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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of China Finance Investment Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2018 (the "**Corresponding Period**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December

	Note	2019 HK$'000	2018 HK$'000 (Re-presented)
Revenue	3	**311,422**	176,198
Cost of sales and services rendered		**(299,863)**	(125,029)
Gross profit		**11,559**	51,169
Other gains	5	**37,832**	8,660
Gain from fair value change less costs to sell of biological assets		**—**	1,071
Selling and distribution expenses		**(2,214)**	(28,789)
Administrative expenses		**(54,668)**	(54,761)
Other operating expenses	6	**(32,785)**	(64,897)
Share of result of an associate		**—**	(44,128)
Finance costs	7	**(15,089)**	(22,053)
Loss before taxation	8	**(55,365)**	(153,728)
Income tax expense	9	**(4,219)**	(4,866)
Loss for the year		**(59,584)**	(158,594)
Other comprehensive income, net of tax:			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences on translating foreign operations		**2,323**	1,363
Loss and total comprehensive income for the year attributable to owners of the Company		**(57,261)**	(157,231)
Loss attributable to owners of the Company:			
Owners of the Company		**(59,582)**	(158,594)
Non-controlling interests		**(2)**	—
		(59,584)	(158,594)

	Note	2019 HK$'000	2018 HK$'000 (Re-presented)
Total comprehensive loss attributable to owners of the Company:			
Owners of the Company		**(57,259)**	(157,231)
Non-controlling interests		**(2)**	—
		(57,261)	(157,231)
Loss per share (HK$)			
Basic	*10*	**(0.73)**	(2.84)
Diluted	*10*	**(0.73)**	(2.84)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December

	Note	**2019** *HK$'000*	2018 *HK$'000*
Non-current assets			
Property, plant and equipment		**44,651**	47,299
Right-of-use assets		**33,149**	—
Goodwill		**—**	15,777
Investment in an associate		**—**	—
Other non-current assets		**730**	—
		78,530	63,076
Current assets			
Inventories		**12,265**	12,880
Trade and other receivables	*11*	**288,596**	94,346
Loan receivables	*12*	**222,001**	257,621
Bank balances and cash		**37,267**	4,834
		560,129	369,681
Assets associated with disposal group held for sale		**—**	21,273
		560,129	390,954
Current liabilities			
Trade and other payables	*13*	**139,484**	54,560
Convertible bonds		**40,712**	41,577
Bonds		**31,340**	40,975
Promissory notes		**27,250**	—
Bank and other borrowings		**145,837**	79,822
Finance lease payables		**—**	171
Lease liabilities		**9,916**	—
Deferred income		**1,033**	1,081
Tax payables		**13,982**	10,455
		409,554	228,641
Liabilities associated with disposal group held for sale		**—**	11,410
		409,554	240,051
Net current assets		**150,575**	150,903
Total assets less current liabilities		**229,105**	213,979

	Note	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	*15*	**1,030**	12,354
Reserves		**182,027**	169,971
Equity attributable to owners of the Company		**183,057**	182,325
Non-controlling interests		**568**	—
Total equity		**183,625**	182,325
Non-current liabilities			
Bank and other borrowings		**6,705**	—
Lease liabilities		**35,557**	—
Promissory notes		**—**	27,250
Finance lease payables		**—**	73
Deferred income		**3,218**	4,331
		45,480	31,654
		229,105	213,979

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL INFORMATION

China Finance Investment Holdings Limited (the "**Company**") was incorporated in Bermuda as an exempted Company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of its registered office is Victor Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The principal place of business is Suite 1510, 15/F, Ocean Centre, Harbour City, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

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

2.1 BASIS OF PREPARATION

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

Material uncertainty related to going concern

For the year ended 31 December 2019, the Group incurred a loss of approximately HK$59,584,000 with net cash outflow from operating activities before working capital changes of approximately HK$32,227,000 and as at 31 December 2019, the Group had bank balances and cash of approximately HK$37,267,000, in contrast, the Group's convertible bonds of approximately HK$40,712,000 was overdue. In addition, the Group's promissory notes, bonds and bank and other borrowings of approximately HK$27,250,000, HK$31,340,000 and HK$145,837,000 respectively are subject to be fully repaid within the next twelve months or on demand. Based on the current liquidity position of the Group, the Group might have financial uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group.

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

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

- the directors of the Company have been taking various cost control measures to tighten the costs of operations and implementing various strategies to enhance the Group's revenue;
- capitalisation of outstanding other borrowings amounting to approximately HK$56,000,000 payable to Mr. Lin Yuhao, a non-executive director of the Company, as part of the consideration for subscribing 200,000,000 ordinary shares of the Company at subscription price of HK$0.65 each under the specific mandate and the whitewash waiver ("**Subscription**");
- the directors will not demand for repayment of other borrowings payable to them after completion of the Subscription until the Group is financially capable to do so;
- negotiating with bankers and lenders to extend the repayment terms of bank and other borrowings;
- proceeds of approximately HK$74,000,000 to be received upon completion of the Subscription; and
- after completion of the Subscription, Mr. Lin Yuhao agreed to remain supportive and committed to the Group financially to further develop and manage the Group's operation continuously.

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

2.2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a new HKFRS, HKFRS 16 Leases, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, none of the developments have had a material effect on how the Company's results and financial position for the current or prior periods have been prepared or presented. The Company has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16 supersedes HKAS 17 Leases, and the related interpretations, (HK) IFRIC 4 Determining whether an Arrangement contains a Lease, (HK) SIC 15 Operating Leases-Incentives and (HK) SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. HKFRS 16 introduced a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and leases of low-value assets.

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 or leases where the Group is the lessor. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are exempt.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied the incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied is 10%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;

(ii) applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in a similar economic environment;

(iii) used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension options;

(iv) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and

(v) relied on the assessment of whether leases are onerous by applying HKAS 37 as an alternative to an impairment review.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	HK$'000
Operating lease commitments disclosed as at 31 December 2018	67,040
Less: total future interest expenses	(15,747)
Exchange difference	(6,308)
Present value of remaining lease payments, discounted using the incremental borrowing rate of 10% and lease liabilities recognised as at 1 January 2019	44,985
Add: finance lease liabilities recognised as at 31 December 2018	244
Lease liabiltities recognised as at 1 January 2019	45,229
Of which are:	
Current lease liabilities	7,136
Non-current lease liabilities	38,093
	45,229

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of consolidated financial position at 31 December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "Finance leases payables", these amounts are included within "Lease liabilities", and the depreciated carrying amount of the corresponding leased assets is identified as right-of-use assets. There is no impact on the opening balance of equity.

The following table summaries the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

			Effects of adoption of HKFRS 16		
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16	*Note*	**Carrying amount as at 31 December 2018** *HK$'000*	**Re-classification** *HK$'000*	**Recognition of leases** *HK$'000*	**Carrying amount as at 1 January 2019** *HK$'000*
Assets					
Right-of-use assets		—	—	30,280	30,280
Liabilities					
Lease liabilities		—	244	44,985	45,229
Finance lease payables	*(i)*	244	(244)	—	—

Note:

(i) The Group reclassified the obligation under finance leases of approximately HK$171,000 and HK$73,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.

(c) Impact of the financial results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their principal element and interest element. These elements are classified as financing cash outflows and operating cash outflows respectively. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

The following tables give an indication of the estimated impact of the adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply in 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16	**Add back: HKFRS 16 depreciation and interest expense**	**Deduct: estimated amounts related to operating lease as if under HKAS 17** *(note 1)*	**Hypothetical amounts for 2019 as if under HKAS 17**	Compared to amounts reported for 2018 under HKAS 17
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*
Financial result for year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Loss from operation	**(40,276)**	**8,335**	**(13,951)**	**(45,892)**	(131,675)
Finance costs	**(15,089)**	**4,920**	**—**	**(10,169)**	(22,053)
Loss before tax and loss for the year	**(55,365)**	**13,255**	**(13,951)**	**(56,061)**	(153,728)

	2019			2018
	Amounts reported under HKFRS 16	**Estimated amounts related to operating leases as if under HKAS 17** *(note(s) 1 & 2)*	**Hypothetical amounts for 2019 as if under HKAS 17**	Compared to amounts reported for 2018 under HKAS 17
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*
Line items in the consolidated cash flow statement for year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash used in operations	**(86,952)**	**(13,951)**	**(100,903)**	(104,649)
Interest element of lease rentals paid	**(4,920)**	**4,913**	**(7)**	—
Net cash used in operating activities	**(91,911)**	**(9,038)**	**(100,949)**	(104,675)
Capital element of lease rentals paid	**(9,209)**	**9,038**	**(171)**	—
Net cash from financing activities	**111,073**	**9,038**	**120,111**	120,868

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no difference between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash used in operating activities and net cash from financing activities as if HKAS 17 still applied.

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2019. These new and revised HKFRSs include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3 Definition of a Business	1 January 2020
Amendments to HKAS 1 and HKAS 8 Definition of Material	1 January 2020
Amendments to HKFRS 9, HKAS 39 and HKFRS 7 Interest Rate Benchmark Reform	1 January 2020

The Group is in the process of making an assessment of what the impact of these amendments and new standards 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 consolidated financial statements

3. REVENUE

An analysis of revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
		(re-presented)
Recognised at point in time:		
Sale of agricultural produce	**284,244**	118,079
Securities trading income	**1,446**	18,977
Recognised over time:		
Money lending interest income	**25,732**	39,142
	311,422	176,198

4. SEGMENT INFORMATION

Operating segment information

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

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

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

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

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

(i) Information about profit or loss

	2019				
	Agricultural produce *HK$'000*	**Money lending** *HK$'000*	**Securities broking** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Revenue					
Reportable segment revenue	284,244	25,732	1,446	—	311,422
(Loss)/profit					
Reportable segment (loss)/profit (adjusted (LBITDA)/EBITDA)	(26,428)	20,782	(7,808)	—	(13,454)
Depreciation	(6,469)	(97)	(1,238)	(79)	(7,883)
Impairment loss of trade receivables	(4,964)	—	—	—	(4,964)
Impairment loss of other receivables	(12)	(34)	—	—	(46)
Finance costs	(7,244)	(51)	(244)	(7,550)	(15,089)
Government grants	1,501	—	—	—	1,501
Gain on deregistration of a subsidiary	1,065	—	—	—	1,065
Right-of-use asset depreciation	(3,996)	(979)	(1,752)	(1,608)	(8,335)
Impairment losses of goodwill	—	(15,777)	—	—	(15,777)
Reversal of Impairment losses of trade receivables	342	—	—	—	342
Reversal of Impairment losses of other receivables	930	—	—	—	930
Interest income	7	4	—	11	22
Reversal of impairment losses on loan receivables	—	32,265	—	—	32,265
Impairment losses on inventories	(410)	—	—	—	(410)
Share-based payment transactions	(1,838)	(2,704)	—	(2,217)	(6,759)
Unallocated head office and corporated income	—	—	—	520	520
Unallocated head office and corporate expenses	—	—	—	(19,293)	(19,293)
Consolidated (loss)/profit before taxation	(47,516)	33,409	(11,042)	(30,216)	(55,365)

	2018 (re-presented)				
	Agricultural produce	Money lending	Securities broking	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue					
Reportable segment revenue	118,079	39,142	18,977	—	176,198
(Loss)/profit					
Reportable segment (loss)/profit (adjusted (LBITDA)/EBITDA)	(35,637)	32,651	3,061	—	75
Depreciation	(7,493)	(108)	—	(2,428)	(10,029)
Finance costs	(13,501)	—	—	(8,552)	(22,053)
Government grants	2,376	—	—	—	2,376
Interest income	3	2	—	29	34
Share-based payment transactions	(1,241)	(2,458)	—	(248)	(3,947)
Share of result and impairment losses of an associate	—	—	—	(44,128)	(44,128)
Gain on disposal of a subsidiary	—	—	—	100	100
Impairment losses of goodwill	—	(34,955)	—	—	(34,955)
Reversal of impairment on inventories	60	—	—	—	60
Impairment losses of loan receivables	—	(8,496)	—	—	(8,496)
Reversal of impairment losses on trade receivables	1,808	—	—	—	1,808
Reversal of impairment on other receivables	1,132	—	—	—	1,132
Unallocated head office and corporated income	—	—	—	461	461
Unallocated head office and corporate expenses	—	—	—	(36,166)	(36,166)
Consolidated (loss)/profit before taxation	(52,493)	(13,364)	3,061	(90,932)	(153,728)

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

(ii) Reconciliations of reportable segment assets and liabilities

	Agricultural produce *HK$'000*	Money lending *HK$'000*	2019 Securities broking *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Assets					
Reportable segment assets	**393,215**	**222,348**	**19,701**	**—**	**635,264**
Goodwill	—	—	—	—	—
Unallocated head office and corporate assets	—	—	—	3,395	3,395
Consolidated total assets	393,215	222,348	19,701	3,395	638,659
Liabilities					
Reportable segment liabilities	**274,212**	**28,745**	**12,489**	**—**	**315,446**
Convertible bonds	—	—	—	40,712	40,712
Bonds	—	—	—	31,340	31,340
Promissory notes	—	—	—	27,250	27,250
Unallocated head office and corporate liabilities	—	—	—	40,286	40,286
Consolidated total liabilities	274,212	28,745	12,489	139,588	455,034
Other segment information					
Capital expenditure *(Note)*	5,370	—	—	—	5,370
Income tax expense	—	4,219	—	—	4,219

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

	2018 (re-presented)				
	Agricultural produce	Money lending	Securities broking	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets					
Reportable segment assets	149,755	262,604	21,273	—	433,632
Goodwill	—	15,777	—	—	15,777
Unallocated head office and corporate assets	—	—	—	4,621	4,621
Consolidated total assets	149,755	278,381	21,273	4,621	454,030
Liabilities					
Reportable segment liabilities	110,889	12,725	11,410	—	135,024
Convertible bonds	—	—	—	41,577	41,577
Bonds	—	—	—	40,975	40,975
Promissory notes	—	—	—	27,250	27,250
Unallocated head office and corporate liabilities	—	—	—	26,879	26,879
Consolidated total liabilities	110,889	12,725	11,410	136,681	271,705
Other segment information					
Capital expenditure *(Note)*	15,896	190	29	—	16,115
Income tax expense	—	4,849	—	17	4,866

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

(iii) Geographical information

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

	2019	2018
	HK$'000	*HK$'000*
		(re-presented)
Revenue		
— Hong Kong	**3,536**	19,060
— the PRC	**307,886**	157,138
	311,422	176,198

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

	2019	2018
	HK$'000	*HK$'000*
Non-current assets		
— Hong Kong	**4,114**	81
— the PRC	**74,416**	62,995
	78,530	63,076

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

(iv) Information about major customers

The Group's customer base included five (2018: two) customers with whom transactions have exceed 10% of its revenue during the years is set out below:

	2019	2018
	HK$'000	*HK$'000*
Customer A — Agricultural produce	**—**	61,134
Customer B — Agricultural produce	**—**	30,310
Customer C — Agricultural produce	**49,224**	—
Customer D — Agricultural produce	**32,536**	—
Customer E — Agricultural produce	**32,295**	—
Customer F — Agricultural produce	**31,278**	—
Customer G — Agricultural produce	**30,881**	—

5. OTHER GAINS

	2019	2018
	HK$'000	*HK$'000*
		(re-presented)
Government grants	**1,501**	2,376
Bank interest income	**11**	5
Other interest income	**11**	29
Gain on disposal of items of property, plant and equipment	**—**	2,096
Gain on disposal of a subsidiary	**—**	100
Gain on deregistration of a subsidiary	**1,065**	—
Rental income	**191**	212
Reversal of impairment of trade receivables	**342**	1,807
Reversal of impairment of other receivables	**930**	1,132
Reversal of impairment of inventories	**—**	60
Reversal of impairment of loan receivable	**32,265**	—
Sundry income	**1,516**	843
	37,832	8,660

6. OTHER OPERATING EXPENSES

	2019	2018
	HK$'000	*HK$'000*
Foreign exchange losses, net	**11,588**	21,443
Impairment losses of goodwill	**15,777**	34,955
Impairment losses of trade receivables	**4,964**	—
Impairment losses of loan receivables	**—**	8,496
Impairment losses of other receivables	**46**	—
Allowance for inventories	**410**	—
Others	**—**	3
	32,785	64,897

7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest expenses on lease liabilities (2018: Finance lease charges)	**4,920**	14
Interest expenses on bonds	**3,470**	2,794
Interest expenses on convertible bonds	**3,782**	3,101
Interest expenses on promissory notes	**—**	2,480
Interest on bank and other borrowings	**2,917**	13,664
	15,089	22,053

8. LOSS BEFORE TAXATION

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

	2019	2018
	HK$'000	*HK$'000*
		(re-presented)
Staff costs (including directors' emoluments)		
Salaries and allowances	**17,943**	32,969
Retirement benefit costs	**1,016**	1,224
Discretionary bonus	**23**	—
Equity-settled share-based payment	**6,759**	3,947
Total staff costs	**25,741**	38,140
Auditor's remuneration	**750**	730
Cost of inventories recognised as an expense	**299,072**	110,397
Depreciation:		
— on owned assets	**7,883**	9,724
— on right-of-use assets (2018: leased assets)	**8,335**	305
Impairment losses of goodwill	**15,777**	34,955
Impairment losses of trade receivables	**4,964**	—
Impairment losses of other receivables	**46**	—
Reversal of impairment losses of trade receivables	**(342)**	(1,808)
Reversal of impairment losses of other receivables	**(930)**	(1,132)
Impairment losses of loan receivables	**—**	8,496
Reversal of impairment losses of loan receivables	**(32,265)**	—
Allowance for inventories	**410**	—
Gain on disposal of a subsidiary	**—**	(100)
Gain on deregistration of a subsidiary	**(1,065)**	—
Gain arising from fair value change less costs to sell of biological assets	**—**	(1,071)
Minimum lease payments under operating leases	**—**	12,731
Equity-settled share-based payment		
Directors	**2,028**	246
Employees	**4,731**	3,701
Total equity-settled share-based payment	**6,759**	3,947

For both years, no director has waived any emoluments.

9. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
EIT in the PRC		
Provision for the year	**4,219**	4,866
	4,219	4,866

The tax rate applicable to the Group's Hong Kong subsidiaries were 16.5% (2018: 16.5%) during the year ended 31 December 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 is required as the Group's Hong Kong subsidiaries did not have assessable profit during the year ended 31 December 2019 (2018: Nil).

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

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

10. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to the owners of the Company of approximately HK$59,582,000 (2018: HK$158,594,000) and the weighted average number of 82,073,423 (2018 restated: 55,865,527) ordinary shares in issue during the year.

The computation of diluted loss per share for the years ended 31 December 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 would result in a decrease in loss per share. Therefore, the basic and diluted loss per share are the same.

For the years ended 31 December 2019 and 2018, the weighted average number of ordinary shares for the purpose of basic and diluted loss per share has been adjusted to take into effect of the Capital reorganisation on 25 April 2019 as if it had been effective on 1 January 2018.

11. TRADE AND OTHER RECEIVABLES

	Notes	2019 HK$'000	2018 HK$'000
Trade receivables arising from trading of agricultural produce		**285,065**	51,201
Less: impairment		**(5,883)**	(1,284)
Total trade receivables	*(a)*	**279,182**	49,917
Accounts receivable arising from dealing in securities — Margin clients and broker receivables		**1,850**	—
Total accounts receivable	*(b)*	**1,850**	—
Other receivables		**9,202**	15,367
Less: impairment	*(c)*	**(8,145)**	(9,036)
Total other receivables		**1,057**	6,331
Deposits and prepayments	*(d)*	**34,757**	66,348
Less: impairment		**(28,250)**	(28,250)
Total deposits and prepayments		**6,507**	38,098
		288,596	94,346

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

	2019 HK$'000	2018 HK$'000
0 — 60 days	**35,362**	27,858
61 — 120 days	**16,737**	11,878
Over 120 days	**227,083**	10,181
	279,182	49,917

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

	2019	2018
	HK$'000	*HK$'000*
Less than 60 days past due	**16,737**	11,878
Over 60 days past due	**227,083**	10,181
	243,820	22,059

The movements in impairment of trade receivables are as follows:

	2019	2018
	HK$'000	*HK$'000*
At 1 January	**1,284**	1,373
Recognition of ECL as at 1 January 2018	**—**	1,945
Impairment loss recognised	**4,964**	—
Reversal of impairment loss	**(342)**	(1,808)
Exchange realignment	**(23)**	(226)
At 31 December	**5,883**	1,284

Included in the above, no trade receivables (2018: HK$Nil) are individually impaired which have been considered not recoverable. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

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

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

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

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

As at 31 December 2018, the balance of accounts receivable is classified as "Assets associated with disposal group held for sale".

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

	2019 HK$'000	2018 HK$'000
At 1 January	**9,036**	10,185
Impairment loss recognised	**46**	—
Reversal of impairment loss	**(930)**	(1,132)
Exchange realignment	**(7)**	(17)
At 31 December	**8,145**	9,036

(d) Included in the amount of approximately HK$28,250,000, being deposit of acquiring properties from Elite One International Holdings Limited which has been fully impaired. The rest are rental deposits and prepayments.

There is no movement in impairment of deposits and prepayments for both years.

12. LOAN RECEIVABLES

The Group's loan receivables arose from the money lending business. Loan receivables bear interest at rates range from 7.2% to 48% (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.

	2019 HK$'000	2018 HK$'000
Carrying amount of receivables based on scheduled repayment dates set out in the loan agreements		
Within one year	**165,454**	257,621
Repayment on demand clause (shown under current assets)	**56,547**	—
	222,001	257,621
Less: current portion	**(222,001)**	(257,621)
Non-current portion	**—**	—

The Group's loan receivables, which arise from money lending business of providing property mortgage loans and personal loans in Hong Kong and in the PRC, are denominated in HK$ with amount approximately HK$224,076,000 (2018: HK$6,916,000) and in Renminbi ("**RMB**") with amount of approximately HK$1,178,000 (2018: HK$286,223,000), respectively.

Except for loan receivables of approximately HK$224,094,000 before impairment (2018: HK$286,241,000 before impairment) as at 31 December 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 with fixed terms agreed with the customers. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the loan receivables mentioned above.

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

	2019 *HK$'000*	2018 *HK$'000*
Receivable:		
Within 3 months	**38,007**	144,843
3 months to 1 year	**127,447**	112,778
Over 1 year (with repayment on demand clause)	**56,547**	—
	222,001	257,621

The movements in impairment of loan receivables are as follows:

	2019 *HK$'000*	2018 *HK$'000*
At 1 January	**35,518**	—
Recognition of ECL as at 1 January 2018	**—**	27,022
Reversal of impairment loss	**(32,265)**	—
Impairment loss recognised	**—**	8,496
As 31 December	**3,253**	35,518

13. TRADE AND OTHER PAYABLES

	Notes	2019 *HK$'000*	2018 *HK$'000*
Trade payables arising from trading of agricultural produce	*(a)*	**81,358**	11,096
Accounts payable arising from dealing in securities			
— Cash clients		**6**	—
— Clearing houses		**10,567**	—
Total accounts payable	*(b)*	**10,573**	—
Accruals and other payables		**47,553**	43,464
		139,484	54,560

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

	2019	2018
	HK$'000	*HK$'000*
0 — 60 days	**16,858**	2,134
61 — 120 days	**16,154**	783
Over 120 days	**48,346**	8,179
	81,358	11,096

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

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

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

Accounts payable to clients also include those payables placed in trust accounts with authorised institutions of approximately HK$10,573,000 (2018: HK$10,782,000).

14. OPERATING LEASE

At 31 December 2018, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of office premises and farmland as follows:

	2018
	HK$'000
Within one year	13,911
In the second to fifth years	34,647
Over five years	18,482
	67,040

During the year ended 31 December 2018, operating lease payments represent rentals payable by the Group for certain of its offices premises and farmland. For the year ended 31 December 2018, leases are negotiated for an average term of 1 to 26 years and rentals are fixed over the lease terms and do not include contingent rentals.

15. SHARE CAPITAL

	Notes	**2019** **HK$'000**	2018 HK$'000
Authorised:			
150,000,000,000 (2018: 150,000,000,000) ordinary shares of HK$0.01 each		**1,500,000**	1,500,000
10,000,000,000 (2018: 10,000,000,000) preference shares of HK$0.01 each		**100,000**	100,000
Issued and fully paid:			
100,022,838 (2018: 1,232,367,732) ordinary shares of HK$0.01 each		**1,000**	12,324
3,030,000 (2018: 3,030,000) preference shares of HK$0.01 each	*(a)*	**30**	30
Total amount		**1,030**	12,354

		No of shares	**Amount** *HK$'000*
At 1 January 2018		10,296,137,217	102,961
Conversion of convertible bonds to ordinary shares	*(b)*	921,739,130	9,218
Capital reorganisation	*(c)*	(10,096,088,713)	(100,961)
Issue of ordinary shares under share option scheme	*(d)*	8,412,658	84
Issue of ordinary shares under share option scheme	*(e)*	102,167,440	1,022
At 31 December 2018 and 1 January 2019		1,232,367,732	12,324
Capital reorganisation	*(f)*	**(1,170,749,346)**	**(11,707)**
Conversion of convertible bond to ordinary shares	*(g)*	**11,200,000**	**112**
Conversion of convertible bond to ordinary shares	*(h)*	**21,703,295**	**217**
Issue of ordinary shares under share option scheme	*(i)*	**472,608**	**4**
Issue of ordinary shares under share option scheme	*(i)*	**5,028,549**	**50**
At 31 December 2019		**100,022,838**	**1,000**

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 2012. According to the terms of the preference share policy, one preference share is eligible to convert into one new ordinary share any time no earlier than one year from the date of issue.

(b) On 11 June 2018, convertible bonds with an aggregate principal amount of HK$21,200,000 were converted into 921,739,130 ordinary shares of the Company at a conversion price of HK$0.023 each.

(c) Pursuant to a special resolution passed by shareholders at special general meeting of the Company on 22 June 2018, the Company effected the capital reorganisation (the "**Capital Reorganisation 2018**") which comprise the followings:

    (i) reduction in the par value of each issued ordinary share of the Company from HK$0.01 to HK$0.001 by cancelling paid up capital to the extent of HK$0.009 on each issued ordinary share ("**Capital Reduction**"); and

    (ii) consolidation of the issued ordinary shares of the Company immediately after the Capital Reduction ("**Reduced Shares**") on the basis that every 10 issued Reduced Shares of HK$0.001 each will be consolidated into one ordinary share of HK$0.01 each.

    Details of the Capital Reorganisation 2018 are set out in the Company's announcements dated 15 May 2018, 25 May 2018 and 28 May 2018.

(d) On 24 July 2018, 8,412,658 share options were exercised to subscribe for 8,412,658 ordinary shares of the Company at the consideration of approximately HK$759,000 of which approximately HK$84,000 was credited to share capital and the balance of approximately HK$675,000 was credited to the share premium account. Amount of approximately HK$290,000 has been transferred from share options reserve to the share premium account in accordance with the accounting policy adopted by the Company.

(e) On 7 September 2018, 102,167,440 share options were exercised to subscribe for 102,167,440 ordinary shares of the Company at the consideration of approximately HK$9,216,000 of which approximately HK$1,022,000 was credited to share capital and the balance of approximately HK$8,194,000 was credited to the share premium account. Amount of approximately HK$3,574,000 has been transferred from share options reserve to the share premium account in accordance with the accounting policy adopted by the Company.

(f) Save as disclosed in the Company's circular dated 1 April 2019 in respect of a proposed capital reorganisation ("**Capital Reorganisation 2019**") which was approved by the Shareholders of the Company in a special general meeting of the Company on 24 April 2019, the Capital Reorganisation 2019 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 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.

(g) 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.

(h) 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.

(i) During the year ended 31 December 2019, 5,501,157 share options were exercised to subscribe for 5,501,157 ordinary shares of the Company at the consideration of approximately HK$6,349,000 of which approximately HK$55,000 was credited to share capital and the balance of approximately HK$6,294,000 was credited to the share premium account. Amount of approximately HK$3,934,000 has been transferred from share options reserve to the share premium account in accordance with the accounting policy adopted by the Company.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance. The capital structure of the Group comprises all components of shareholders' equity.

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 and may adjust the ratio through dividend payments, issuing new shares, raising new debt financing or selling assets to reduce existing debts. The net debt to adjusted equity ratio as at 31 December 2019 is 0.51 (2018: 0.51).

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit from the date of the Listing. As of 31 December 2019, approximately 93.76% (2018: 91.96%) of the shares were in public hands.

16. EVENTS AFTER THE REPORTING PERIOD

(a) Issuance of subscription shares to a connected person under specific mandate

Subsequent the end of reporting period, the Company, Sino Richest Investment Holdings Limited (the "**Subscriber**") and Mr. Lin Yuhao, a non-executive director of the Company and also the ultimate beneficial owner of the Subscriber, entered into a subscription agreement (as amended and supplemented by the supplemental agreement) on 17 January 2020, pursuant to which Mr. Lin Yuhao agrees to waive and release the outstanding indebtedness in the equivalent amount of approximately HK$56,000,000 owed by the Company to him under the interest-free personal loans as part of the consideration for the subscription of 200,000,000 ordinary shares of the Company at the subscription price of HK$0.65 per share ("**Subscription Shares**); and the Company has conditionally agreed to allot and issue the Subscription Shares to the Subscriber under the specific mandate and the whitewash waiver (the "**Subscription**").

Details of the Subscriptions were set out in the Company's announcements and circular dated 6 February 2020, 27 February 2020, 19 March 2020 and 20 March 2020.

As of the approval date on this announcement, the Subscription has yet been completed.

(b) Since early 2020, the epidemic of Coronavirus Disease 2019 (COVID-19) (the "**COVID-19 outbreak**") has spread across China and other countries which has affected the businesses and economic activities of the Group to some extent. The Group's businesses in 2020 could possibly be affected by the global economic curtailment. The overall financial effect cannot be reliably estimated as of the date of these consolidated financial statements. The Group will closely monitor the development of the COVID-19 outbreak and continue to evaluate its impact on the business, the financial position and operating results of the Group.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract from the report issued by McMillan Woods (Hong Kong) CPA Limited, the Company's auditor, on the consolidated financial statements of the Group for the year ended 31 December 2019:

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institution of Certified Public Accountants (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Material Uncertainty Related to Going Concern

We draw attention to note 2.1 to the consolidated financial statements which reveals that the Group incurred a loss of approximately HK$59,584,000 with net cash outflow from operating activities before working capital changes of approximately HK$33,227,000 for the year ended 31 December 2019 and as at 31 December 2019, the Group had bank balances and cash of approximately HK$37,267,000, in contrast, the Group's convertible bonds of approximately HK$40,712,000 was overdue. In addition, the Group's promissory notes, bonds and bank and other borrowings of approximately HK$27,250,000, HK$31,340,000 and HK$145,837,000 respectively are subject to be fully repaid within the next twelve months or on demand. Based on the current liquidity position of the Group, the Group might have financial uncertainties which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group will be able to successfully achieve the outcomes as set forth in note 2.1 to the consolidated financial statements to meet its overdue financial obligations from time to time. Our opinion is not modified in respect of this matter.

PRELIMINARY ANNOUNCEMENT OF THE RESULTS AGREED BY AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this preliminary announcement have been agreed by the Group's auditor, McMillan Woods (Hong Kong) CPA Limited, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2019. The work performed by McMillan Woods (Hong Kong) CPA Limited in this respect did not constitute as assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by McMillan Woods (Hong Kong) CPA Limited on the preliminary announcement.

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the year ended 31 December 2019 (2018: Nil) to the holders of both ordinary shares and preference shares of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Agriculture Business

Due to (i) fierce competition in the agricultural market and the general decreasing trend in average selling price of vegetables; (ii) increase in production costs; 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 140.7% to approximately HK$284.2 million from approximately HK$118.1 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$18.8 million (31 December 2018: gross profit of HK$4.3 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 would 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 seriously declined because of the previous cultivation methods and the use of chemical fertilisers, which prevent the land from regenerating. Therefore, the Company currently intends to search and lease a new farmland in Guangdong to expand our agricultural business.

The Group started consolidating agricultural products from various labourhood farms and agricultural companies to process, package and sell to customers. In 2019, the Group also entered into long term co-operation agreements with certain agricultural companies in other provinces in the People's Republic of China (the "**PRC**") for broadening the agricultural bases and sourcing/subcontracting of the agricultural produce of the Group.

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

Money Lending Business

Following the completion of the acquisition of Shenzhen Taihengfeng Technology Company Limited# and its subsidiaries (the "**Taihengfeng Group**") in November 2016, the Group expanded into the micro finance business sector in Shenzhen, the PRC through the provision of personal loans and corporate loans services. Given increasingly stringent conventional bank lending requirements, licensed and non-bank money lenders, like the Taihengfeng Group (acting as offline non-bank money lenders) or other Peer to Peer ("**P2P**") internet-based lending platforms in the PRC. The Regulation and Rectification of the "Cash Loan" business (i.e. Circular 141); Notice on Review of the Rectification Measures by P2P Lending Intermediaries to Improve Lending Risks (i.e. Circular 57) took place in December 2017 and Remediation Officer Letter 2018 No.175 (together, the "**Relevant Online Lending Regulations**") became effective in December 2018. On 1 March 2019, Shenzhen Internet Finance Association issued a notice for the consultation of guidelines for the exit of the internet finance industry under the category of P2P internet lending companies which drove P2P platforms to shrink dramatically after such regulatory and industry reform.

Apparently, such crackdown of the P2P platforms means a reduction in financing channels for small and medium-sized enterprises (SMEs), which led to a restructuring of the money lending industry in the PRC.

As the Relevant Online Lending Regulations became effective in December 2018, the Money Lending Business of the Group was impacted during the Reporting Period.

During the Reporting Period, loan interest income and gross profit under Money Lending Business amounted to approximately HK$25.7 million (2018: HK$39.1 million) and HK$25.7 million (2018: HK$39.1 million) respectively. Outstanding loan principal and interest receivables amounted to approximately HK$225.3 million (2018: HK$293.1 million). The average interest rate charged on the loans is 12.5% per annum. No material default event occurred as at 31 December 2019 but a provision of approximately HK$3.3 million for the loss allowance for loan receivables was considered necessary upon the application of HKFRS 9 by the Group effective from 1 January 2018 during the Reporting Period (2018: HK$35.5 million). An impairment loss of goodwill of approximately HK$15.8 million (2018: HK$35 million) was recognised during the Reporting Period given the worsening business environment of micro-finance business in the PRC.

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

Having assessed the potential impact to the Group and the money lending industry in the PRC, the Group has adopted more conservative strategy regarding the Money Lending Business. The Group has narrowed its target customers normally to borrowers with better risk profiles, the Company thus, was able to lower its interest rates in order to establish long-term business relationship with customers since 2018. As a result, average interest rate charged for the borrowers declined in 2019 to 12.5% from 13.83% in 2018.

For coming year, the Group projects the performance of Money Lending Business segment both in the PRC and Hong Kong to worsen due to the uncertain economic environment and policy in the PRC. 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.

Securities Brokerage Business

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 (the "**Disposal**") represented a good opportunity for the Group to improve its overall returns and would provide a greater value to the shareholders of the Company by focusing its resources on other profitable business segments.

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

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

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

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

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

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

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

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

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

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

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

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.

On 24 July 2019, the Group entered into a fourteenth 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 27 months from the date of the Agreement.

On 23 August 2019, the Group entered into a fifteenth 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 28 months from the date of the Agreement.

On 24 September 2019, the Group entered into a sixteenth 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 29 months from the date of the Agreement.

On 24 October 2019, the Group entered into a seventeenth 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 30 months from the date of the Agreement.

On 25 November 2019, the Group entered into a eighteenth 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 31 months from the date of the Agreement.

On 24 December 2019, the Group entered into a nineteenth 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 32 months from the date of the Agreement.

On 23 January 2020, the Group entered into a twentieth 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 33 months from the date of the Agreement.

On 24 February 2020, the Group entered into a twenty-first 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 36 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, 24 June 2019, 24 July 2019, 23 August 2019, 24 September 2019, 24 October 2019, 25 November 2019, 24 December 2019, 23 January 2020 and 24 February 2020.

During the Reporting Period, the Securities Brokerage Business generated revenue and loss before taxation of approximately HK$1.4 million (2018: HK$19.0 million) and approximately HK$11.0 million (2018: profit of HK$3.1 million) respectively. The decrease in revenue was mainly due to less commission earned from security trading of clients during the Reporting Period. As at 31 December 2019, the Company is expected to record a gain on disposal in the amount of approximately HK$11.9 million.

Investment in Internet Finance Business in Mainland China

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

During the Reporting Period, GLQH recorded revenue of approximately HK$60,000 (2018: HK$2.9 million) and net loss of approximately HK$2.5 million (2018: net loss of HK$179 million).

Relevant Online Lending Regulations became effective on 18 December 2018, the Group was impacted by the new regulations, and the Group expected that the internet finance business in the PRC will shrink essentially.

FINANCIAL REVIEW

During the Reporting Period, the Group recorded a turnover of approximately HK$311.4 million, an increase of approximately 76.7% from approximately HK$176.2 million (re-presented) for the Corresponding Period. The Group recorded a gross profit of approximately HK$11.6 million as compared with approximately HK$51.2 million for the Corresponding Period. The increase in turnover was mainly due to increase in revenue from Agriculture Business during the Reporting Period as explained above. The decrease of the profitability was mainly attributable to the increase in the production costs and decrease in general selling price of vegetables in the Agricultural Business, less loan interest income from Money Lending Business, and less commission earned from Securities Brokerage Business.

Administrative expenses slightly decreased by approximately HK$0.1 million to HK$54.7 million (2018: HK$54.8 million).Selling and distribution expenses decreased by approximately HK$26.6 million to approximately HK$2.2 million (2018: HK$28.8 million). Such decrease was mainly attributable to decrease of approximately HK$16.9 million in delivery and freight expenses and approximately HK$7.9 million in packaging expenses.

Other operating expenses decreased from approximately HK$64.9 million to approximately HK$32.8 million. Such significant decrease in the other operating expenses was mainly attributable to (i) reduction in impairment loss of goodwill in relation to the acquisition of micro finance business in China by approximately HK$19.2 million to HK$15.8 million (2018: HK$35.0 million); (ii) reduction in impairment loss of loan receivables by approximately HK$8.5 million to Nil (2018: HK$8.5 million); and (iii) less exchange loss exchange loss attributable to depreciation of Renminbi ("**RMB**") by approximately HK$9.8 million to HK$11.6 million (2018: HK$21.4 million) during the the Reporting Period as compared to the Corresponding Period.

The net loss of the Group for the Reporting Period was approximately HK$59.6 million as compared to a net loss of approximately HK$158.6 million for the Corresponding Period. Such decrease in loss for the Reporting Period was mainly due to significant decrease in selling and distribution expenses, finance costs and other operating expenses as explained above and no share of loss from GLQH (2018: share of loss HK$44.1 million).

Liquidity and Financial Resources

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

As at 31 December 2019, the Group had bank balances and cash of approximately HK$37.3 million (2018: HK$4.8 million). The Group's quick ratio (measured as total current assets less inventories and deposits and prepayments divided by total current liabilities) was approximately 1.3 times (2018: 1.6 times).

As at 31 December 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$251.9 million (2018: HK$189.9 million) of which, approximately HK$15.8 million (2018: HK$16.2 million) were secured by certain buildings, plant and machineries and motor vehicles of the Group. As at 31 December 2019, the total borrowings of the Group amounted to approximately HK$251.9 million of which, approximately HK$73,000 (2018: HK$0.2 million) were secured by motor vehicles of the Group. As at 31 December 2019, borrowings of approximately HK$245.2 million (2018: HK$162.5 million) were repayable within one year. As at 31 December 2019, borrowings of approximately HK$75.0 million (2018: HK$69.1 million) and approximately HK$176.9 million (2018: HK$120.8 million) were denominated in HK$ and RMB respectively. Borrowings of approximately HK$87.1 million (2018: HK$171.5 million) are charged at fixed interest rates as at 31 December 2019.

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

At the end of the Reporting Period, the Group had capital expenditure commitments of approximately HK$788,000 (2018: HK$0.8 million) in respect of acquisition of property, plant and equipment. The Group had commitments for future minimum lease payments under non-cancellable operating leases of approximately HK$67.0 million for the year ended 31 December 2018. Operating lease payments represent rental payable by the Group for office premises and farmland. Leases are negotiated for fixed terms ranging from 1 to 26 years.

CAPITAL STRUCTURE AND GEARING RATIO

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

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

On 23 January 2018, the Company entered into a subscription agreement with Hui Jia Investments Limited ("**Hui Jia**") pursuant to which the Company had conditionally agreed to issue and Hui Jia has conditionally agreed to subscribe for the convertible bonds ("**CB**") in the principal amount of HK$40 million with conversion price of HK$0.04 per conversion share (adjusted from HK$0.04 to HK$0.40 per conversion share as a result of the capital reorganisation effected on 25 June 2018 ("**Capital Reorganisation 2018**")) under the general mandate granted to the Directors by the shareholders of the Company at the annual general meeting held on 16 June 2017. The conversion price of HK$0.04 per conversion share (before Capital Reorganisation 2018) represented 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 conversion price was HK$0.039 per conversion share (before Capital Reorganisation 2018). All the conditions set out in the subscription agreement had been fulfilled subsequently and the subscription was completed on 7 February 2018 in accordance with the terms and conditions of the subscription agreement. The CB bore interest at the rate of 5% per annum and would mature on the date falling on the first (1st) anniversary of the date of issue. The gross and net proceeds from the subscription were HK$40 million and approximately HK$39.9 million respectively, which were used (i) approximately HK$13.0 million for repayment of debts; (ii) approximately HK$23.0 million for agricultural produce segment's operation, including approximately HK$15.9 million for settlement of accounts payables, HK$4.8 million for farmland rental and approximately HK$2.3 million for staff costs; and (iii) the balance for general working capital of the Group. No conversion rights of the CB had been exercised by Hui Jia and the CB matured on 7 February 2019. The Company had been negotiating with Hui Jia about the repayment of the CB upon its expiry. On 20 February 2019, the Company received a repayment demand letter from Hui Jia, requesting the Company to repay the outstanding principal amount and the interest accrued in a total sum of approximately HK$42 million and if such amount is not repaid within 7 days of the repayment demand letter, Hui Jia shall institute legal proceedings against the Company without further notice. On 26 June 2019, the Company repaid HK$3.0 million principal amount of CB to Hui Jia. The Group has been still negotiating with Hui Jia regarding the outstanding principal amount and the interest accrued in a total sum of approximately HK$40.7 million. The Company proposed to issue 200,000,000 new ordinary shares of the Company at an issue price HK$0.65 per ordinary share (the "**Subscription**") to Sino Richest Investment Holdings Limited (the "**Subscriber**"), wholly-owned by Mr. Lin Yuhao, a non-executive Director. The net proceeds from the Subscription is approximately HK$128.0 million, and it is expected that HK$40.9 million from the net proceeds from the Subscription will repay to Hui Jia after completion of the Subscription. A special general meeting will be held on 15 April 2020 to approve the subscription. 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. The reason for the subscription was the market conditions at the time, the Directors considered that subscription of the CB was good opportunity to raise funds for the Company for repayment of its debts and other payables. Details of the Subscription were set out in the Company's announcements dated 6 February 2020, 27 February 2020, 19 March 2020, and 20 March 2020 and the Company's circular dated 20 March 2020.

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 had conditionally agreed to issue and the July 2018 Subscribers had 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 2019 (as defined below) effected on 25 April 2019) under the special mandate approved by the shareholders of the Company on 24 January 2019. The conversion price of HK$0.091 per conversion share (before Capital Reorganisation 2019) represented 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 2019) . All the conditions set out in the subscription agreements had 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 bore interest at the rate of 5% per annum and would mature on the date falling on the first (1st) anniversary of the date of issue. The gross and net proceeds from the subscription were approximately HK$39.5 million and HK$39.3 million respectively, which were used for repayment of the Group's overdue debts owed to several individual creditors arising from borrowings to discharge operating expenses of the Group's Agricultural Business. On 4 June 2019, the Company respectively issued and allotted 4,340,659 ordinary 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 2019) in respect of an aggregate principal amount of HK$39.5 million of the convertible bonds issued by the Company on 14 February 2019. The reason for the subscription was the market conditions at the time, the Directors considered that subscription of the convertible bonds was a good opportunity to raise funds for the Company.

On 4 March 2019, the Company entered into subscription agreements with four subscribers, namely Ms. Zhang Lize, Mr. Zeng Yingxiang, Mr. Luo Yingling and Mr. Zhang Huifeng (collectively the "**March 2019 Subscribers**"), pursuant to which the Company had conditionally agreed to issue and the March 2019 Subscribers had 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 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 2019) represented 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 2019). All the conditions set out in the subscription agreements had 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 bore 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 ordinary 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 2019) 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. The reason for the subscription was the market conditions at the time, the Directors considered that subscription of the convertible bonds was a good opportunity to raise funds for the Company for repayment of its debts.

As at 31 December 2019, the net proceeds from the two tranches of convertible bonds issued during the year 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

During the year ended 31 December 2019, the Company issued and allotted a total of 5,501,157 ordinary shares of HK$0.01 each upon the exercise of a total of 5,501,157 share options granted by the Company.

In the light of the above, during the year ended 31 December 2019, the Company issued and allotted a total number of 38,404,452 ordinary shares of HK$0.01 each, resulting in a total number of 100,022,838 issued ordinary shares as at 31 December 2019.

On 18 March 2019, the Company proposed to reorganise the capital of the Company (the "**Capital Reorganisation 2019**") 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 2019 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 31 December 2019, the net debt to adjusted equity ratio was 0.54 (2018: 0.51). The Group's gearing ratio as at 31 December 2019 was 1.37 (2018: 1.04), which was measured as total debt to total shareholders' equity. The increase of the Group's gearing ratio was mainly due the increase in bank and other borrowings in the Reporting Period.

Mr. Lin Yuhao, a non-executive Director, Mr. Lin Yupa and Ms. Diao Jing are executive Directors, have advanced an unsecured interest-free loan to the Group, the balance due to Mr. Lin Yuhao, Mr. Lin Yupa and Ms. Diao Jing as at 31 December 2019 were approximately HK$82.6 million, HK$32.7 million and HK$2.6 million respectively. As at 31 December 2019, the outstanding balance of unsecured promissory notes issued by the Company owed to Mr. Lin Yuhao, a non-executive Director and Mr. Lin Yupa, an executive Director, were HK$27.2 million and HK$10,000 respectively.

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 sub-section headed "Securities Brokerage Business" under the section of "BUSINESS REVIEW", the Group did not have material acquisition or disposals of subsidiaries and associated companies during the Reporting Period.

CHARGES ON GROUP'S ASSETS

As at 31 December 2019, certain buildings, plant and machineries and motor vehicles were pledged to secure bank loans and finance lease of the Group of approximately HK$15.8 million (2018: HK$16.2 million).

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2019, the total employees in Hong Kong and Mainland China dropped from 73 to 71. Total staff costs (including directors' emoluments) for the Reporting Period amounted to HK$25.7 million (2018: HK$38.1 million). The employees are remunerated with reference to the qualification, experience, responsibility and performance of the individual, the performance of the Group and the market practices. Apart from the basic remuneration package, the Company also participates in the mandatory provident fund scheme in Hong Kong and the central provident fund scheme in Mainland China. The Company has adopted a share option scheme on 6 June 2013 (the "**Scheme**"). Pursuant to the Scheme, the Board may, at its discretion, grant options to eligible employees, executive and non-executive Directors (including independent non-executive Directors) of the Group.

CAPITAL COMMITMENTS

Save as disclosed in note 14, as at 31 December 2019, the Group did not have other material capital commitments.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting date are set out in note 16 to the consolidated financial statements.

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.

The Company has been planning to expand the production base in Guangdong as which is a desirable location as the climate is comparatively moderate and it allows year-round cultivation for agricultural produces.

In 2018, the US-China trade war has begun, it is expected the trade war between the US and China will continue and it may impact the economy of China and the business of the Group as well. Meanwhile, the Board expected that the outbreak of the Coronavirus Diesease 2019 (COVID-19 (the "**COVID-19 outbreak**")) in Hong Kong, PRC and across the global will have an adverse impact on the Group in the coming months. However, our management will keep actively monitoring the performance of the Group and assessing how the COVID-19 outbreak will impact the Group, and will implement fitting strategy in a timely manner.

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

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and the code provisions ("**Code Provisions**") set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities ("**Listing Rules**") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). During the year ended 31 December 2019, 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 year of 2019. The key corporate governance principles and practices of the Company will be summarised in our annual report.

INTERNAL CONTROL

The Board acknowledges its responsibility in maintaining sound and effective internal control system for the Group to safeguard investments of the shareholders and assets of the Company at all times. The system of internal controls aims to help achieving the Group's business objectives, safeguarding assets and maintaining proper accounting records for provision of reliable financial information. However, the design of the system is to provide reasonable, but not absolute, assurance against material misstatement in the financial statements or loss of assets and to manage rather than eliminate risks of failure when business objectives, being sought.

Risk management and internal control

The Board is overall responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives, and ensuring that the Group established and maintained appropriate and effective risk management and internal control systems.

The Audit Committee reviews the risk management and internal controls that are significant to the Group on an on-going basis. The Audit Committee would consider the adequacy of resource, qualifications and experience and training of staff and external advisor of the Group's accounting, internal audit and financial reporting function.

The management of the Group is responsible for designing, maintaining, implementing and monitoring of the risk management and internal control system to ensure adequate control in place to safeguard the Group's assets and stakeholder's interest.

The Group has established risk management procedures to address and handle the all significant risks associated with the business of the Group. The Board would perform annual review on any significant change of the business environment and establish procedures to response the risks result from significant change of business environment. The risk management and internal control systems are designed to mitigate the potential losses of the business.

The management would identify the risks associated with the business of the Group by considering both internal and external factors and events which include politics, economy, technology, environmental, social and staff. Each of risks has been assessed and prioritised based on their relevant impact and occurrence opportunity. The relevant risk management strategy would be applied to each type of risks according to the assessment results, type of risk management strategy has been listed as follow:

– Risk retention and reduction: accept the impact of risk or undertake actions by the Group to reduce the impact of the risks;

– Risk avoidance: change business process or objective so as to avoid the risk;

– Risk sharing and diversification: diversify the effect of the risk or allocate to different location or product or market;

– Risk transfer: transfer ownership and liability to a third party.

The internal control systems are designed and implemented to reduce the risks associated with the business accepted by the Group and minimise the adverse impact results from the risks. The risk management and internal control system are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Company engaged external internal control consultant, to perform annual independent internal control review to assess the effectiveness of the financial, operational and compliance controls, and risk management functions of the Company and the Group's major subsidiaries on a rotation basis. The Audit Committee and the Board, having reviewed the internal control review report for the year ended 31 December 2019, were reasonably satisfied that no material deficiencies or inadequacies existed or identified and the Company considers the risk management and internal control systems are effective and adequate for the year ended 31 December 2019. The Company has complied with the requirements under C.2.1 to C.2.5 and C.3.3 of the CG Code relating to risk management and internal control.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

The Audit Committee of the Company, comprising three independent non-executive Directors, namely Ms. Li Yang (Chairlady of Committee), Mr. Li Shaohua and Ms. Zhu Rouxiang, has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 10 June 2020 to Monday, 15 June 2020, both days inclusive, during the period no transfers of shares of the Company will be registered. In order to qualify for attending and voting at the 2020 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Tuesday, 9 June 2020.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.cfih.hk) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 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, 27 March 2020

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

* *For identification purpose only*