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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 2019

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 2019 (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 2019

		Six months ended 30 June	
		2019	2018
	Notes	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	4	182,652	41,098
Cost of sales and services rendered		<u>(173,918)</u>	<u>(24,255)</u>
Gross profit		8,734	16,843
Other gains	5	2,270	3,598
Loss arising from change in fair value less costs to sell of biological assets		–	(288)
Selling and distribution expenses		(1,138)	(13,859)
Administrative expenses		(12,541)	(20,982)
Other operating expenses	6	(2,190)	(13,146)
Share of profit of an associate		–	1,474
Finance costs	7	<u>(10,354)</u>	<u>(7,695)</u>
Loss before taxation	8	(15,219)	(34,055)
Income tax expense	9	<u>(1,268)</u>	<u>(2,665)</u>
Loss from continuing operations		(16,487)	(36,720)
Discontinued operations			
(Loss)/Profit from discontinued operations, net of tax		<u>(4,408)</u>	<u>2,322</u>
Loss for the period		(20,895)	(34,398)
(Loss) attributable to:			
Owners of the Company		(20,893)	(34,398)
Non-controlling interest		<u>(2)</u>	<u>–</u>
		<u>(20,895)</u>	<u>(34,398)</u>

		Six months ended 30 June	
		2019	2018
<i>Notes</i>		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>(2,916)</u>	<u>1,387</u>
Loss and total comprehensive income for the period		<u>(23,811)</u>	<u>(33,011)</u>
(Loss) attributable to owners of the Company			
– from continuing operations		<u>(16,485)</u>	<u>(36,720)</u>
– from discontinued operations		<u>(4,408)</u>	<u>2,322</u>
		<u>(20,893)</u>	<u>(34,398)</u>
Total comprehensive loss attributable to:			
Owners of the Company		<u>(23,809)</u>	<u>(33,011)</u>
Non-controlling interest		<u>(2)</u>	<u>–</u>
		<u>(23,811)</u>	<u>(33,011)</u>
Total comprehensive loss attributable to owners of the Company:			
– from continuing operations		<u>(19,401)</u>	<u>(35,333)</u>
– from discontinued operations		<u>(4,408)</u>	<u>2,322</u>
		<u>(23,809)</u>	<u>(33,011)</u>
Loss per share			
Basic (HK cents)			(Restated)
– continuing operations	10	<u>(24.64)</u>	<u>(70.63)</u>
– discontinued operations		<u>(6.59)</u>	<u>4.47</u>
		<u>(31.23)</u>	<u>(66.16)</u>
Diluted (HK cents)			
– continuing operations	10	<u>(24.64)</u>	<u>(70.63)</u>
– discontinued operations		<u>(6.59)</u>	<u>4.47</u>
		<u>(31.23)</u>	<u>(66.16)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2019

		At At 30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		46,342	47,299
Goodwill		15,777	15,777
Right-of-use assets	2	37,174	–
Investment in an associate		–	–
		<u>99,293</u>	<u>63,076</u>
Current assets			
Inventories		21,249	12,880
Trade and other receivables	12	237,049	94,346
Loan receivables	13	184,294	257,621
Bank balances and cash		1,290	4,834
		<u>443,882</u>	<u>369,681</u>
Assets associated with disposal group held for sale		<u>23,717</u>	<u>21,273</u>
		<u>467,599</u>	<u>390,954</u>
Current liabilities			
Trade and other payables	14	113,996	54,560
Convertible bonds	15	40,725	41,577
Bonds		42,743	40,975
Bank and other borrowings		53,070	79,822
Finance lease payables		160	171
Lease liabilities	2	8,496	–
Promissory notes		27,250	–
Deferred income		1,079	1,081
Tax payables		11,673	10,455
		<u>299,192</u>	<u>228,641</u>
Liabilities associated with disposal group held for sale		<u>16,522</u>	<u>11,410</u>
		<u>315,714</u>	<u>240,051</u>
Net current assets		<u>151,885</u>	<u>150,903</u>
Total assets less current liabilities		<u><u>251,178</u></u>	<u><u>213,979</u></u>

		At 31 December 2018 <i>HK\$'000</i> (Audited)
	<i>Notes</i>	At 30 June 2019 <i>HK\$'000</i> (Unaudited)
Capital and reserves		
Share capital	16	12,354
Reserves		169,971
Equity attributable to owners of the Company		203,400
Non-controlling interest		569
Total equity		203,969
Non-current liabilities		
Promissory notes		27,250
Finance lease payables		73
Lease liabilities	2	–
Deferred income		4,331
		47,209
		251,178
		213,979

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 2018 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 condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019. 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 16 Leases 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 disclosures.

HKFRS 16 Leases

HKFRS 16 supersedes HKAS 17 Leases, HK (IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK (SIC)-Int 15 Operating Leases-Incentives and HK (SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single lessee accounting model.

Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have an impact for leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC)-Int 4 at the date of initial application. The Group also elected to use the recognition exemptions for lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option (“short-term leases”), and lease contracts for which the underlying asset is of low value (“leases of low-value assets”). The transition effects arising from the adoption of HKFRS 16 are presented below.

The following tables analyse the impact, net of tax, of transition to HKFRS 16 on the statement of financial position of the Group.

	1 January 2019 <i>HK\$'000</i>
Right-of-use assets	
Closing balance under HKAS17 at 31 December 2018	–
– Recognition of right-of-use assets under HKFRS 16	<u>33,491</u>
Opening balance under HKFRS 16 at 1 January 2019	<u><u>33,491</u></u>
Lease liabilities	
Closing balance under HKAS17 at 31 December 2018	–
– Recognition of lease liabilities under HKFRS 16	<u>48,196</u>
Opening balance under HKFRS 16 at 1 January 2019	<u><u>48,196</u></u>
Accumulated losses	
Closing balance under HKAS17 at 31 December 2018	(845,199)
– Recognition of right-of-use assets under HKFRS 16	33,491
– Recognition of lease liabilities under HKFRS 16	<u>(48,196)</u>
Opening balance under HKFRS 16 at 1 January 2019	<u><u>(859,904)</u></u>

Consolidated statement of financial position

	31 December 2018 HK\$'000	Adoption of HKFRS 16 HK\$'000	1 January 2019 HK\$'000
Assets			
Property, plant and equipment	47,299	–	47,299
Goodwill	15,777	–	15,777
Investment in an associate	–	–	–
Right-of-use assets	–	30,280	30,280
Inventories	12,880	–	12,880
Trade and other receivables	94,346	–	94,346
Loan receivables	257,621	–	257,621
Bank balances and cash	4,834	–	4,834
Assets associated with disposal group held for sale	21,273	3,211	24,484
	<u>454,030</u>	<u>33,491</u>	<u>487,521</u>
Liabilities			
Trade and other payables	54,560	–	54,560
Lease liabilities	–	44,972	44,972
Convertible bonds	41,577	–	41,577
Bonds	40,975	–	40,975
Bank and other borrowings	79,822	–	79,822
Finance lease payables	244	–	244
Deferred income	5,412	–	5,412
Tax payables	10,455	–	10,455
Promissory notes	27,250	–	27,250
Liabilities associated with disposal group held for sale	11,410	3,224	14,634
	<u>271,705</u>	<u>48,196</u>	<u>319,901</u>
Net assets	<u>182,325</u>	<u>(14,705)</u>	<u>167,620</u>
Capital and reserves			
Share capital	12,354	–	12,354
Share premium	806,341	–	806,341
Contributed surplus	64,086	–	64,086
Convertible bonds equity reserve	1,427	–	1,427
Foreign currency translation reserve	8,147	–	8,147
Share option reserve	135,169	–	135,169
Accumulated losses	(845,199)	(14,705)	(859,904)
Total equity	<u>182,325</u>	<u>(14,705)</u>	<u>167,620</u>

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of land and buildings. Before the adoption of HKFRS 16, the Group classified each of its leases (as lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term. Any prepaid rent and accrued rent were recognised under other assets and other liabilities, respectively.

Upon adoption of HKFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e. the right-of-use assets and lease liabilities equal to the lease assets and liabilities recognised under HKAS 17). The requirements of HKFRS 16 were applied to these leases from 1 January 2019.

Leases previously classified as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equals to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Relied on its assessment of whether leases are onerous immediately before the date of initial application.
- Applied the short-term lease recognition exemption to leases with lease term that ends within 12 months at the date of initial application.
- Excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application.
- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of approximately HK\$33,491,000 were recognised and presented separately in the consolidated statement of financial position.
- Additional lease liabilities of approximately HK\$48,196,000 were recognised.
- The net effect of these adjustments had been adjusted to accumulated losses in the amount of approximately HK\$14,705,000.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	<i>HK\$'000</i>
Operating lease commitments as at 31 December 2018	67,040
Incremental borrowing rate as at 1 January 2019	10%
Discounted operating lease commitments and lease liabilities as at 1 January 2019	<u>48,196</u>

Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of HKFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date which the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expense in the period during which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification (i.e. a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset).

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered as low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease the assets for additional terms of two to three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is beyond its control and affects its ability to exercise (or not to exercise) the option to renew (e.g. a change in business strategy).

Amounts recognised in the consolidated statement of financial position and profit or loss

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the period:

	Continuing operations		Discontinued operations	
	Right-of-use assets	Lease liabilities	Right-of-use assets	Lease liabilities
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2019	30,280	44,972	3,211	3,224
Addition	11,421	11,421	–	–
Depreciation	(4,527)	–	(876)	–
Interest expenses	–	2,479	–	144
Accrued interest	–	(5,042)	–	–
Payments	–	(1,908)	–	(1,008)
At 30 June 2019	<u>37,174</u>	<u>51,922</u>	<u>2,335</u>	<u>2,360</u>

3 SEGMENT INFORMATION

The accounting policies of the operating segments are the same as those described in the 2018 annual financial statements of the Group.

Operating segment information

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

- (i) the “Agricultural produce” segment engages in cultivating and trading of agricultural produce;
- (ii) the “Money lending” segment engages in money lending services; and
- (iii) the “Securities broking” segment engages in securities brokerage services in securities traded in Hong Kong.

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

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

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	Money lending	Unallocated	Sub-total	Securities broking	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 June 2019						
(Unaudited)						
Revenue						
Point in time	167,781	14,871	–	182,652	679	183,331
Over time	–	–	–	–	–	–
Reportable segment revenue	167,781	14,871	–	182,652	679	183,331
Elimination of inter-segment revenue	–	–	–	–	–	–
Consolidated revenue	167,781	14,871	–	182,652	679	183,331
Loss						
Reportable segment (loss)/profit (adjusted (LBITDA)/EBITDA)	(7,713)	12,593	–	4,880	(4,265)	615
Depreciation	(3,234)	(52)	(347)	(3,633)	–	(3,633)
Finance costs	(4,689)	–	(5,665)	(10,354)	(143)	(10,497)
Gain on disposal of a subsidiary	–	–	–	–	–	–
Government grants	782	–	–	782	–	782
Interest income	6	3	11	20	–	20
Reversal of impairment on other receivables	673	–	–	673	–	673
Unallocated head office and corporate income	–	–	1	1	–	1
Unallocated head office and corporate expenses	–	–	(7,588)	(7,588)	–	(7,588)
Consolidated (loss)/profit before taxation	(14,175)	12,544	(13,588)	(15,219)	(4,408)	(19,627)

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	<u>20,983</u>	<u>20,115</u>	<u>–</u>	<u>41,098</u>	<u>7,212</u>	<u>48,310</u>
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 a 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	<u>(26,063)</u>	<u>11,509</u>	<u>(19,501)</u>	<u>(34,055)</u>	<u>2,322</u>	<u>(31,733)</u>

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	Money lending	Unallocated	Sub-total	Securities broking	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30 June 2019 (Unaudited)						
Assets						
Reportable segment assets	337,173	187,461	–	524,634	23,717	548,351
Goodwill	–	15,777	–	15,777	–	15,777
Unallocated head office and corporate assets	–	–	2,764	2,764	–	2,764
Consolidated total assets	<u>337,173</u>	<u>203,238</u>	<u>2,764</u>	<u>543,175</u>	<u>23,717</u>	<u>566,892</u>
Liabilities						
Reportable segment liabilities	178,117	26,958	–	205,075	16,522	221,597
Convertible bonds	–	–	40,725	40,725	–	40,725
Bonds	–	–	42,743	42,743	–	42,743
Promissory notes	–	–	27,250	27,250	–	27,250
Unallocated head office and corporate liabilities	–	–	30,608	30,608	–	30,608
Consolidated total liabilities	<u>178,117</u>	<u>26,958</u>	<u>141,326</u>	<u>346,401</u>	<u>16,522</u>	<u>362,923</u>
Other segment information						
Capital expenditure*	2,749	–	–	2,749	–	2,749
Income tax expense	<u>–</u>	<u>1,268</u>	<u>–</u>	<u>1,268</u>	<u>–</u>	<u>1,268</u>

* 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 2018 (Audited)						
Assets						
Reportable segment assets	149,755	262,604	–	412,359	21,273	433,632
Goodwill	–	15,777	–	15,777	–	15,777
Unallocated head office and corporate assets	–	–	4,621	4,621	–	4,621
Consolidated total assets	<u>149,755</u>	<u>278,381</u>	<u>4,621</u>	<u>432,757</u>	<u>21,273</u>	<u>454,030</u>
Liabilities						
Reportable segment liabilities	110,889	12,725	–	123,614	11,410	135,024
Convertible bonds	–	–	41,577	41,577	–	41,577
Bonds	–	–	40,975	40,975	–	40,975
Promissory notes	–	–	27,250	27,250	–	27,250
Unallocated head office and corporate liabilities	–	–	26,879	26,879	–	26,879
Consolidated total liabilities	<u>110,889</u>	<u>12,725</u>	<u>136,681</u>	<u>260,295</u>	<u>11,410</u>	<u>271,705</u>
Other segment information						
Capital expenditure*	15,896	190	–	16,086	29	16,115
Income tax expense	<u>–</u>	<u>4,849</u>	<u>17</u>	<u>4,866</u>	<u>–</u>	<u>4,866</u>

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

(iii) *Geographical information*

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

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Continuing operations</i>		
Revenue		
– Hong Kong	2,052	47
– Mainland China	180,600	41,051
	182,652	41,098

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

	At 30 June	At 31 December
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
<i>Continuing operations</i>		
Non-current assets		
– Hong Kong	2,754	81
– Mainland China	96,539	62,995
	99,293	63,076

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

4 REVENUE

An analysis of revenue is as follows:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Continuing operations</i>		
Sale of agricultural produce	167,781	20,983
Money lending interest income	14,871	20,115
	182,652	41,098

5 OTHER GAINS

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Continuing operations</i>		
Amortisation of government grants	782	1,758
Bank interest income	9	4
Other interest income	11	14
Gain on disposal of a subsidiary	–	100
Rental income	127	109
Reversal of impairment of trade receivables	–	256
Reversal of impairment of other receivables	673	1,159
Reversal of impairment of inventories	–	60
Sundry income	668	138
	2,270	3,598

6 OTHER OPERATING EXPENSES

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Continuing operations</i>		
Foreign exchange losses, net	2,131	7,076
Loss on disposal of property, plant and equipment	–	4
Impairment losses of trade and other receivables	–	1,485
Impairment losses of loan receivables	–	4,578
Others	59	3
	<u>2,190</u>	<u>13,146</u>

7 FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Continuing operations</i>		
Interest expenses on bonds	1,867	–
Imputed interest expenses on convertible bonds	3,793	1,372
Imputed interest expenses on promissory notes	–	1,662
Interest on bank and other borrowings	2,211	4,653
Operating lease interest expenses	2,479	–
Finance lease charges	4	8
	<u>10,354</u>	<u>7,695</u>

8 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging:

	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
<i>Continuing operations</i>		
Staff costs (including directors' emoluments)		
Salaries and allowances	5,653	14,646
Retirement benefit costs	433	499
Discretionary bonus	23	–
Equity-settled share-based payment	–	–
Total staff costs	6,109	15,145
Cost of inventories recognised as an expense	165,538	22,598
Depreciation:		
– on owned assets	3,633	5,111
– on leased assets	–	183
Reversal of written off of inventories	–	60
Reversal of impairment losses of trade and other receivables	673	1,415
Loss arising from fair value change less costs to sell of biological assets	–	288
Operating lease depreciation	4,527	–
Minimum lease payments under operating leases	–	5,601
Equity-settled share-based payment		
Directors	–	–
Employees	–	–
Total equity-settled share-based payment	–	–

9 INCOME TAX EXPENSE

The tax rate applicable to the Group's Hong Kong subsidiaries were 16.5% (30 June 2018: 16.5%) during the six months ended 30 June 2019.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

No provision for Hong Kong Profits tax 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 People's Republic of China (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	
2019	2018
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

Continuing operations

Current tax – Enterprise Income Tax in Mainland China

– Provision for the period	1,268	2,884
– Over provision in respect of prior years	–	(219)
	<u>1,268</u>	<u>2,665</u>

10 LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to the owners of the Company of approximately HK\$20,893,000 (six months ended 30 June 2018: loss of approximately HK\$34,398,000) and the weighted average number of 66,897,883 (six months ended 30 June 2018 restated: 51,989,934) ordinary shares in issue during the period.

The weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share has been adjusted to take into effect of the share reorganisation on 25 April 2019 as set out in note 16 to the unaudited condensed consolidated financial statement as if it had been effective on 1 January 2018.

The computation of diluted loss per share for the six months ended 30 June 2019 and 2018 does not assume the conversion of the Company's preference shares and convertible bonds, and the exercise of the Company's share options since their assumed conversion and exercise are anti-dilutive. Therefore, the basic and diluted loss per share are the same.

From continuing operations

The calculation of basic loss per share is based on the Group's loss for the period attributable to the owners of the Company of approximately HK\$16,485,000 (six months ended 30 June 2018: loss of approximately HK\$36,720,000) and the weighted average number of 66,897,883 (six months ended 30 June 2018 restated: 51,989,934) ordinary shares in issue during the period.

The computation of diluted loss per share for the six months ended 30 June 2019 and 2018 does not assume the conversion of the Company's preference shares and convertible bonds, and the exercise of the Company's share options since their assumed conversion and exercise are anti-dilutive. Therefore, the basic and diluted loss per share are the same.

From discontinued operations

The calculation of basic loss per share is based on the Group's profit/(loss) attributable to the owners of the Company of approximately HK\$4,408,000 (six months ended 30 June 2018: profit of approximately HK\$2,322,000) and the weighted average number of 66,897,883 (six months ended 30 June 2018 restated: 51,989,934) ordinary shares in issue during the period.

The computation of diluted earnings/(loss) per share for the six months ended 30 June 2019 and 2018 does not assume the conversion of the Company's preference shares and convertible bonds, and the exercise of the Company's share options since their assumed conversion and exercise are anti-dilutive. Therefore, the basic and diluted earnings/(loss) per share are the same.

11 DIVIDEND

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

12 TRADE AND OTHER RECEIVABLES

		At
	At 30 June	31 December
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables arising from trading of agricultural produce	203,248	51,201
Less: Impairment	<u>(1,282)</u>	<u>(1,284)</u>
Total trade receivables	(a) <u>201,966</u>	<u>49,917</u>
Other receivables	15,248	15,367
Less: Impairment	<u>(8,379)</u>	<u>(9,036)</u>
Total other receivables	<u>6,869</u>	<u>6,331</u>
Deposits and prepayments	56,464	66,348
Less: Impairment	<u>(28,250)</u>	<u>(28,250)</u>
Total deposits and prepayments	<u>28,214</u>	<u>38,098</u>
	<u>237,049</u>	<u>94,346</u>

- (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 impairment losses, is as follows:

	At
	At 30 June
	2019
	HK\$'000
	(Unaudited)
0 – 60 days	50
61 – 120 days	39,376
Over 120 days	<u>162,540</u>
	<u>201,966</u>

31 December
2018
HK\$'000
(Audited)
27,858
11,878
<u>10,181</u>
<u>49,917</u>

13 LOAN RECEIVABLES

The Group's loan receivables arose from the money lending business. Loan receivables bear interest at rates range from 7.2% to 17% (31 December 2018: 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 At 30 June 2019 HK\$'000 (Unaudited)	At 31 December 2018 HK\$'000 (Audited)
Carrying amount receivable based on scheduled repayment dates set out in the loan agreements		
Within one year	219,812	293,139
Repayment on demand clause (shown under current assets)	<u>—</u>	<u>—</u>
	219,812	293,139
Less: Impairment	<u>(35,518)</u>	<u>(35,518)</u>
	184,294	257,621
Less: current portion	<u>(184,294)</u>	<u>(257,621)</u>
Non-current portion	<u><u>—</u></u>	<u><u>—</u></u>

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 approximately HK\$1,178,000 (31 December 2018: approximately HK\$6,916,000) and in Renminbi ("RMB") with amount of approximately HK\$218,634,000 (31 December 2018: approximately HK\$286,223,000), respectively.

Except for loan receivables of approximately HK\$218,651,000 before impairment (31 December 2018: approximately HK\$286,241,000) as at 30 June 2019, 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 At 30 June 2019 HK\$'000 (Unaudited)	At 31 December 2018 HK\$'000 (Audited)
Within 3 months	74,032	179,279
3 months to 1 year	<u>145,780</u>	<u>113,860</u>
	219,812	293,139
Less: Impairment	<u>(35,518)</u>	<u>(35,518)</u>
	<u>184,294</u>	<u>257,621</u>

14 TRADE AND OTHER PAYABLES

	At At 30 June 2019 HK\$'000 (Unaudited)	At 31 December 2018 HK\$'000 (Audited)
Trade payables arising from trading of agricultural produce	(a) 59,307	11,096
Accruals and other payables	<u>54,689</u>	<u>43,464</u>
	<u>113,996</u>	<u>54,560</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 At 30 June 2019 HK\$'000 (Unaudited)	At 31 December 2018 HK\$'000 (Audited)
0 – 60 days	41,431	2,134
61 – 120 days	10,513	783
Over 120 days	<u>7,363</u>	<u>8,179</u>
	<u>59,307</u>	<u>11,096</u>

15 CONVERTIBLE BONDS

(a) Convertible bonds issued on 7 February 2018 (“CB1”)

On 7 February 2018, the Company issued 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\$0.40 per share as a result of the capital reorganisation effective on 25 June 2018) per share to an independent third party.

The CB1 are denominated in Hong Kong dollars and carry an interest rate of 5% per annum. The holder of the CB1 is entitled to convert the CB1 into 1,000,000,000 ordinary shares (adjusted from 1,000,000,000 ordinary shares to 100,000,000 ordinary shares as a result of the capital reorganisation effective on 25 June 2018) of the Company (“Conversion Shares”) at initial conversion price of HK\$0.04 at any time from the date of issue to 7 February 2019. The Conversion Shares shall rank pari passu in all respects with all other existing shares outstanding at the date of the conversion.

The CB1 contain two components, liability component and equity component. At initial recognition, the fair value of liability of approximately HK\$38,505,000 was recognised with the residual value of approximately HK\$1,425,000, 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 CB1 of approximately HK\$2,148,000 was debited to profit or loss.

The CB1 matured on 7 February 2019 and no conversion rights had been exercised. During the six months ended 30 June 2019, the Company repaid HK\$3 million principal amount of CB1 to the holder. The outstanding principal amount and the interest accrued as at 30 June 2019 in a total sum of approximately HK\$40.7 million.

(b) Convertible bonds issued on 14 February 2019 (“CB2”)

On 14 February 2019, the Company issued convertible bonds with aggregate principal amount of HK\$39,500,000 were issued with conversion price of HK\$0.091 (adjusted from 0.091 to HK\$1.82 per share as a result of the capital reorganisation effective on 25 April 2019) per share to independent third parties.

The CB2 are denominated in Hong Kong Dollars and carry an interest rate of 5% per annum. The holders of the CB2 are entitled to convert the CB2 into 434,065,930 ordinary shares (adjusted from 434,065,930 ordinary shares to 21,703,295 ordinary shares as a result of the capital reorganisation effective on 24 April 2019) of the Company (“Conversion Shares”) at initial conversion price of HK\$0.091 at any time from the date of issue to 14 February 2020. The Conversion Shares shall rank pari passu in all respects with all other existing shares outstanding at the date of the conversion.

The CB2 contain two components, liability component and equity component. At initial recognition, the fair value of liability of approximately HK\$37,156,000 was recognised with the residual value of approximately HK\$2,264,000, representing equity component, presented in equity heading “convertible bonds reserve”.

Transaction costs relating to the liability component of approximately HK\$75,000 are included in the carrying amount of the liability portion.

The effective interest rate of the liability component is 11.4% per annum.

During the reporting period, interest charged on the CB2 of approximately HK\$1,279,000 was debited to profit or loss.

On 4 June 2019, CB2 with principal amount of HK\$39,500,000 were converted into 21,703,295 ordinary shares of the Company.

(c) Convertible bonds issued on 25 March 2019 (“CB3”)

On 25 March 2019, the Company issued convertible bonds with aggregate principal amount of HK\$18,592,000 with conversion price of HK\$0.083 per share (adjusted from HK\$0.083 to HK\$1.66 per share as a result of the capital reorganisation effective on 25 April 2019) to independent third parties.

The CB3 are denominated in Hong Kong Dollars and carry an interest rate of 5% per annum. The holders of CB3 are entitled to convert the CB3 into 224,000,000 ordinary shares (adjusted from 224,000,000 to 11,200,000 ordinary shares as a result of the capital reorganisation effective on 25 April 2019) of the Company (“Conversion Shares”) at any time from the date of issue to 25 March 2020. The Conversion Shares shall rank pari passu in all respects with all other existing shares outstanding at the date of the conversion.

The CB3 contain two components, liability component and equity component. At initial recognition, the fair value of liability of approximately HK\$17,395,000 was recognised with the residual value of approximately HK\$1,129,000, representing equity component, presented in equity heading “convertible bonds equity reserve”.

Transaction costs relating to the liability component of approximately HK\$64,000 are included in the carrying amount of the liability portion.

The effective interest rate of the liability component is 11.81% per annum.

During the reporting period, interest charged on the CB3 of approximately HK\$366,000 was debited to profit or loss.

On 29 May 2019, the CB3 with principal amount of HK\$18,592,000 were converted into 11,200,000 ordinary shares of the Company.

Movements of the liability component of convertible bonds are set out below:

	CB1	CB2	CB3	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 January 2019	41,577	–	–	41,577
Principal amount of CB issued during the reporting period	–	39,500	18,592	58,092
Transaction costs	–	(80)	(68)	(148)
Equity component	–	(2,264)	(1,129)	(3,393)
Liability component at beginning of the reporting period/date of issue	41,577	37,156	17,395	96,128
Repayment during the reporting period	(3,000)	–	–	(3,000)
Imputed interest charged*	2,148	1,279	366	3,793
Converted into ordinary shares of the Company	–	(38,435)	(17,761)	(56,196)
Liability component at 30 June 2019	<u>40,725</u>	<u>–</u>	<u>–</u>	<u>40,725</u>

* Imputed interest for the six months ended 2018: approximately HK\$1,372,000

16 SHARE CAPITAL

	At 31 December 2018	At 30 June 2019
<i>Notes</i>	<i>HK\$'000</i> (Audited)	<i>HK\$'000</i> (Unaudited)
Authorised:		
150,000,000,000 (31 December 2018: 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 2018: 10,000,000,000) preference shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
Issued and fully paid:		
94,521,681 (31 December 2018: 1,232,367,732) ordinary shares of HK\$0.01 each	946	12,324
3,030,000 (31 December 2018: 3,030,000) preference shares of HK\$0.01 each	(a) <u>30</u>	<u>30</u>
Total amount	<u>976</u>	<u>12,354</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 2018 and 1 January 2019 (Audited)	1,232,367,732	12,324
Reduction in the par value of each issued Shares from HK\$0.01 to HK\$0.0005; and consolidation of the Reduced Shares of every twenty (20) issued Reduced Shares of HK\$0.0005 each into one (1) consolidated Share of HK\$0.01 each	(b) (1,170,749,346)	(11,707)
Conversion of CB3 to ordinary shares	(c) 11,200,000	112
Conversion of CB2 to ordinary shares	(d) <u>21,703,295</u>	<u>217</u>
At 30 June 2019 (Unaudited)	<u>94,521,681</u>	<u>946</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) Save as disclosed in the Company's circular dated 1 April 2019 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 24 April 2019, the Capital Reorganisation has become effect on 25 April 2019 as details below.
 - i. Reduction in the par value of each issued Share from HK\$0.01 to HK\$0.0005 by cancelling paid up capital to the extent of HK\$0.0095 on each issued Share and round down of the total number of Consolidated Shares in the issued share capital of the Company 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 20 issued Reduced Shares of HK\$0.0005 each will be consolidated into one Consolidated Share of HK\$0.01 each.
- (c) On 29 May 2019, convertible bonds with an aggregate principal amount of HK\$18,592,000 were converted into 11,200,000 ordinary shares of the Company at a conversion price of HK\$1.66 each.
- (d) On 4 June 2019, convertible bonds with an aggregate principal amount of HK\$39,500,000 were converted into 21,703,295 ordinary shares of the Company at a conversion price of HK\$1.82 each.

17 SUBSEQUENT EVENT

On 24 July 2019, the Company offered share options (the "Options"), subject to acceptance of the grantees, to certain eligible persons under the share option scheme of the Company adopted on 6 June 2013, to subscribe for a total of 9,452,158 ordinary shares of HK\$0.01 each of the Company. Among the 9,452,158 Options, a total of 2,835,648 Options were granted to the Directors and a total of 6,616,510 Options were granted to other certain employees of the Company and its subsidiaries.

On 24 July 2019 and 23 August 2019, the Group entered into a thirteenth and fourteenth supplemental deeds respectively whereby the parties have agreed to extend the date for fulfillment of the conditions precedent set out in the sales and purchase agreement dated 25 May 2017 ("Agreement") with an independent third party to dispose the security brokerage business for a further 2 month to a date falling on the expiration of 28 months from the date of the Agreement.

Save as disclosed above, there is no material subsequent event undertaken by the Company or by the Group after 30 June 2019 and up to the date of this financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “Board”) of directors (the “Directors”) of China Finance Investment Holdings Limited (the “Company”), is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2019 (the “Reporting Period”).

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

FINANCIAL REVIEW

Results of Continuing Operations

During the Reporting Period, the Group’s revenue generated from continuing operations amounted to approximately HK\$182.7 million, representing an increase of approximately HK\$141.6 million or 344.4% from approximately HK\$41.1 million for the six months ended 30 June 2018 (the “Corresponding Period”). Such increase was contributed by the significant increase in revenue generated from the Agricultural Business of approximately HK\$146.8 million.

Gross profit of the Group during the Reporting Period was approximately HK\$8.7 million, representing a decrease of approximately HK\$8.1 million or 48.2% as compared to approximately HK\$16.8 million for the Corresponding Period, and the gross profit margin was 4.8% (30 June 2018: 40.9%). Please refer to the paragraph headed “Business Review” in this section for further details on the reasons of the increase in turnover and decrease in gross profit of the Group.

The Group recorded other gains in the net amount of approximately HK\$2.3 million during the Reporting Period, representing a decrease of approximately HK\$1.3 million or 36.1% as compared to approximately HK\$3.6 million for the Corresponding Period. Such decrease was mainly attributable to the decrease of government grants and no reversal of loss impairment of trade receivables during the Reporting Period compared with the Corresponding Period.

Selling and distribution expenses decreased by approximately HK\$12.8 million or 92.1% to approximately HK\$1.1 million (30 June 2018: approximately HK\$13.9 million). This decrease was mainly attributable to the decrease of the salaries, transportation and packaging costs of the agricultural produce as a result of the change of strategies of the Agricultural Business.

Administrative expenses decreased by approximately HK\$8.5 million or 40.5% to approximately HK\$12.5 million (30 June 2018: approximately HK\$21.0 million). Such improvement was mainly attributable to the decrease in staff costs (including directors' remuneration).

Other operating expenses was approximately HK\$2.2 million as compared with approximately HK\$13.1 million in the Corresponding Period. This significant decrease in operating expenses was mainly attributable to less depreciation of Renminbi during the Reporting Period resulting in an exchange loss, no impairment loss for trade receivables and no impairment loss for loan receivables during the Reporting Period as compared to the Corresponding Period.

The net loss of the Group for the Reporting Period was approximately HK\$20.9 million as compared to a net loss of approximately HK\$34.4 million for the Corresponding Period. Such decrease in loss for the Reporting Period was mainly due to a significant decrease in administrative expenses and other operating expenses as explained above.

Results of Discontinued Operations

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 business segments.

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

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

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

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

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

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

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

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

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

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

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

On 25 April 2019, the Group entered into a eleventh 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 24 months from the date of the Agreement.

On 24 May 2019, the Group entered into a twelfth 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 25 months from the date of the Agreement.

On 24 June 2019, the Group entered into a thirteenth 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 26 months from the date of the Agreement.

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

During the Reporting Period, the Securities Brokerage Business generated a revenue and a net loss of approximately HK\$0.68 million (30 June 2018: approximately HK\$7.2 million) and approximately HK\$4.4 million (30 June 2018: net profit approximately HK\$2.3 million) respectively. As at 30 June 2019, the Company is expected to record a gain on disposal in the amount of approximately HK\$11.8 million.

Investment in Internet Finance Business in Mainland China

The Group owns 25% of 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\$0.1 million (30 June 2018: approximately HK\$2.2 million) and the net loss was approximately HK\$1.9 million (30 June 2018: net profit approximately HK\$5.9 million).

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

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) the increase in production costs (including but not limited to labour and rental costs); and (iii) the worsening soil condition of certain farmlands, profitability of the Group’s Agricultural Business has been affected. To place viability as its top priority, the Group decisively adjusted its strategies by minimising inventory level, promoting sales at competitive prices and increasing liquidity. As a result, during the Reporting Period, the turnover of the Agricultural Business segment increased by approximately 699.0% to approximately HK\$167.8 million from approximately HK\$21.0 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\$6.1 million (30 June 2018: gross loss of approximately HK\$3.3 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 lands from regenerating. Therefore, in April 2018, the management engaged sub-contractors to apply a more conservative and eco-friendly method for cultivation. The management believed that conservative cultivation will be a sustainable way of minimising the decline of soil quality which can take minimal changes to the soil's natural condition and improving the soil's productivity that minimises the cost in the long run. The soil improvement started in May 2018 and completed in July 2018.

In late 2018, the Group started consolidating agricultural products from various labourhood farms and agricultural companies to process, package and sell to customers. In 2019, the Group also entered into long term co-operation agreements with certain agricultural companies in other provinces in Mainland China for broadening the agricultural bases and sourcing/subcontracting of the agricultural produce of the Group. Such changes of strategies would squeeze the gross profit margin of the Group.

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

Money Lending Business

Given increasingly stringent conventional bank lending requirements, licensed and non-bank money lenders provide another alternative for potential borrowers to obtain efficient and flexible liquidity solutions. This has driven an increase in demand for loan services in the money lending business, and creates 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 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 the Money Lending Business amounted to approximately HK\$14.9 million (30 June 2018: approximately HK\$20.1 million) and HK\$14.9 million (30 June 2018: approximately 20.1 million) respectively. The reason for the decrease in loan interest income and gross profit was a results of the Group switching its internal resources to Agricultural business. Outstanding loan principal and interest receivables amounted to approximately HK\$184.3 million (31 December 2018: approximately HK\$257.6 million). The average interest rate charged on the loans is 12.5% per annum. No material default event occurred as at 30 June 2019 and no provision of impairment loss for loan receivables was considered by the Group during the Reporting Period (31 December 2018: HK\$35.5 million).

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.

LIQUIDITY AND FINANCIAL RESOURCES

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

As at 30 June 2019, the Group had bank balances and cash of approximately HK\$1.3 million (31 December 2018: approximately HK\$4.8 million). Such decrease was mainly attributable to continue losses for the past few years. The Group’s quick ratio (measured by total current assets less inventories, biological assets, deposits and prepayments divided by total current liabilities) was approximately 1.32 times (31 December 2018: 1.42 times).

As at 30 June 2019, the total borrowings of the Group, which comprised of convertible bonds, bonds, promissory notes, bank and other borrowings and finance lease payables, amounted to approximately HK\$163.9 million of which, approximately HK\$16.0 million were secured by certain buildings, plant and machineries and motor vehicles of the Group. As at 31 December 2018, the total borrowings of the Group amounted to HK\$189.9 million of which, approximately HK\$16.0 million were secured by certain buildings, plant and machineries and motor vehicles of the Group. The borrowings in the amount of approximately HK\$133.0 million (31 December 2018: approximately HK\$162.5 million) were repayable within one year and HK\$30.9 million were repayable with no fixed repayment terms.

As at 30 June 2019, the Group had capital expenditure commitments of approximately HK\$0.8 million (31 December 2018: approximately HK\$0.8 million) which comprised of acquisition of properties, plants and equipments. The Group had commitments for future minimum lease payments under non-cancellable operating leases of approximately HK\$71.6 million (31 December 2018: approximately HK\$67.0 million). Operating lease payments represent rental payable by the Group for office premises and farmland. Leases are negotiated for fixed terms ranging from 1 to 26 years.

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.

TREASURY POLICY

The Group maintains a conservative approach on foreign exchange exposure management and ensures that its exposure to fluctuations in foreign exchange rates is minimised. The Group did not engage in any derivatives agreement and did not commit to any financial instruments to hedge its foreign exchange exposures during the six months ended 30 June 2019. The Group will continue to monitor its foreign exchange exposure closely and will consider hedging significant foreign currency exposure should the need arise.

The profile of the Group's external borrowings as at 30 June 2019 was as follows:

- (1) 41.56% were in Hong Kong dollars and 58.44% were in Renminbi;
- (2) 9.71% were bank loans, 24.84% were convertible bond loan, 34.78% were loan from Directors, 26.07% were bond loans and loan from others were 4.60%;
- (3) 81.10% were repayable within 1 year and 18.90% with no fixed repayment terms;
- (4) 64.48% were in fixed rate and 35.52% were interest free;
- (5) 9.80% were secured by certain buildings, plant and machineries and motor vehicles of the Group and 90.20% were unsecured loans.

The Group's policy is to maintain a significant portion of its debt at fixed interest rates. Interest rate risk is managed by secured fixed rate borrowings.

CAPITAL STRUCTURE AND GEARING RATIO

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

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

On 23 January 2018, the Company entered into a subscription agreement with Hui Jia Investments Limited (“Hui Jia”) pursuant to which the Company has conditionally agreed to issue and Hui Jia has conditionally agreed to subscribe for the convertible bonds in the principal amount of HK\$40 million with conversion price of HK\$0.04 per conversion share (adjusted from HK\$0.04 to HK\$0.4 per conversion share as a result of the capital reorganisation effected on 25 June 2018) under the general mandate granted to the Directors by the shareholders at the annual general meeting held on 16 June 2017 (“Conversion Bond A”). The conversion price of HK\$0.04 per conversion share (before capital reorganisation) represents a premium of approximately 17.65% to the closing price of HK\$0.034 per share as quoted on the Stock Exchange on 23 January 2018. The net conversation price was HK\$0.039 per conversion share (before capital reorganisation). All the conditions set out in the subscription agreement have been fulfilled subsequently and the subscription was completed on 7 February 2018 in accordance with the terms and conditions of the subscription agreement. The Convertible Bond A bears interest at the rate of 5% per annum and would mature on the date falling on the first anniversary of the date of issue. The gross and net proceeds from the subscription were HK\$40.0 million and approximately HK\$39.9 million respectively, that (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, approximately HK\$4.8 million for farmland rental and approximately HK\$2.3 million for staff costs; and (iii) approximately HK\$3.0 million used for the operating expenses of the Group. No conversion rights of the convertible bonds have been exercised by Hui Jia and the convertible bonds matured on 7 February 2019. The Company has been negotiating with Hui Jia about the repayment of the Convertible Bond A upon its expiry. On 20 February 2019, the Company received a repayment demand letter from Hui Jia, requesting the Company to repay the outstanding principal amount and the interest accrued in a total sum of approximately HK\$42.0 million and if such amount is not repaid within 7 days of the repayment demand letter, Hui Jia would institute legal proceedings against the Company without further notice. On 26 June 2019, the Company repaid HK\$3.0 million principal amount of Convertible Bond A to Hui Jia. The Group is still negotiating with Hui Jia regarding the outstanding principal amount and the interest accrued in a total sum of approximately HK\$40.7 million. There has been no material update on the above on this matter as at date of this announcement and further announcement will be made as and when appropriate.

On 18 July 2018, the Company entered into subscription agreements with five subscribers, namely Mr. Chen Xiangzhuan, Mr. Han Xuebing, Ms. Hu Chenxi, Mr. Wu Xianwei and Mr. Zhang Junta (collectively the “July 2018 Subscribers”), pursuant to which the Company has conditionally agreed to issue and the July 2018 Subscribers have conditionally agreed to subscribe for the convertible bonds in the principal amount of HK\$39.5 million with conversion price of HK\$0.091 per conversion share (adjusted from HK\$0.091 to HK\$1.82 per conversion share as a result of the Capital Reorganisation (as defined below) effected on 25 April 2019) under the special mandate approved by the shareholders of the Company at the special general meeting on 24 January 2019. The conversion price of HK\$0.091 per conversion share (before Capital Reorganisation) represents a premium of approximately 3.41% to the closing price of HK\$0.088 per share as quoted on the Stock Exchange on 18 July 2018. The net conversion price was HK\$0.0905 per conversion share (before Capital Reorganisation). All the conditions set out in the subscription agreements have been fulfilled and the subscriptions were completed on 14 February 2019 in accordance with the terms and conditions of the subscription agreements. The convertible bonds bear interest at the rate of 5% per annum and would mature on the date falling on the first anniversary of the date of issue. The gross and net proceeds from the subscription were approximately HK\$39.5 million and HK\$39.3 million respectively, which were used for repayment of the Group’s overdue debts owed to several individual creditors arising from borrowings to discharge operating expenses of the Group’s Agricultural Business. On 4 June 2019, the Company respectively issued and allotted 4,340,659 shares of HK\$0.01 to each of the July 2018 Subscribers (a total of 21,703,295 shares) upon exercise of conversion rights with the conversion price of HK\$1.82 per conversion share (after Capital Reorganisation) in respect of an aggregate principal amount of HK\$39.5 million of the convertible bonds issued by the Company on 14 February 2019.

On 4 March 2019, the Company entered into subscription agreements with four subscribers, namely Ms. Zhang Lizi, Mr. Zeng Yingxiang, Mr. Luo Yingling and Mr. Zhang Huifeng (collectively the “March 2019 Subscribers”), pursuant to which the Company has conditionally agreed to issue and the March 2019 Subscribers has conditionally agreed to subscribe for the convertible bonds in the principal amount of approximately HK\$18.6 million with conversion price of HK\$0.083 per conversion share (adjusted from HK\$0.083 to HK\$1.66 per conversion share as a result of the Capital Reorganisation effected on 25 April 2019) under the general mandate granted to the directors by the shareholders at the annual general meeting held on 15 June 2018. The conversion price of HK\$0.083 per conversion share (before Capital Reorganisation) represents a premium of approximately 5.06% to the closing price of HK\$0.079 per share as quoted on the Stock Exchange on 4 March 2019. The net conversion price was HK\$0.082 per conversion share (before Capital Reorganisation). All the conditions set out in the subscription agreements have been fulfilled subsequently and the subscription was completed on 25 March 2019 in accordance with the terms and conditions of the subscription agreements. The convertible bonds bear interest at the rate of 5% per annum and would mature on the date falling on the first anniversary of the date of issue. The gross and net proceeds from the subscription of approximately HK\$18.6 million and HK\$18.5 million respectively were used for repayment of debts. On 29 May 2019, the Company respectively issued and allotted 2,800,000 shares of HK\$0.01 to each of the March 2019 Subscribers (a total of 11,200,000 shares) upon exercise of conversion rights with the conversion price of HK\$1.66 per conversion share (after Capital Reorganisation) in respect of an aggregate principal amount of approximately HK\$18.6 million of the convertible bonds issued by the Company on 25 March 2019.

As at 30 June 2019, the net proceeds from the two tranches of convertible bonds issued during the Reporting Period had been utilized as follows:

Date of announcement	Net proceeds raised	Intended use of net proceeds	Actual use of proceeds
18 July 2018 (completed on 14 February 2019)	Approximately HK\$39,300,000	Approximately HK\$39,300,000 to be utilized for repayment overdue debts	Approximately HK\$39,300,000 was utilized for repayment overdue debts
4 March 2019 (completed on 25 March 2019)	Approximately HK\$18,500,000	Approximately HK\$18,500,000 to be utilized for repayment of debts	Approximately HK\$18,500,000 was utilized for repayment of debts

In the light of the above, during the Reporting Period, the Company issued and allotted a total number of 32,903,295 shares of HK\$0.01 each, resulting in a total number of 94,521,681 issued shares as at 30 June 2019.

On 18 March 2019, 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\$0.0005 by cancelling paid up capital to the extent of HK\$0.0095 on each issued share and round down of the total number of consolidated shares in the issued share capital of the Company (the “Capital Reduction”); and (ii) consolidation of the reduced shares on the basis that every 20 issued reduced shares of HK\$0.0005 each will be consolidated into one consolidated share of HK\$0.01 each (the “Share Consolidation”), which were duly passed in the special general meeting held by the Company on 24 April 2019. Following the fulfillment of all the conditions for the implementation of the Capital Reorganisation, the Capital Reorganisation became effective on 25 April 2019 upon which the number of issued shares of the Company was 1,232,367,732 shares of HK\$0.01 each consolidated into 61,618,386 of HK\$0.01 each. Details of the Capital Reorganisation were set out in the Company’s announcements dated 18 March 2019, 29 March 2019 and 24 April 2019, the next day disclosure return dated 25 April 2019 and the Company’s circular dated 29 March 2019.

As at 30 June 2019, the net debt to adjusted equity ratio was 0.44 (31 December 2018: 0.51). Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements. The Group’s gearing ratio as at 30 June 2019 was 0.8 (31 December 2018: 1.04), which was measured as total debt to total shareholders’ equity.

Mr. Lin Yuhao, a non-executive Director of the Company, has advanced an unsecured interest-free loan to the Group, the balance due to Mr. Lin Yuhao as at 30 June 2019 was approximately HK\$14,322,000. Mr. Lin Yupa, an executive Director of the Company, has advanced an unsecured interest-free loan to the Group, the balance due to Mr. Lin Yupa as at 30 June 2019 was approximately HK\$15,445,000.

SIGNIFICANT INVESTMENTS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Except the disclosure under section headed “Results of Discontinued Operations”, the Group did not have material acquisition or disposals of subsidiaries and associated companies during the six months ended 30 June 2019.

CHARGES ON GROUP’S ASSETS

As at 30 June 2019, certain buildings, plant and machinery and motor vehicles were pledged to secure bank loan and finance lease of the Group of approximately HK\$16.0 million (31 December 2018: approximately HK\$16.0 million).

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

As at 30 June 2019, the Group did not have any material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2019, the Group had a total of 73 (31 December 2018: 73) 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\$9.2 million (six months ended 30 June 2018: HK\$15.1 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, staff benefits offered by the Group to its employees include contribution to discretionary bonus, the mandatory provident fund scheme in Hong Kong and the central provident fund scheme in Mainland China. The Company has adopted a share option scheme on 6 June 2013 (the "Scheme"). Pursuant to the Scheme, the Board may, at its discretion, grant options to eligible employees, executive and non-executive Directors (including independent non-executive Directors) of the Group.

PROSPECTS

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

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

In order to expand the agricultural business, in late 2018, the Group started consolidating agricultural products from various labourhood farms and agricultural companies to process, package and sell to customers. In 2019, the Group also entered into long term co-operation agreements with certain agricultural companies in other provinces in Mainland China for broadening the agricultural bases and sourcing/subcontracting of the agricultural produce of the Group.

In 2018, the US-China trade war has begun, it is expected the trade war between the US and China will continue. It may impact the economy of China and the business of the Group as well.

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 2019 (six months ended 30 June 2018: 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 (the "Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "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, Mr. LI Shaohua, 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 14 June 2019.

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

EVENTS AFTER THE REPORTING DATE

Details of significant events occurring after the reporting date are set out in note 17 to the financial statements in this announcement.

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 2019. 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 report, 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 2019 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, 26 August 2019

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