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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board (the “Board”) of directors (the “Directors”) of China Finance Investment Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2018 (the “Reporting Period”), along with the comparative figures and selected explanatory notes, which are prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	3	41,098	30,998
Cost of sales and services rendered		(24,255)	(13,450)
Gross profit		16,843	17,548
Other income and gains	4	3,598	14,197
Loss arising from change in fair value less costs to sell of biological assets		(288)	(184)
Selling and distribution expenses		(13,859)	(5,419)
Administrative expenses		(20,982)	(22,239)
Other operating expenses		(13,146)	(15)
Share of profit/(loss) of an associate		1,474	(57)
Finance costs	4	(7,695)	(3,364)
(Loss)/Profit before taxation	4	(34,055)	467
Income tax expense	5	(2,665)	(372)
(Loss)/Profit from continuing operations		(36,720)	95
Discontinued operations			
Profit/(Loss) from discontinued operations, net of tax		2,322	(3,988)
Loss for the period		(34,398)	(3,893)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		1,387	(1,179)
Total comprehensive income for the period		(33,011)	(5,072)

		Six months ended 30 June	
		2018	2017
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
(Loss)/Profit attributable to equity shareholders of the Company			
– from continuing operations		(36,720)	95
– from discontinued operations		2,322	(3,988)
		(34,398)	(3,893)
Total comprehensive income attributable to equity shareholders of the Company:			
– from continuing operations		(35,333)	(1,083)
– from discontinued operations		2,322	(3,989)
		(33,011)	(5,072)
Loss per share			
Basic (HK cents)			
	6		(Restated)
– Continuing operations		(3.53)	0.01
– Discontinued operations		0.22	(0.42)
		(3.31)	(0.41)
Diluted (HK cents)			
	6		
– Continuing operations		(3.53)	0.01
– Discontinued operations		0.22	(0.42)
		(3.31)	(0.41)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

		At 30 June 2018 <i>HK\$'000</i> (Unaudited)	At 31 December 2017 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		56,154	43,477
Construction in progress		–	–
Goodwill		50,732	50,732
Interest in an associate		49,564	46,911
Other non-current assets		–	1,370
		<u>156,450</u>	<u>142,490</u>
Current assets			
Inventories		2,974	1,328
Biological assets		656	1,632
Trade and other receivables	8	76,244	14,526
Loan receivables	9	274,618	288,192
Interest receivables	10	10,276	4,779
Cash and cash equivalents		626	10,247
		<u>365,394</u>	<u>320,704</u>
Assets associated with disposal group held for sale		<u>18,054</u>	<u>14,759</u>
		<u>383,448</u>	<u>335,463</u>
Current liabilities			
Trade and other payables	11	65,898	52,981
Convertible bonds	12	39,848	–
Bonds		27,811	28,204
Promissory notes		26,432	24,770
Interest-bearing bank and other borrowings		66,851	22,273
Obligations under a finance lease		167	164
Tax payables		8,601	6,129
		<u>235,608</u>	<u>134,521</u>
Liabilities associated with disposal group held for sale		<u>6,450</u>	<u>5,477</u>
		<u>242,058</u>	<u>139,998</u>
Net current assets		<u>141,390</u>	<u>195,465</u>
Total assets less current liabilities		<u><u>297,840</u></u>	<u><u>337,955</u></u>

		At 30 June 2018 <i>HK\$'000</i> (Unaudited)	At 31 December 2017 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Capital and reserves			
Share capital	13	11,248	102,991
Reserves		<u>281,374</u>	<u>229,021</u>
Total equity		<u>292,622</u>	<u>332,012</u>
Non-current liabilities			
Government grants		5,058	5,699
Obligations under a finance lease		<u>160</u>	<u>244</u>
		<u>5,218</u>	<u>5,943</u>
		<u>297,840</u>	<u>337,955</u>

Note: The group has initially applied HKFRS 15 and HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. See note 2.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 BASIS OF PREPARATION

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

The preparation of an unaudited condensed consolidated interim financial information in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This unaudited condensed consolidated interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2017 annual consolidated financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of consolidated financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

2 CHANGE IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, HKFRS 15 Revenue from Contracts with Customers and HKFRS 9 Financial Instruments that require restatement of previous financial statements. As required by HKAS 34, the nature and effect of these changes are disclosed below.

Other than as further explained below, the directors do not anticipate that the application of the new HKFRSs above will have a material effect on the Group’s consolidated financial statements and the disclosure.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. Considering the nature of the Group’s principal activities, the adoption of HKFRS 15 does not have material impact on the Group’s revenue recognition and HKFRS 15 had no material impact on amounts and/or disclosures reported in these unaudited condensed consolidated financial statements.

HKFRS 9 Financial Instruments

HKFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting. The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements.

(a) *Classification and measurement*

On 1 January 2018 (the date of initial adoption of the New HKFRSs), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate categories of the New HKFRSs.

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Upon the adoption of HKFRS 9, the classification and measurement of financial assets depends on two assessments: the financial asset's contractual cash flow characteristics and the entity's business model for managing the financial asset. The Group considered that its equity investments previously classified as available-for-sale financial assets were reclassified as financial assets at fair value through other comprehensive income as these investments are held as long-term strategic investments. Fair value is measured at the reclassification date. Dividends are recognised as income in profit or loss. Any difference between previous amortised cost and fair value on reclassification is recognised in other comprehensive income and never reclassified to profit or loss.

(b) *Impairment*

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit loss ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost, trade receivables, other receivables and loan receivables that are not accounted for at fair value through profit or loss under HKFRS 9 are recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group considers reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12-month after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Impairment on other receivables is measured at either 12-month expected credit loss or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss.

For loans receivable, the Group applies the general approach, which requires an amount equal to 12-month expected credit losses to be recognised as the loss allowance for the financial instrument if the credit risk on a financial instrument has not increased significantly since initial recognition and expected lifetime losses to be recognised if the credit risk on that financial instrument has increased significantly since initial recognition.

For all other financial instruments, the group recognises a loss allowance equal 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- The Group has taken an exemption not to restate comparative information for prior periods with respect to measurement (including impairment) requirements. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

The following table summarises the classification and measurement (including impairment) of financial assets under HKFRS 9 and HKAS 39 at 1 January 2018:

	Trade receivables <i>HK\$'000</i>	Loan receivables <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>
Closing balance at 31 December 2017 under HKAS 39	3,774	288,192	835,278
Remeasurement			
Recognition of ECLs on trade receivables	(1,945)	–	1,945
Recognition of ECLs on loan receivables	–	(27,022)	27,022
Opening balance at 1 January 2018 under HKFRS 9	<u>1,829</u>	<u>261,170</u>	<u>864,245</u>

Loss allowances for other financial assets at amortised cost mainly comprising bank balances and other receivables are measured on 12-month ECLs basis and there had been no significant increase in credit risk since initial recognition. No additional credit loss allowance has been recognised against retained earnings as at 1 January 2018.

The preparation of the unaudited condensed consolidated financial statements in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise their judgements in the process of applying the Group's accounting policies. Actual results may differ from these estimates. The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual financial statements for the year ended 31 December 2017.

Except as described above, the application of HKFRS 9 in the current interim period has had no material impact on the amounts and/or disclosures reported in these condensed consolidated financial statements.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in cultivating and trading of agricultural produce and provision of money lending services.

Revenue represents the revenue from trading of agricultural produce and money lending business. The amount of each significant category of revenue recognised in revenue during the period is as follows:

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Continuing operations</i>		
Trading income from sale of agricultural produce	20,983	11,331
Interest income from money lending business	20,115	19,667
	41,098	30,998

(b) Segment reporting

The Group manages its business by divisions, which are organised by business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following 3 reportable segments. No operating segments have been aggregated to form the following reportable segments.

Agricultural produce:	Cultivating, and trading of agricultural produce
Money lending:	Loan financing
Securities broking:	Broking services in securities traded in Hong Kong

The operating segment of securities broking was classified as discontinued operation current period under review.

(i) **Information about profit or loss**

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 segment performance for the period is set out below.

	Continuing operations				Discontinued operations	
	Agricultural produce HK\$'000	Money Lending HK\$'000	Unallocated HK\$'000	Sub-total HK\$'000	Securities broking HK\$'000	Total HK\$'000
For the six months ended 30 June 2018 (Unaudited)						
Revenue						
Point in time	20,983	20,115	–	41,098	7,212	48,310
Over time	–	–	–	–	–	–
Reportable segment revenue	20,983	20,115	–	41,098	7,212	48,310
Elimination of inter-segment revenue	–	–	–	–	–	–
Consolidated revenue	20,983	20,115	–	41,098	7,212	48,310
Loss						
Reportable segment (loss)/profit (adjusted (LBITDA)/EBITDA)	(20,032)	16,145	–	(3,887)	2,886	(1,001)
Depreciation	(3,291)	(59)	(1,638)	(4,988)	(564)	(5,552)
Finance costs	(4,490)	–	(3,205)	(7,695)	–	(7,695)
Gain on disposal of subsidiary	–	–	100	100	–	100
Government grants	1,758	–	–	1,758	–	1,758
Loss allowance for loan receivables	–	(4,578)	–	(4,578)	–	(4,578)
Loss allowance for trade receivables	(1,485)	–	–	(1,485)	–	(1,485)
Interest income	2	1	15	18	–	18
Share of profit of an associate	–	–	1,474	1,474	–	1,474
Reversal of loss allowance for other receivables	1,159	–	–	1,159	–	1,159
Reversal of loss allowance for trade receivables	256	–	–	256	–	256
Reversal of written down of inventories	60	–	–	60	–	60
Unallocated head office and corporate income	–	–	66	66	–	66
Unallocated head office and corporate expenses	–	–	(16,313)	(16,313)	–	(16,313)
Consolidated (loss)/profit before taxation	(26,063)	11,509	(19,501)	(34,055)	2,322	(31,733)

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 segment performance for the period is set out below.

	Continuing operations				Discontinued operations	
	Agricultural produce HK\$'000	Money lending HK\$'000	Unallocated HK\$'000	Sub-total HK\$'000	Securities broking HK\$'000	Total HK\$'000
For the six months ended 30 June 2017 (Unaudited)						
Revenue						
Reportable segment revenue	11,331	19,667	–	30,998	591	31,589
Elimination of inter-segment revenue	–	–	–	–	–	–
Consolidated revenue	11,331	19,667	–	30,998	591	31,589
Loss						
Reportable segment (loss)/profit (adjusted (LBITDA)/EBITDA)	(7,926)	14,398	–	6,472	(3,521)	2,951
Depreciation	(3,180)	(160)	(1,807)	(5,147)	(428)	(5,575)
Finance costs	(1,416)	–	(1,948)	(3,364)	(39)	(3,403)
Government grants	2,136	–	–	2,136	–	2,136
Loss allowance for other receivables	(15)	–	–	(15)	–	(15)
Interest income	2	13	305	320	–	320
Share of loss of an associate	–	–	(57)	(57)	–	(57)
Unallocated head office and corporate incomes	–	–	10,779	10,779	–	10,779
Unallocated head office and corporate expenses	–	–	(10,657)	(10,657)	–	(10,657)
Consolidated (loss)/profit before taxation	(10,399)	14,251	(3,385)	467	(3,988)	(3,521)

The measure used for reporting segment (loss)/profit is “adjusted (LBITDA)/EBITDA” i.e. “adjusted (loss)/earnings before interest, taxes, depreciation and amortisation, loss allowance on property, plant and equipment, inventories”, where “interest” is regarded as not including interest income from money lending business. To arrive at adjusted (LBITDA)/EBITDA the Group's loss are further adjusted for items not specifically attributed to individual segments, such as share of profit/(loss) of associates, directors' and auditors' remuneration and other head office or corporate administration costs.

(ii) **Reconciliations of reportable segment assets and liabilities**

	Continuing operations				Discontinued operations	
	Agricultural produce HK\$'000	Money Lending HK\$'000	Unallocated HK\$'000	Sub-total HK\$'000	Securities broking HK\$'000	Total HK\$'000
At 30 June 2018 (Unaudited)						
Assets						
Reportable segment assets	130,632	287,818	–	418,450	18,054	436,504
Goodwill	–	50,732	–	50,732	–	50,732
Interest in an associate	–	–	49,564	49,564	–	49,564
Unallocated head office and corporate assets	–	–	3,098	3,098	–	3,098
Consolidated total assets	130,632	338,550	52,662	521,844	18,054	539,898
Liabilities						
Reportable segment liabilities	118,215	9,401	–	127,616	6,450	134,066
Convertible bonds	–	–	39,848	39,848	–	39,848
Bonds	–	–	27,811	27,811	–	27,811
Promissory notes	–	–	26,432	26,432	–	26,432
Unallocated head office and corporate liabilities	–	–	19,119	19,119	–	19,119
Consolidated total liabilities	118,215	9,401	113,210	240,826	6,450	247,276
Other segment information						
Capital expenditure*	18,961	189	–	19,150	–	19,150
Income tax expense	–	2,648	17	2,665	–	2,665

* *Capital expenditure consists of additions to property, plant and equipment.*

	Continuing operations				Discontinued operations	
	Agricultural produce HK\$'000	Money lending HK\$'000	Unallocated HK\$'000	Sub-total HK\$'000	Securities broking HK\$'000	Total HK\$'000
At 31 December 2017 (Audited)						
Assets						
Reportable segment assets	56,308	304,530	–	360,838	14,759	375,597
Goodwill	–	50,732	–	50,732	–	50,732
Interest in 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*	3,135	9	3	3,147	–	3,147
Income tax (credit)/expense	(20)	5,328	–	5,308	–	5,308

* *Capital expenditure consists of additions to property, plant and equipment.*

(iii) **Geographical information**

Disaggregated by geographical location of customers:

		Six months ended 30 June	
		2018	2017
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
<i>Continuing operations</i>			
Revenue			
– Hong Kong	47	2,613	
– Mainland China	41,051	28,385	
	<u>41,098</u>	<u>30,998</u>	

4 (LOSS)/PROFIT BEFORE TAXATION

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

		Six months ended 30 June	
		2018	2017
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
<i>Continuing operations</i>			
(a) Finance costs:			
– Imputed interest expenses on convertible bonds	1,372	–	
– Imputed interest expenses on promissory notes	1,662	1,458	
– Interest on bank loans wholly repayable within five years	639	1,383	
– Interest on bonds	–	490	
– Interest on finance lease	8	1	
– Interest on other loans	4,014	32	
	<u>7,695</u>	<u>3,364</u>	
(b) Other income and gains:			
– Bank interest received	(4)	(15)	
– Exchange gain, net	–	(10,776)	
– Gain on disposal of a subsidiary	(100)	–	
– Government grants	(1,758)	(2,136)	
– Other interest income	(14)	(305)	
– Rental income	(109)	(856)	
– Reversal of loss allowance for other receivables	(1,159)	–	
– Reversal of loss allowance for trade receivables	(256)	–	
– Reversal of written down of inventories	(60)	–	
– Sundry income	(138)	(109)	
	<u>(3,598)</u>	<u>(14,197)</u>	
(c) Other items:			
– Depreciation of property, plant and equipment	4,988	5,147	
– Exchange loss, net	7,076	–	
– Interest receivables written off	–	1	
– Loss allowance for loan receivables	4,578	–	
– Loss allowance for other receivables	–	15	
– Loss allowance for trade receivables	1,485	–	
– Loan receivables written off	–	10	
– Loss arising from change in fair value less costs to sell of biological assets	288	184	
– Loss on disposal of property, plant and equipment	4	–	

5 INCOME TAX EXPENSE (RELATING TO CONTINUING OPERATIONS)

Pursuant to the rules and regulations of Bermuda and the British Virgin Islands (“BVI”), the Group is not subject to any taxation under the jurisdictions of the Bermuda and the BVI during the Reporting Period.

No provision for Hong Kong Profits tax has been provided as the subsidiaries in Hong Kong did not have any assessable profit arising in Hong Kong during the Reporting Period.

PRC enterprise income tax 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 certain tax benefits, including full enterprise income tax exemption or half reduction of enterprise income tax 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 enterprise income tax.

	Six months ended 30 June	
	2018	2017
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Current tax – Enterprise Income Tax in Mainland China		
– Provision for the period	2,884	372
– Over provision in respect of prior years	(219)	–
	2,665	372

6 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 HK\$34,398,000 (2017: loss of HK\$3,893,000) and the weighted average number of 1,039,799,000 (2017 restated: 960,902,000) ordinary shares in issue during the period.

The weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share has been adjusted for the share consolidation on 15 June 2018 as set out in Note 13.

The computation of diluted (loss)/earnings per share for the six months ended 30 June 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)/earnings per share is based on the Group’s (loss)/profit for the period attributable to the equity holders of the Company of HK\$36,720,000 (2017: profit of HK\$95,000) and the weighted average number of 1,039,799,000 (2017 restated: 960,902,000) ordinary shares in issue during the period.

The computation of diluted loss per share for the six months ended 30 June 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 earnings/(loss) per share is based on the Group's profit/(loss) attributable to the equity holders of the Company of HK\$2,322,000 (2017: loss of HK\$3,988,000) and the weighted average number of 1,039,799,000 (2017 restated: 960,902,000) ordinary shares in issue during the period.

The computation of diluted earnings/(loss) per share for the six months ended 30 June 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 decrease in earnings/(loss) per share. Therefore, the basic and diluted earnings/(loss) per share are the same.

7 DIVIDEND

No dividend was paid, declared or proposed during the period. The Directors do not recommend the payment of an interim dividend (2017: Nil).

8 TRADE AND OTHER RECEIVABLES

	Notes	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Trade receivables arising from trading of agricultural produce		17,422	5,147
Less: Loss allowance		(4,471)	(1,373)
Total trade receivables	(a)	12,951	3,774
Other receivables		15,212	16,268
Less: Loss allowance		(9,048)	(10,185)
Total other receivables		6,164	6,083
Deposits and prepayments		85,379	32,919
Less: Loss allowance		(28,250)	(28,250)
Total deposits and prepayments		57,129	4,669
		76,244	14,526

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

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
Current	14,502	1,349
61 – 120 days	13	305
Over 120 days	2,907	3,493
	17,422	5,147
Less: Loss allowance	(4,471)	(1,373)
	12,951	3,774

9 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.

	At 30 June 2018 <i>HK\$'000</i> (Unaudited)	At 31 December 2017 <i>HK\$'000</i> (Audited)
Carrying amount receivable based on scheduled repayment dates set out in the loan agreements		
Within one year	306,099	288,192
Repayment on demand clause (shown under current assets)	—	—
	306,099	288,192
Less: Loss allowance	(31,481)	—
	274,618	288,192
Less: current portion	(274,618)	(288,192)
Non-current portion	—	—

The Group's loan receivables, which arise from the money lending business of providing property mortgage loans and personal loans in Hong Kong and in Mainland China, are denominated in Hong Kong dollars with amount of HK\$5,517,000 (31 December 2017: HK\$5,580,000) and in Renminbi ("RMB") with amount of approximately HK\$300,582,000 (31 December 2017: HK\$282,612,000), respectively.

Except for loan receivables of approximately HK\$300,599,000 (31 December 2017: HK\$282,692,000) as at 30 June 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 within 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 as at the end of the reporting periods, based on the maturity date, net of loss allowance, is as follows:

	At 30 June 2018 <i>HK\$'000</i> (Unaudited)	At 31 December 2017 <i>HK\$'000</i> (Audited)
Within 3 months	13,556	21,414
3 months to 1 year	292,543	266,778
Over 1 year	—	—
Classified as non-current assets	—	—
	306,099	288,192
Less: Loss allowance	(31,481)	—
	274,618	288,192

10 INTEREST RECEIVABLES

	At 30 June 2018 <i>HK\$'000</i> (Unaudited)	At 31 December 2017 <i>HK\$'000</i> (Audited)
Interest receivables	<u>10,276</u>	<u>4,779</u>

The Group's interest receivables, which arise from the money lending business of providing property mortgage loans and personal loans in Hong Kong and in Mainland China, are denominated in Hong Kong dollars and RMB, irrespectively.

Except for interest receivables of approximately HK\$8,879,000 (31 December 2017: HK\$3,381,000) as at 30 June 2018, which are unsecured, and repayable with fixed terms agreed with customers, the remainings are secured by collaterals provided by customers, bear interest and are repayable within fixed terms agreed with the customers.

	At 30 June 2018 <i>HK\$'000</i> (Unaudited)	At 31 December 2017 <i>HK\$'000</i> (Audited)
Current	–	2
0 – 30 days	3,106	2,000
31 – 90 days	3,665	1,380
Over 90 days	<u>3,505</u>	<u>1,397</u>
	<u>10,276</u>	<u>4,779</u>

11 TRADE AND OTHER PAYABLES

		At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
	Notes		
Trade payables arising from trading of agricultural produce	(a)	34,737	17,312
Accruals and other payables		30,021	33,897
Amounts due to directors of subsidiaries in Mainland China		–	599
Government grants		6,198	6,872
		<u>70,956</u>	<u>58,680</u>
Less: current portion		<u>(65,898)</u>	<u>(52,981)</u>
Non-current portion – government grants		<u>5,058</u>	<u>5,699</u>

- (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 aged analysis of trade payables based on the invoice date at the end of the reporting period is as follows:

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
0 – 60 days	25,179	801
61 – 120 days	258	3,780
Over 120 days	9,300	12,731
	<u>34,737</u>	<u>17,312</u>

12 CONVERTIBLE BONDS

(a) Convertible bonds issued on 7 February 2018

Pursuant to the announcement of the company dated 7 February 2018, all conditions precedent under the subscription agreement date 23 January 2018 has been fulfilled and convertible bonds with aggregate principal amount of HK\$40,000,000 were issued with conversion price of HK\$0.40 (adjusted from HK\$0.04 to HK\$0.4 per share as a result of the capital reorganisation effected on 25 June 2018) per share to an independent third party on 7 February 2018 (the “Issue Date”).

The convertible bonds are denominated in Hong Kong dollars and carry an interest rate of 5% per annum. The holders of the convertible bonds are entitled to convert the bonds into 1,000,000,000 ordinary shares of the Company (“Conversion Shares”) at initial conversion price of HK\$0.04 at any time from the Issue Date to the maturity date. The Conversion Shares shall rank pari passu in all respects with all other existing shares outstanding at the date of the conversion.

The outstanding amount is repayable on 6 February 2019 (the “Maturity Date”). If the amount has not been converted up to the Maturity Date, the holders can request the Company to redeem the outstanding convertible bonds at principal amount.

The convertible bonds contain two components, liability component and equity component. At initial recognition, the fair value of liability of approximately HK\$38,570,000 was recognised with the residual value of approximately HK\$1,430,000, representing equity component, presented in equity heading “convertible bonds reserve”.

Transaction costs relating to the liability component of approximately HK\$65,000 are included in the carrying amount of the liability portion.

The effective interest rate of the liability component is 8.89% per annum.

During the reporting period, interest charged on the convertible bonds of approximately HK\$1,343,000 was debited to profit or loss.

The convertible bonds have been split as to their liability and equity components as follows:

	Convertible bonds		
	Liability component	Equity component	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2018	—	—	—
Issued during the period	38,570	1,430	40,000
Direct transaction costs	(65)	(3)	(68)
Imputed interest expense	1,343	—	1,343
	<u>39,848</u>	<u>1,427</u>	<u>41,275</u>
At 30 June 2018	<u>39,848</u>	<u>1,427</u>	<u>41,275</u>

(b) Convertible bonds issued on 5 June 2018

Pursuant to the announcement of the company dated 5 June 2018, all conditions precedent under the subscription agreement date 15 May 2018 has been fulfilled and convertible bonds with aggregate principal amount of HK\$21,200,000 were issued with conversion price of HK\$0.023 per share to independent third parties on 5 June 2018 (the “Issue Date”).

The convertible bonds are denominated in Hong Kong Dollars and carry an interest rate of 5% per annum. The holders of the convertible bonds are entitled to convert the bonds into 921,739,130 ordinary shares of the Company (“Conversion Shares”) at initial conversion price of HK\$0.023 at any time from the Issue Date to the maturity date. The Conversion Shares shall rank pari passu in all respects with all other existing shares outstanding at the date of the conversion.

The convertible bonds contain two components, liability component and equity component. At initial recognition, the fair value of liability of approximately HK\$20,498,000 was recognised with the residual value of approximately HK\$702,000, representing equity component, presented in equity heading “convertible bonds reserve”.

Transaction costs relating to the liability component of approximately HK\$66,000 are included in the carrying amount of the liability portion.

The effective interest rate of the liability component is 8.6% per annum.

During the reporting period, interest charged on the convertible bonds of approximately HK\$29,000 was debited to profit or loss.

On 11 June 2018, all convertible bonds were converted into ordinary shares of the Company.

The convertible bonds have been split as to their liability and equity components as follows:

	Liability component HK\$'000	Convertible bonds Equity component HK\$'000	Total HK\$'000
At 1 January 2018	—	—	—
Issued during the period	20,498	702	21,200
Direct transaction costs	(66)	(2)	(68)
Imputed interest expense	29	—	29
Conversion into shares	(20,461)	(700)	(21,161)
	<u> </u>	<u> </u>	<u> </u>
At 30 June 2018	<u> </u>	<u> </u>	<u> </u>

13 SHARE CAPITAL

	At 30 June 2018 HK\$'000 (Unaudited)	At 31 December 2017 HK\$'000 (Audited)
<i>Notes</i>		
Authorised:		
150,000,000,000 (31 December 2017: 150,000,000,000) ordinary shares of HK\$0.01 each	<u>1,500,000</u>	<u>1,500,000</u>
10,000,000,000 (31 December 2017: 10,000,000,000) preference shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
1,121,787,634 (31 December 2017: 10,296,137,217) ordinary shares of HK\$0.01 each	11,218	102,961
3,030,000 (31 December 2017: 3,030,000) preference shares of HK\$0.01 each	(a) <u>30</u>	<u>30</u>
Total amount	<u>11,248</u>	<u>102,991</u>

A summary of the transactions during the current period with reference to the movements in the Company's issued ordinary share capital is as follows:

	No. of shares	Amount HK\$'000
<i>Notes</i>		
At 31 December 2017 and 1 January 2018 (Audited)	10,296,137,217	102,961
Conversion of convertible bonds to ordinary shares	(b) 921,739,130	9,217
Reduction in the par value of each issued Shares from HK\$0.01 to HK\$0.001; and consolidation of the Reduced Shares of every ten (10) issued Reduced Shares of HK\$0.001 each into one (1) consolidated Share of HK\$0.01 each	(c) (10,096,088,713)	(100,960)
At 30 June 2018	<u>1,121,787,634</u>	<u>11,218</u>

Notes:

- (a) The preference shares are non-redeemable with par value of HK\$0.01 each credited as fully paid up are issued and allotted to vendors as part of the considerations for the acquisitions occurred in Year 2012. According to the terms of the preference share policy, one preference share is eligible to convert into one new ordinary share any time no earlier than one year from the date of issue.
- (b) On 11 June 2018, convertible bonds with an aggregate principal amount of HK\$21,200,000 were converted into 921,739,130 ordinary shares of the Company at a conversion price of HK\$0.023 each.
- (c) Save as disclosed in the Company's circular dated 28 May 2018 in respect of a proposed capital reorganisation ("Capital Reorganisation") which was approved by the Shareholders of the Company in a special general meeting of the Company on 22 June 2018, the Capital Reorganisation has become effect on 25 June 2018 as details below.
 - i. 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 immediately following the Share Consolidation to the nearest whole number by cancelling any fraction of a Consolidated Share in the issued share capital of the Company arising from the Share Consolidation;
 - 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.

14 SUBSEQUENT EVENT

On 9 July 2018, the Company offered share options (the "Options"), subject to acceptance of the grantees ("Grantees"), to certain eligible persons under the share option scheme of the Company adopted on 6 June 2013 (the "Scheme"), to subscribe for a total of 112,178,756 ordinary shares of HK\$0.01 each of the Company. Among the 112,178,756 Options, a total of 4,795,974 Options were granted to the Directors and a total of 107,382,782 Options were granted to other eligible participants of the Company and its subsidiaries.

On 18 July 2018 (after trading hours), the Company entered into five subscription agreements with five subscribers pursuant to which the subscribers have agreed to subscribe for the 5% convertible bonds due in 2019 in the aggregate principal amount of HK\$39.5 million with initial conversion price of HK\$0.091 per conversion share (the "Subscriptions"). The Subscription is subject to the fulfillment of the conditions set out in the subscription agreements including approval by shareholders at a special general meeting ("SGM") of the Company. A SGM will be held to consider and, if thought fit, approve the Subscriptions. A circular containing, among other things, further details of the Subscriptions and a notice convening the SGM is expected to be despatched to the shareholders on or before 14 September 2018.

Save as disclosed above, there is no material subsequent event undertaken by the Company or by the Group after 30 June 2018 and up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in (i) growing and trading of agricultural produce (“Agricultural Business”); and started to develop (ii) provision of money lending services (“Money Lending Business”) and (iii) internet finance business (“Internet Finance Business”) since 2015.

Financial Review

Results of Continuing Operations

During the Reporting Period, the Group’s revenue generated from continuing operations amounted to approximately HK\$41.1 million, representing an increase of approximately HK\$10.1 million from approximately HK\$31.0 million for the six months ended 30 June 2017 (the “Corresponding Period”). Such increase was mainly contributed by the significant increase in revenue generated from the Agricultural Business of approximately HK\$9.7 million and the slight increase in revenue of approximately HK\$0.4 million from the Money Lending Business.

Gross profit of the Group during the Reporting Period was approximately HK\$16.8 million, representing a slight decrease of approximately HK\$0.7 million or 4.0% as compared to approximately HK\$17.5 million for the Corresponding Period, and the gross profit margin was 40.9% (30 June 2017: 56.6%). The decrease of the profitability during the Reporting Period was mainly attributable to the increase in the self-plantation costs and decrease in unit selling price of vegetables in the Agricultural Business.

The Group recorded other income and gains in the net amount of approximately HK\$3.6 million during the Reporting Period, representing a decrease of approximately HK\$10.6 million or 74.6% as compared to approximately HK\$14.2 million for the Corresponding Period. Such decrease was mainly attributable to the absence of the exchange gain (the depreciation of Renminbi during the Reporting Period and resulting in an exchange loss), the decrease of government grants and the decrease of rental income during the Reporting Period Compared with the Corresponding Period.

Selling and distribution expenses increased by approximately HK\$8.5 million or 157.4% to approximately HK\$13.9 million (30 June 2017: HK\$5.4 million). This increase was mainly attributable to the increase of the transportation and packaging costs of the agricultural produce as a result of the increase in harvest attributable to the Agricultural Business.

Administrative expenses decreased by approximately HK\$1.2 million or 5.4% to approximately HK\$21.0 million (30 June 2017: HK\$22.2 million). Such improvement was mainly attributable to the decrease in number of directors of the Board and the decrease in directors’ remuneration.

Other operating expenses was approximately HK\$13.1 million as compared with HK\$0.02 million in the Corresponding Period. This significant increase in operating expenses was mainly attributable to depreciation of Renminbi during the Reporting Period and resulting in an exchange loss, loss allowance for trade receivables and loss allowance for loan receivables due to the impairment provisions upon application of HKFRS 9 by the Group during the Reporting Period as compared to the Corresponding Period.

Results of Discontinued Operation

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.

During the Reporting Period, the Securities Brokerage Business generated a revenue and a net profit of approximately HK\$7.2 million and approximately HK\$2.3 million respectively. As at 30 June 2018, the Company is expected to record a gain on disposal in the amount of approximately HK\$8.1 million.

In the light of the above, the Group recorded a net loss of approximately HK\$34.4 million for the Reporting Period as compared to a net loss of approximately HK\$3.9 million for the Corresponding Period. Such loss for the six months ended 30 June 2018 was mainly and primarily attributable to (i) the plantation cost from Agricultural Business of approximately HK\$24.2 million; (ii) the selling and distribution expenses of approximately HK\$13.9 million; and (iii) the exchange loss of approximately HK\$7.1 million.

Business Review

Agricultural 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 strategy 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 85.8% to approximately HK\$21.0 million from approximately HK\$11.3 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\$3.3 million (30 June 2017: gross loss of HK\$1.5 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 is expected to complete in late August 2018.

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.

* For identification purpose only

Money Lending Business

Given the current market conditions and 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 a huge 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 significant 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\$20.1 million (30 June 2017: HK\$19.7 million) and HK\$20.1 million (30 June 2017: 19.1 million) respectively. Outstanding loan principal and interest receivables amounted to approximately HK\$316.4 million (31 December 2017: HK\$293.0 million). The average interest rate charged on the loans is 13.6% per annum. No material default event occurred as at 30 June 2018 but there is a provision of approximately HK\$4.6 million for the loss allowance for loan receivables was considered necessary upon the application of HKFRS 9 by the Group 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.

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, the revenue under Internet Finance Business amounted to approximately HK\$2.2 million and the net profit was approximately HK\$5.9 million due to the adjustment of over provision of prior years in respect of enterprise income tax in Mainland China.

After the implementation of the rules on internet finance industry by the PRC government with its efforts in reforming the financial system, the internet finance industry has undergone the stable development stage. Given the challenges and opportunities on internet finance industry, GLQH developed new businesses including but not limited to boosting the development progress of internet financial platform, providing management consultancy, marketing strategy, information technology support and data processing services in order to diversify the income stream and bring higher returns to shareholders.

Liquidity and Financial Resources

Except for equity fund raising from the Company, the Group mainly finances its business operations with internally generated cash flows and general banking facilities.

As at 30 June 2018, the Group had bank balances and cash of HK\$0.6 million (31 December 2017: HK\$10.2 million). The Group's quick ratio (measured by total current assets less inventories, biological assets, deposits and prepayments divided by total current liabilities) was approximately 1.3 times (31 December 2017: 2.3 times).

As at 30 June 2018, the total borrowings of the Group amounted to HK\$161.3 million of which, HK\$16.9 million were secured by several properties and motor vehicles of the Group. As at 31 December 2017, the total borrowings of the Group amounted to HK\$75.7 million of which, HK\$0.4 million were secured by motor vehicles of the Group. The borrowings in the amount of HK\$161.1 million (31 December 2017: HK\$75.4 million) were repayable within one year.

As at 30 June 2018, the Group had capital expenditure commitments of approximately HK\$0.8 million (31 December 2017: HK\$1.5 million) which comprised of acquisition of property, plant and equipment.

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.

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 under the general mandate granted to the Directors by the shareholders at the annual general meeting held on 16 June 2017. 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 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.

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. All the conditions set out in the subscription agreements have been fulfilled subsequently and the subscription was completed on 5 June 2018 in accordance with the terms and conditions of the subscription agreements. 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 issued and allotted a total of 921,739,130 shares of HK\$0.01 each upon the exercise of conversion rights with the conversion price of HK\$0.023 per conversion share 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.

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.

As at 30 June 2018, the net debt to adjusted equity ratio was 0.5 (31 December 2017: 0.2). Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements. The Group's gearing ratio as at 30 June 2018 was 0.5 (31 December 2017: 0.2), which was measured as total debt to total shareholders' equity.

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 Operation", the Group did not have material acquisition or disposals of subsidiaries and associated companies during the six months ended 30 June 2018.

Charges on Group's Assets

As at 30 June 2018, leasehold land and buildings and motor vehicles with carrying amount of HK\$4.8 million (31 December 2017: HK\$0.3 million) were pledged to secure banking facilities granted to the Group.

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 30 June 2018, the Group did not have any material contingent liabilities.

Employee and Remuneration Policy

As at 30 June 2018, the Group had a total of 95 (31 December 2017: 245) full time employees in Hong Kong and Mainland China. Total staff costs (including directors' remuneration and excluding the staff costs from discontinued operations) for the Reporting Period amounted to HK\$15.1 million (six months ended 30 June 2017: HK\$20.1 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 director) 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.

INTERIM DIVIDEND

No dividend was paid, declared or proposed during the Reporting Period. The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

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

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

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 (the "Model Code"). 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 the Reporting Period.

CORPORATE GOVERNANCE CODE

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 Reporting Period.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018. The Audit Committee is of the opinion that such financial information complies with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

As at the date of this announcement, the Audit Committee comprises all independent non-executive directors, namely Ms. LI Yang (Committee Chairlady), Mr. LI Shaohua and Ms. ZHU Rouxiang.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of the Company (www.cfi.hk) and the Stock Exchange (www.hkexnews.hk). The interim report of the Company for the six months ended 30 June 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, 24 August 2018

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, Mr. Lin Yuhao; and three independent non-executive directors, namely Mr. Li Shaohua, Ms. Zhu Rouxiang and Ms. Li Yang.