BLOCKCHAIN GROUP COMPANY LIMITED
區塊鏈集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 364)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Blockchain Group Company Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018 (the "**Period**"). The interim results for the Period are unaudited, but have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

	Note	Six months ended 30 June **2018** *HK$'000* (unaudited)	2017 *HK$'000* (unaudited)
REVENUE	*5*	**176,105**	133,990
Cost of sales		**(114,815)**	(81,250)
GROSS PROFIT		**61,290**	52,740
Changes in fair value of agricultural produce less costs to sell during the period		**(7,634)**	(8,117)
Other income	*6*	**3,618**	5,143
Selling and distribution expenses		**(3,507)**	(3,765)
Administrative and other operating expenses		**(21,924)**	(18,835)
PROFIT FROM OPERATIONS		**31,843**	27,166
Finance costs	*7*	**(96,339)**	(107,662)
Change in fair value of financial liabilities at fair value through profit or loss		**–**	9,687
Share of (loss)/profit of associates		**(586)**	76
LOSS BEFORE INCOME TAX		**(65,082)**	(70,733)
Income tax (expense)/credit	*8*	**(2,545)**	596
LOSS FOR THE PERIOD	*9*	**(67,627)**	(70,137)
ATTRIBUTABLE TO:			
Equity shareholders of the Company		**(67,754)**	(70,268)
Non-controlling interests		**127**	131
LOSS FOR THE PERIOD		**(67,627)**	(70,137)
Loss per share:	*10*	***HK Cents***	*HK Cents* (restated)
– Basic		**(5.72)**	(6.03)
– Diluted		**N/A**	N/A

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
LOSS FOR THE PERIOD	**(67,627)**	(70,137)
OTHER COMPREHENSIVE (LOSS)/INCOME, NET OF TAX		
Items that may be subsequently reclassified to profit or loss:		
Exchange difference on translating foreign operations	**(42,059)**	96,329
Share of other comprehensive (loss)/income of associates	**(2,431)**	7,393
Items that will not be subsequently reclassified to profit or loss:		
Changes in fair value of financial assets at fair value through other comprehensive income	**(10,160)**	–
	(54,650)	103,722
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(122,277)**	33,585
ATTRIBUTABLE TO:		
Equity shareholders of the Company	**(122,414)**	33,427
Non-controlling interests	**137**	158
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(122,277)**	33,585

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Note	**At 30 June 2018** **HK$'000** **(unaudited)**	At 31 December 2017 *HK$'000* (audited) (restated)
NON-CURRENT ASSETS			
Property, plant and equipment		**784,487**	806,059
Intangible assets		**12,329**	15,195
Interests in associates		**290,977**	293,994
Available-for-sale financial assets		**–**	171,400
Financial assets at fair value through other comprehensive income		**227,016**	–
Other receivables and prepayments		**1,975**	1,996
Deferred tax assets		**3,872**	3,904
		1,320,656	1,292,548
CURRENT ASSETS			
Inventories		**1,650,583**	1,701,312
Trade receivables	*11(a)*	**6,663**	15,235
Prepayments, deposits and other receivables	*11(b)*	**14,874**	46,609
Cash and bank balances		**2,059,184**	1,763,684
		3,731,304	3,526,840

	Note	At 30 June 2018 HK$'000 (unaudited)	At 31 December 2017 HK$'000 (audited) (restated)
CURRENT LIABILITIES			
Bank loans		**19,933**	20,100
Trade payables	*12*	**16,376**	9,777
Receipts in advance, other payables and accruals		**284,088**	167,365
Contract liabilities		**101**	254
Amount due to a related party		**1,344**	1,357
Convertible bonds		**374,891**	389,461
Debentures		**777,828**	491,755
Financial liabilities at fair value through profit or loss		**–**	–
Promissory notes		**83,000**	78,033
Current tax liabilities		**20,833**	17,586
		1,578,394	1,175,688
NET CURRENT ASSETS		**2,152,910**	2,351,152
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,473,566**	3,643,700

	Note	At 30 June 2018 HK$'000 (unaudited)	At 31 December 2017 HK$'000 (audited) (restated)
NON-CURRENT LIABILITIES			
Debentures		**1,337,109**	1,451,422
Deferred tax liabilities		**9,706**	10,686
		1,346,815	1,462,108
NET ASSETS		**2,126,751**	2,181,592
CAPITAL AND RESERVES			
Share capital		**236,969**	236,969
Reserves		**1,887,555**	1,942,533
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**2,124,524**	2,179,502
NON-CONTROLLING INTERESTS		**2,227**	2,090
TOTAL EQUITY		**2,126,751**	2,181,592

Notes:

1. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“IASB”) and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 December 2017, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

These condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements.

These condensed consolidated financial statements are unaudited, but have been reviewed by the Audit Committee.

These condensed consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of buildings, financial liabilities at fair value through profit or loss and financial assets at fair value through other comprehensive income which are carried at their fair values.

Up to the date of this announcement, the Company had two winding up petitions filed by Great Vantage Investments Limited and Ji Jingyang respectively against the Company and it was alleged in these petitions that the Company may be wound up on the ground that the Company is insolvent and unable to pay its debts.

In preparing these condensed 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 and the Company and the ability of the Group and the Company to attain positive cash flows in the immediate and longer term. Based on the fact that (i) the Group has sufficient cash and cash equivalents to repay the debts in next twelve months and (ii) the Company is negotiating with the petitioners for the settlement proposals and for the amicable disposal of the petitions out of the court, the directors of the Company has concluded that the Group and the Company is able to continue as a going concern and to meet their financial liabilities as and when they fall due in the foreseeable future.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these condensed consolidated financial statements.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current period, the Group has adopted all the new and revised IFRSs issued by the IASB that are relevant to its operations and effective for its annual period beginning on 1 January 2018. IFRSs comprise International Financial Reporting Standards, International Accounting Standards and Interpretations. A number of new or amended standards become applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- IFRS 9 Financial Instruments, and

- IFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 3 below.

The adoption of other new and revised IFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's condensed consolidated financial statements and amounts reported for the current period and prior periods.

The Group has not applied any new IFRSs that have been issued but are not effective. The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

3. CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated.

IFRS 9 was generally adopted without restating comparative information with the exception of certain aspects of hedge accounting. The Group used modified retrospective approach while adopting IFRS 9. The reclassification and adjustments are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the opening consolidated statement of financial position on 1 January 2018.

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Impact on the financial statements (Continued)

The Group has adopted IFRS 15 using the full retrospective approach and has restated comparatives for the 2017 financial year.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standards below:

Condensed consolidated statement of financial position (extract)	At 31 December 2017 As originally presented	IFRS 15	At 31 December 2017 Restated	IFRS 9	At 1 January 2018 Restated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Available-for-sale financial assets	171,400	–	171,400	(171,400)	–
Financial assets at fair value through other comprehensive income	–	–	–	238,836	238,836
Receipts in advance, other payables and accruals	167,619	(254)	167,365	–	167,365
Contract liabilities	–	254	254	–	254
Fair value reserve	–	–	–	67,436	67,436

(b) IFRS 9 Financial Instruments – Impact of adoption

(i) Equity investments previously classified as available-for-sale financial assets

IFRS 9 replaces the provisions of IAS 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 elected to present in other comprehensive income ("OCI") changes in the fair value of all its equity investments previously classified as "Available-for-sale financial assets", because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a carrying amount of approximately HK$171,400,000 were reclassified from "Available-for-sale financial assets" to "Financial asset at fair value through other comprehensive income" and fair value gain of approximately HK$67,436,000 were recorded to fair value reserve on 1 January 2018.

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS 9 Financial Instruments – Impact of adoption (Continued)

(i) Equity investments previously classified as available-for-sale financial assets (Continued)

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 3(c) below. In accordance with the transitional provisions in IFRS 9(7.2.15) and (7.2.26), comparative figures have not been restated as the Group does not have any hedge instrument.

Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), 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 IFRS 9 categories. The main effects resulting from this reclassification are as follows:

Financial assets and fair value reserve – 1 January 2018	**Available-for-sale financial assets**	**Financial assets at fair value through other comprehensive income**	**Fair value reserve**
	HK$'000	*HK$'000*	*HK$'000*
Closing balance at 31 December 2017 – IAS 39	171,400	–	–
Reclassify non-trading equities from Available-for-sale financial assets to Financial assets at fair value through OCI	(171,400)	171,400	–
Changes in fair value of financial assets at fair value through OCI	–	67,436	67,436
Opening balance at 1 January 2018 – IFRS 9	–	238,836	67,436

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) IFRS 9 Financial Instruments – Impact of adoption (Continued)

(ii) Impairment of financial assets

The Group has trade receivables for sales of products that are subject to IFRS 9's new expected credit loss model, and the Group was required to revise its impairment methodology under IFRS 9 for these receivables.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables from initial recognition. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The adoption of new approach did not result in any significant impact on the amounts reported in consolidated statement of financial position as at 1 January 2018 and the financial information during the six months ended 30 June 2018.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period greater than 30-120 days past due (credit terms).

While cash and cash equivalents and financial assets at amortised cost are also subject to the impairment requirements of IFRS 9, no impairment loss was identified.

(c) IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

(i) Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and

- those to be measured at amortised cost.

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (Continued)

(i) Investments and other financial assets (Continued)

Classification (Continued)

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at financial assets at fair value through OCI.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (Continued)

(i) Investments and other financial assets (Continued)

Debt instruments (Continued)

- FVPL: Assets that do not meet the criteria for amortised cost or financial assets at fair value through OCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at financial assets at fair value through OCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group assesses the expected credit losses associated with its financial assets on a forward looking basis. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(c) IFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (Continued)

(ii) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Derivative instruments held by the Group do not qualify for hedge accounting and are accounted for at FVPL. Changes in fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated statement of profit or loss.

(d) IFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The Group has adopted the new rules retrospectively and has restated comparatives for the 2017 financial year. In summary, the following adjustments were made to the amounts recognised in the consolidated statement of financial position at the date of initial application (1 January 2018):

	IAS 18 carrying amount at 31 December 2017	**Reclassification**	**IFRS 15 carrying amount at 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
Receipts in advance, other payables and accruals	167,619	(254)	167,365
Contract liabilities	–	254	254

There was no impact on the Group's accumulated losses as at 1 January 2018 and 1 January 2017.

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(d) IFRS 15 Revenue from Contracts with Customers – Impact of adoption (Continued)

(i) Accounting for refunds

The Group's obligations to provide a refund for faulty products are under the standard warranty terms. Accumulated experience is used to estimate such returns at the time of sale. Because of the large size and low value of each individual product, the amount of products returned were immaterial. It is highly probable that a significant reversal in the cumulative revenue recognised will not occur. Therefore, no refund liability for goods return was recognised. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. As a result, no accounting impact for refunds while applying IFRS 15.

(ii) Accounting for customer loyalty programme

The Group does not introduce any customer loyalty programme which is likely to be affected by the IFRS 15.

(iii) Accounting for payment to customers

The application of IFRS 15 may result in the consideration payable to a customer recorded as a reduction of the arrangement's transaction price, thereby reducing the amount of revenue recognised, unless the payment is for a distinct good or service received from the customer. There are no significant impacts on the Group's revenue and selling and distribution expenses for the six months ended 30 June 2018 and 30 June 2017.

(iv) Presentation of assets and liabilities related to contracts with customers

Reclassifications were made as at 1 January 2018 to be consistent with the terminology used under IFRS 15:

- Contract liabilities in relation to advance receipts from customers were previously included in other payables and accruals (HK$254,000 as at 1 January 2018).

3. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(e) IFRS 15 Revenue from Contracts with Customers – Accounting policies

(i) Sales of goods

The Group sells raw teas, refined teas and other related products. Sales are recognised when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

4. SEGMENT INFORMATION

The Group's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The Group has only one reportable segment – raw teas, refined teas and other related products. Accordingly, the Group does not have any identifiable segment or any discrete information for segment reporting purpose.

During the six months ended 30 June 2018 and 2017, all of the Group's revenue were generated in the People's Republic of China (the "PRC"). The Group's customer base is diversified and includes one (2017: Nil) customer has exceed 10% of the Group's total revenue. Revenue from sales to this customer amounted to approximately HK$26,113,000 (2017: HK$Nil).

As at 30 June 2018 and 31 December 2017, all of the Group's non-current assets (excluding deferred tax assets) were situated in the PRC. The geographic location of the non-current assets is based on the physical location of the operation to which they are allocated.

5. REVENUE

The Group's revenue represented the invoiced value of raw teas, refined teas and other related products sold to external customers less discounts and return, and net of value-added tax.

6. OTHER INCOME

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest income	**3,433**	4,500
Government grants	**185**	631
Others	**–**	12
	3,618	5,143

7. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on bank loans and overdraft	**781**	262
Interest on cash consideration payable for business combination	**605**	609
Interest on convertible bonds		
– Actual interest	**28,100**	47,543
Interest on promissory notes	**4,967**	4,558
Interest on debentures	**29,541**	25,959
Amortisation of issuing costs for debentures	**32,345**	28,731
	96,339	107,662

8. INCOME TAX EXPENSE/(CREDIT)

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax – the PRC enterprise income tax	**3,466**	740
Deferred tax	**(921)**	(1,336)
	2,545	(596)

No provision for Hong Kong Profits Tax is required since the Group has no assessable profit derived from Hong Kong for the six months ended 30 June 2018 and 2017.

Tax charge on profits assessable in the PRC had been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

9. LOSS FOR THE PERIOD

The Group's loss for the period is arrived at after charging:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Amortisation of trademarks	**2,832**	2,648
Depreciation	**16,114**	19,268
Directors' remuneration		
Fees	**1,221**	1,206
Other emoluments	**–**	–
	1,221	1,206

10. LOSS PER SHARE

The calculation of basic and diluted loss per share is based on the following:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
		(restated)
Basic		
Loss		
Loss attributable to equity shareholders of the Company for the purpose of calculating basic loss per share	**(67,754)**	(70,268)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**1,184,843,454**	1,166,254,653

Weighted average number of ordinary shares

	Six months ended 30 June	
	2018	2017
		(restated)
Weighted average number of ordinary shares in issue during the period used in basic loss per share calculation	**1,184,843,454**	23,325,093,070
Effect of share consolidation	**–**	(22,158,838,417)
Weighted average number of ordinary shares of the period	**1,184,843,454**	1,166,254,653

The calculations of basic loss per share for the six months ended 30 June 2017 have taken into account the effect of share consolidations during the current period. Accordingly, the calculations of weighted average numbers of ordinary shares for the purpose of calculating basic loss per share were on the basis that every twenty issued shares of HK$0.01 each in the share capital of the Company be consolidated into one consolidated share of HK$0.2 each.

Diluted loss per share has not been disclosed as all potential equity shares were anti-dilutive.

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(a) Trade receivables

The Group normally allows credit terms to well-established customers ranging from 30 to 120 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the directors.

An aging analysis of trade receivables at the end of reporting period, based on the date of recognition of the service income or goods sold, is as follows:

	At 30 June 2018	At 31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 120 days	**6,657**	15,229
Over 120 days	**6**	6
	6,663	15,235

(b) Prepayments, deposits and other receivables classified as current assets

	At 30 June 2018	At 31 December 2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Consideration receivable for disposal of subsidiaries	**–**	20,000
Receivable from disposal of property, plant and equipment	**–**	15,000
Deposits and other receivables	**5,257**	2,323
Prepayments	**9,617**	9,286
	14,874	46,609

12. TRADE PAYABLES

The Group normally obtains credit terms ranging from 30 to 90 days from its suppliers.

An ageing analysis of trade payable as at the end of the reporting period, based on the date of receipt of consumables or goods purchases, is as follows:

	At 30 June 2018 *HK$'000* **(unaudited)**	At 31 December 2017 *HK$'000* (audited)
0 – 30 days	**6,000**	120
31 – 60 days	**204**	98
61 – 90 days	**120**	466
Over 90 days	**10,052**	9,093
	16,376	9,777

13. DIVIDEND

No dividend has been paid or declared by the Company during the six months ended 30 June 2018 and 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Operating results for the Period were generated from tea business and the sales of tea increased as a result of increased demand from customers in China, especially the high-end tea products of which the customers mainly purchased for business gifts. As a result, there was an increase in revenue from approximately HK$134.0 million for the corresponding period of last year (the "**Last Period**") to approximately HK$176.1 million for the Period and the gross profit increased from approximately HK$52.7 million for the Last Period to approximately HK$61.3 million for the Period. However, the gross profit margin decreased from 39.4% for the Last Period to 34.8% for the Period. The loss for the period decreased from approximately HK$70.1 million for the Last Period to approximately HK$67.6 million for the Period.

BUSINESS REVIEW

During the Period, the Group integrated various tea related business acquired in the last few years and sought to diversify its product portfolio as well as initiative into the high-end market for continuous growth. The revenue increased from approximately HK$134.0 million for the Last Period to approximately HK$176.1 million for the Period principally due to increased demand in consumer market, especially the tea products for business gifts. The loss for the period of the Group decreased from approximately HK$70.1 million for the Last Period to approximately HK$67.6 million for the Period.

BUSINESS PROSPECTS

We are dedicated to the development and planning of relevant blockchains. In March 2018, the Group entered into a technological service agreement with an independent third party. It is expected that the development of the application system technologies for the Group's food tracking platform will commence operations during the last quarter of year 2018. The whole world will be able to access these technologies once they are ready. Our second leading position among providers of blockchain solutions in terms of food safety will be maintained as well. The Group believes that the development of the aforesaid food tracking technologies is the first step of the Group's exploration in blockchain industry. We will try to cooperate with more third parties in relation to blockchain technologies in all aspects, set up research centres and apply blockchain technologies to all industries, aiming to realize on diversified integration and set up an ecosphere for the application of blockchain technologies.

Meanwhile, the Group will continue to identify opportunities for the expansion, mergers and acquisitions of operations in respect of excellent tea products and other health products. Our goal is to broaden our income source and improve our profitability and to maximize the return for the shareholders of the Company (the "**Shareholders**").

ACCOUNTING POLICY CHANGE UPON INITIAL APPLICATIONS OF IFRS 9 AND IFRS 15

The Group adopted IFRS 9 and IFRS 15 on 1 January 2018. The accounting policies under IFRS 9 and 15, and the effects of the Group's financial statements, including the retrospective effects of the Group's financial statements for the year ended 31 December 2017, upon the adoptions of IFRS 9 and IFRS 15, are fully detailed in Note 3 to the condensed consolidated financial statements.

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2018, the Group had current assets of approximately HK$3,731.3 million (as at 31 December 2017: approximately HK$3,526.8 million) and current liabilities of approximately HK$1,578.4 million (as at 31 December 2017: approximately HK$1,175.7 million). The current ratio (calculated as current assets to current liabilities) decreased from 3.00 as at 31 December 2017 to 2.36 as at 30 June 2018. The gearing ratio (calculated as the total bank borrowings, promissory notes, financial liabilities at fair value through profit or loss, debentures and convertible bonds to total Shareholders' equity) increased from 1.11 as at 31 December 2017 to 1.22 as at 30 June 2018. These ratios were at reasonably adequate levels as at 30 June 2018 while the Group had sufficient resources in meeting its short-term and long-term obligations.

The Group principally met its funding requirements by cash flows from operations and financing activities. During the Period, the net cash generated from operating activities and net cash generated from financing activities were approximately HK$116.9 million (Last Period: approximately HK$37.8 million) and approximately HK$75.1 million (Last Period: approximately HK$305.3 million), respectively. The total bank borrowings decreased to approximately HK$19.9 million (as at 31 December 2017: approximately HK$20.1 million). The bank loans were repayable within one year with interest rate of 7.61% per annum. The Group's bank borrowings were denominated in Renminbi ("**RMB**").

During the Period, the Group issued unlisted debentures of approximately HK$247.0 million (Last Period: approximately HK$656.9 million) at face value with issuing costs of HK$Nil (Last Period: approximately HK$184.9 million). The debentures are interest bearing ranging from 0% to 15% of the respective face value per annum, unsecured and repayable after 0.1 to 8.0 years from the respective date of issue. In addition, the Group redeemed unlisted debentures with principal amounts of HK$107.6 million (Last Period: HK$119.0 million). As at 30 June 2018, the carrying values of the debentures were approximately HK$2,114.9 million (as at 31 December 2017: HK$1,943.2 million).

During the Period, none of the original convertible bonds were converted to ordinary shares of the Company. As at 30 June 2018, the carrying values of convertible bonds, financial liabilities at fair value through profit and loss and promissory notes amounted to approximately HK$374.9 million (as at 31 December 2017: approximately HK$389.5 million), HK$Nil (as at 31 December 2017: HK$Nil) and approximately HK$83.0 million (as at 31 December 2017: approximately HK$78.0 million) respectively.

CAPITAL STRUCTURE

On 15 December 2017, the Board proposed that every twenty issued and unissued shares of the Company (the "**Shares**") of HK$0.01 each in the share capital of the Company be consolidated into one consolidated Share of HK$0.2 each in the share capital of the Company (the "**Share Consolidation**"). The Share Consolidation had been approved by the Shareholders at the extraordinary general meeting on 29 January 2018. After the Share Consolidation became effective on 30 January 2018, the authorised share capital of the Company was HK$800,000,000 divided into 4,000,000,000 consolidated Shares of par value of HK$0.2 each, of which 1,184,843,454 consolidated Shares of par value of HK$0.2 each were issued.

Details of the Share Consolidation and change of board lot size are detailed in the circular of the Company dated 10 January 2018 and the announcements of the Company dated 6 December 2017, 15 December 2017 and 29 January 2018.

The total number of issued Shares as at 30 June 2018 comprised 1,184,843,454 Shares.

FOREIGN EXCHANGE EXPOSURE

Most assets, liabilities and transactions of the Group are denominated in RMB, Hong Kong dollar ("**HKD**") and United States dollar. During the Period, the Group did not hedge any foreign exchange exposure against foreign exchange risk. However, the management will continue to monitor foreign exchange risks and adopt precedent measures as appropriate.

The closing exchange rate between HKD and RMB adopted by the Group as at 30 June 2018 was RMB1 to HK$1.19 (as at 31 December 2017: RMB1 to HK$1.20). Due to the depreciation (Last Period: appreciation) of RMB against HKD during the Period, the Group recorded a comprehensive loss (Last Period: income) in exchange differences on translating foreign operations of approximately HK$42.1 million (Last Period: approximately HK$96.3 million) and share of other comprehensive loss (Last Period: income) of associates (related to the translation of foreign operations) of approximately HK$2.4 million (Last Period: approximately HK$7.4 million). In view of continuing depreciation of RMB against HKD during the past two months before the date of this announcement, the Group will expect to record a comprehensive loss on translating the foreign operations and share of other comprehensive loss of associates during the year 2018.

CAPITAL EXPENDITURE

During the Period, the Group purchased property, plant and equipment of approximately HK$0.76 million (Last period: HK$Nil).

During the Period, the Group received refund (including deposits paid) for acquisition of property, plant and equipment (excluding the acquisition arising from business combinations) was HK$Nil (Last Period: approximately HK$22.4 million).

In addition, the Group received refund of deposits paid of HK$Nil for potential business combination during the Period (Last Period: approximately HK$403.2 million).

CHARGE ON GROUP ASSETS

At 30 June 2018, the Group did not pledge any non-current assets to secure bank loans.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 30 June 2018 and 31 December 2017.

SIGNIFICANT INVESTMENTS

The Group did not have significant investments during the Period.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have material acquisition or disposal of subsidiaries, associates and joint ventures during the Period.

EMPLOYMENT INFORMATION

As at 30 June 2018, the Group had a total of 208 (as at 31 December 2017: 193) employees in Hong Kong and the PRC. The Group's emoluments policies are based on the performance of individual employees and on the basis of the salary trends in various regions, and are reviewed periodically.

During the Period, the total staff costs including the Directors' emoluments amounted to approximately HK$7.8 million (Last Period: approximately HK$6.9 million). The Company maintains a share option scheme for the purpose of providing incentives and rewards to the eligible participants for their contributions to the Group.

INTERIM DIVIDEND

The Board does not declare the payment of an interim dividend for the Period (Last Period: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

WINDING UP PETITIONS

Up to the date of this announcement, the Company had two winding up petitions filed by Great Vantage Investments Limited and Ji Jingyang respectively against the Company. It was alleged in these petitions that the Company may be wound up on the ground that the Company is insolvent and unable to pay its debts.

The Company is currently negotiating with the petitioners for the settlement proposals and for the amicable disposal of the petitions out of the court.

Reference is made to the announcements of the Company on 10 May 2018, 16 May 2018, 18 May 2018, 29 May 2018, 4 June 2018, 7 June 2018, 11 July 2018, 13 July 2018, 23 July 2018 and 8 August 2018 relating to the petitions.

EVENT AFTER THE REPORTING PERIOD

The Group did not have any material events after the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issues (the "**Model Code**") set out in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**") as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry by the Company, all Directors have confirmed their compliance with the required standard set out in the Model Code throughout the Period.

CORPORATE GOVERNANCE

The Company has adopted most of the code provisions as stated in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules and the Board is committed to complying with the CG Code to the extent that the Directors consider it to be practical and applicable to the Company.

The corporate governance principles of the Company emphasize an effective Board, sound risk management and internal control, appropriate independence policy, and transparency and accountability to the Shareholders. The Board will continue to monitor and revise the Company's corporate governance policies in order to ensure that such policies meet the general rules and standards required by the Listing Rules. Except as disclosed below, the Company had complied with the CG Code throughout the Period.

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders; while code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. Mr. Cai Zhenrong (the chairman of the Board), one non-executive Director and two independent non-executive Directors were unable to attend the Company's extraordinary general meeting held on 29 January 2018 due to their other business engagement. Mr. Cai Zhenrong (the chairman of the Board) and five independent non-executive Directors were unable to attend the Company's annual general meeting held on 7 June 2018 due to their other business engagement.

AUDIT COMMITTEE

The Company has established the Audit Committee in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process, risk management and internal control systems. The Audit Committee comprises three independent non-executive Directors. The interim results for the Period are unaudited, but have been reviewed and approved by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkex.com.hk and on the Company's website at www.blockchaingroup.com.hk. The interim report 2018 of the Company will also be published on the aforesaid websites in due course.

APPRECIATION

I would like to take this opportunity to express my hearty thanks and gratitude to the Group's management and staff who dedicated their endless efforts and devoted services, and to our Shareholders, suppliers, customers and bankers for their continuous support.

On behalf of the Board
Blockchain Group Company Limited
Cai Zhenrong
Joint Chairman

Hong Kong, 29 August 2018

As at the date of this announcement, the executive Directors are Mr. Cai Zhenrong, Mr. Su Yichao, Mr. Cai Zhenyao, Mr. Cai Zhenying, Mr. Cai Yangbo, Mr. Choi Wing Toon and Mr. Chen Wenfang. The non-executive Director is Ms. Su Huiling. The independent non-executive Directors are Mr. Lawrence Gonzaga, Mr. Wang Qidong, Mr. Liao Haosheng, Mr. Tham Wan Loong, Jerome, Mr. Lin Xinhong and Dr. Li Mow Ming, Sonny.