and the risks associated with issued share capital. To maintain or adjust the capital structure, the Group may adjust the ratio through dividend payments, issuing new shares, raising new debt financing or selling assets to reduce existing debts.

On 23 January 2018, the Company entered into a subscription agreement with Hui Jia Investments Limited ("Hui Jia") pursuant to which the Company has conditionally agreed to issue and Hui Jia has conditionally agreed to subscribe for the convertible bonds in the principal amount of HK$40 million with conversion price of HK$0.04 per conversion share (adjusted from HK$0.04 to HK$0.40 per conversion share as a result of the Capital reorganisation effected on 25 June 2018) under the general mandate granted to the directors by the shareholders at the annual general meeting held on 16 June 2017. The conversion price of HK$0.04 per conversion share (before Capital Reorganisation) represents a premium of approximately 17.65% to the closing price of HK$0.034 per share as quoted on the Stock Exchange on 23 January 2018. All the conditions set out in the subscription agreement have been fulfilled subsequently and the subscription was completed on 7 February 2018 in accordance with the terms and conditions of the subscription agreement. The convertible bonds bear interest at the rate of 5% per annum and will mature on the date falling on the first (1st) anniversary of the date of issue. The gross and net proceeds from the subscription were HK$40 million and approximately HK$39.9 million respectively, which were used (i) approximately HK$13.0 million for repayment of debts; (ii) approximately HK$23.0 million for agricultural produce segment's operation, including approximately HK$15.9 million for settlement of accounts payables, HK$4.8 million for farmland rental and approximately HK$2.3 million for staff costs; and (iii) the balance for general working capital of the Group. The convertible bonds matured on 7 February 2019. The Company has been negotiating with Hui Jia about the repayment of the convertible bonds upon its expiry. On 20 February 2019, the Company received a repayment demand letter from Hui Jia, requesting the Company to repay the outstanding principal amount and the interest accrued in a total sum of approximately HK$42 million and if such amount is not repaid within 7 days of the repayment demand letter, Hui Jia shall institute legal proceedings against the Company without further notice. There has been no material update on the above on this matter as at date of this announcement and further announcement will be made as and when appropriate.

On 15 May 2018, the Company entered into the subscription agreements with Mr. Hong Shaopei ("Mr. Hong") and Mr. Wang Chaoyang ("Mr. Wang") respectively pursuant to which the Company has conditionally agreed to issue and Mr. Hong and Mr. Wang have conditionally agreed to subscribe for the convertible bonds in the aggregate principal amount of HK$21.2 million under the general mandate granted to the directors by the shareholders at the annual general meeting held on 16 June 2017. The conversion price of HK$0.023 per conversion share (before Capital Reorganisation) represents a premium of approximately 9.52% to the closing price of HK$0.021 per share as quoted on the Stock Exchange on 15 May 2018. All the conditions set out in the subscription agreements have been fulfilled subsequently and the subscriptions were completed on 5 June 2018 in accordance with the terms and conditions of the subscription agreements. The convertible bonds bear interest at the rate of 5% per annum and will mature on the date falling on the first (1st) anniversary of the date of issue. The gross and net proceeds from the subscription were HK$21.2 million and approximately HK$21.1 million respectively, which were applied for repayment of debts of the Group. On 11 June 2018, the Company respectively issued and allotted 460,869,565 shares of HK$0.01 to each of Mr. Hong and Mr. Wang (a total of 921,739,130 shares) upon the exercise of conversion rights with the conversion price of HK$0.023 per conversion share (before Capital Reorganisation) in respect of an aggregate principal amount of HK$21.2 million of the convertible bonds issued by the Company on 5 June 2018.

On 15 May 2018, the Company proposed to reorganise the capital of the Company (the "Capital Reorganisation") through (i) a reduction in the par value of each issued share from HK$0.01 to HK$0.001 by cancelling paid up capital to the extent of HK$0.009 on each issued share and round down of the total number of consolidated shares in the issued share capital of the Company (the "Capital Reduction"); and (ii) consolidation of the reduced shares on the basis that every 10 issued reduced shares of HK$0.001 each will be consolidated into one consolidated share of HK$0.01 each (the "Share Consolidation"), which were duly passed in the special general meeting held by the Company on 22 June 2018. Following the fulfillment of all the conditions for the implementation of the Capital Reorganisation, the Capital Reorganisation became effective on 25 June 2018 upon which the number of issued shares of the Company was 11,217,876,347 shares of HK$0.01 each consolidated into 1,121,787,634 of HK$0.01 each. Details of the Capital Reorganisation were set out in the Company's announcements dated 15 May 2018, 25 May 2018 and 22 June 2018, the next day disclosure return dated 25 June 2018 and the Company's circular dated 25 May 2018.

On 18 July 2018, the Company entered into subscription agreements with five subscribers, namely Mr. Chen Xiangzhuan, Mr. Han Xuebing, Ms. Hu Chenxi, Mr. Wu Xianwei and Mr. Zhang Junta (collectively the " July 2018 Subscribers"), pursuant to which the Company has conditionally agreed to issue and July 2018 Subscribers has conditionally agreed to subscribe for the convertible bonds in the principal amount of HK$39.5 million with conversion price of HK$0.091 per conversion share under the special mandate approved by the shareholders of the Company on 24 January 2019. The conversion price of HK$0.091 per conversion share represents a premium of approximately 3.41% to the closing price of HK$0.088 per share as quoted on the Stock Exchange on 18 July 2018. All the conditions set out in the subscription agreements have been fulfilled and the subscriptions were completed on 14 February 2019 in accordance with the terms and conditions of the subscription agreements. The convertible bonds bear interest at the rate of 5% per annum and will mature on the date falling on the first (1st) anniversary of the date of issue. The gross and net proceeds from the subscription were approximately HK$39.5 million and HK$39.3 million respectively, which were used for repayment of the Group's overdue debts owed to several individual creditors arising from borrowings to discharge operating expenses of the Group's agricultural business.

During the Reporting Period, the Company issued and allotted a total of 110,580,098 shares of HK$0.01 each upon the exercise of a total of 110,580,098 share options granted by the Company.

In the light of the above, during the Reporting Period, the Company issued and allotted a total number of 921,739,130 shares of HK$0.01 each, resulting in a total number of 11,217,876,347 issued shares as at 11 June 2018 prior to the Capital Reorganisation, pursuant to the Capital Reorganisation, 11,217,876,347 shares of HK$0.01 each were consolidated into 1,121,787,634 shares of HK$0.01 each pursuant to the Capital Reorganisation. On 7 September 2018, the issued number of shares of the Company increased to 1,232,367,732 upon the exercise of a total of 110,580,098 share options granted by the Company.

As at 31 December 2018, the net debt to adjusted equity ratio was 0.51 (2017: 0.20). Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements. The Group's gearing ratio as at 31 December 2018 was 1.04 (2017: 0.23), which was measured as total debt to total shareholders' equity.

On 4 March 2019, the Company entered into subscription agreements with four subscribers, namely Ms. Zhang Lize, Mr. Ceng Yingxiang, Mr. Luo Yingling and Mr. Zhang Huifeng (collectively the " March 2019 Subscribers"), pursuant to which the Company has conditionally agreed to issue and March 2019 Subscribers has conditionally agreed to subscribe for the convertible bonds in the principal amount of approximately HK$18,592,000 with conversion price of HK$0.083 per conversion share under the general mandate granted to the directors by the shareholders at the annual general meeting held on 15 June 2018. The conversion price of HK$0.083 per conversion share represents a premium of approximately 5.06% to the closing price of HK$0.079 per share as quoted on the Stock Exchange on 4 March 2019. All the conditions set out in the subscription agreements have been fulfilled subsequently and the subscription was completed on 25 March 2019 in accordance with the terms and conditions of the subscription agreements. The convertible bonds bear interest at the rate of 5% per annum and will mature on the date falling on the first (1st) anniversary of the date of issue. The gross and net proceeds from the subscription were approximately HK$18.6 million and HK$18.5 million respectively were used for repayment of debts.

On 18 March 2019, the Company proposed to reorganise the capital of the Company (the "2019 Capital Reorganisation") through (i) a reduction in the par value of each issued share from HK$0.01 to HK$0.0005 by cancelling paid up capital to the extent of HK$0.0095 on each issued share and round down of the total number of consolidated shares in the issued share capital of the Company; and (ii) consolidation of the reduced shares on the basis that every 20 issued reduced shares of HK$0.0005 each will be consolidated into one consolidated share of HK$0.01 each. Conditional upon the 2019 Capital Reorganisation becoming effective, the Company also proposed to change the board lot size for trading on the Stock Exchange from 20,000 shares to 2,000 consolidated shares. The 2019 Capital Reorganisation is not yet effective as at date of this announcement.

On 28 March 2019, a director of the Company has advanced an unsecured interest free loan of approximately RMB49,500,000 (equivalent to HK$56,361,000).

Significant Investments

During the Reporting Period, the Group did not have any significant investments.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

Except the disclosure under section headed "Results of Discontinued Operations", the Group did not have material acquisition or disposals of subsidiaries and associated companies during the Reporting Period.

Charges On Group's Assets

As at 31 December 2018, certain buildings, plant and machineries and motor vehicles were pledged to secure bank loans and finance lease of the Group of approximately HK$16.2 million (2017: HK$0.4 million).

Foreign Exchange Exposure

The Group mainly earns revenue and incurs costs in Hong Kong dollars and Renminbi. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of Renminbi and will closely monitor its impact on the performance of the Group to see if any hedging policy is necessary.

Contingent Liabilities

As at 31 December 2018, the Group did not have any material contingent liabilities.

Employee and Remuneration Policy

As at 31 December 2018, the total employees in Hong Kong and Mainland China dropped from 245 to 73 mainly due to reduction of direct head counts in Agriculture Business during the year. Total staff costs (including directors' emoluments and excluding the staff costs from discontinued operations) for the Reporting Period amounted to HK$31.3 million (2017: HK$69.2 million). The employees are remunerated with reference to the qualification, experience, responsibility and performance of the individual, the performance of the Group and the market practices. Apart from the basic remuneration package, the Company also participates in the mandatory provident fund scheme in Hong Kong and the central provident fund scheme in Mainland China. The Company has adopted a share option scheme on 6 June 2013 (the "Scheme"). Pursuant to the Scheme, the Board may, at its discretion, grant options to eligible employees, executive and non-executive Directors (including independent non-executive Directors) of the Group.

PROSPECTS

The Group will seek suitable investment opportunities from time to time to develop its existing business portfolio and engage in new lines of business with growth potential. The Group will pursue diversification in its business and income streams by exploring opportunities with exciting prospects which could complement or create potential synergies to its existing core operations.

To diversify its income streams and counter balance the cyclical nature of the Group's Agricultural Business, the Company has been actively developing its business blueprint in the realm of financial business since 2015.

Apart from the aforesaid investments, the Group will also consider other related profitable businesses which could boost profitability in the future including but not limited to financial and agricultural sector in Mainland China and Hong Kong.

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

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

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). During the Reporting Period, the Company has complied with the Code Provisions and mandatory disclosure requirement as set out in the CG Code, except for the following deviation in respect of which remedial steps for compliance have been taken or considered reasons are given below.

Under the Code Provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to conflicting business schedules, Ms. Zhu Rouxiang and Ms. Li Yang, both being the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 15 June 2018.

The Company periodically reviews its corporate governance practices to ensure they continue to meet the requirements of the CG Code during the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding directors' securities transactions on terms no less exacting than the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules. Having made specific enquiry with the directors of the Company, all the directors confirmed that they had complied with the required standards of the said code during Reporting Period.

AUDIT COMMITTEE

The Audit Committee of the Company, comprising three independent non-executive Directors, namely Ms. Li Yang (Chairlady of Committee), Mr. Li Shaohua and Ms. Zhu Rouxiang, has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 11 June 2019 to Friday, 14 June 2019, both days inclusive, during the period no transfers of shares of the Company will be registered. In order to qualify for attending and voting at the annual general meeting to be held on Friday, 14 June 2019, all transfer documents accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by no later than 4:30 p.m. on Monday, 10 June 2019.

PUBLICATION OF FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.cfih.hk) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2018 will be dispatched to the shareholders of the Company and will be available at the above websites in due course.

By order of the Board
China Finance Investment Holdings Limited
LIN Yuhao
Chairman

Hong Kong, 28 March 2019

As at the date of this announcement, the board of directors of the Company comprises six directors, including two executive directors, namely Ms. Diao Hong and Ms. Diao Jing; one non-executive director, namely Mr. Lin Yuhao and three independent non-executive directors, namely Mr. Li Shaohua, Ms. Zhu Rouxiang and Ms. Li Yang.

* *For identification purpose only*