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CHINA FINANCE INVESTMENT HOLDINGS LIMITED

中國金控投資集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 875)

UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

The financial highlights of China Finance Investment Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021 (the “**Reporting Period**”) are summarised as follows:

- The Group recorded a turnover of approximately HK\$562.3 million, representing an increase of approximately 71.1% from approximately HK\$328.7 million for the year ended 31 December 2020 (the “**Corresponding Period**”).
- Gross profit of the Group during the Reporting Period was approximately HK\$75.6 million representing an increase of approximately HK\$30.5 million or 67.6%, as compared with approximately HK\$45.1 million for the Corresponding Period.
- Net profit of the Group for the Reporting Period was approximately HK\$30.6 million as compared to a net loss of approximately HK\$68.1 million for the Corresponding Period.
- Basic earnings per share was HK\$0.10 for the Reporting Period (2020: loss per share of HK\$0.29).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to announce the unaudited consolidated results of the Group for the Reporting Period together with the comparative figures for the Corresponding Period as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	<i>Note</i>	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Revenue	4	562,279	328,690
Cost of sales and services rendered		(486,642)	(283,561)
Gross profit		75,637	45,129
Other gains	5	4,744	11,260
Selling and distribution expenses		(12,519)	(2,777)
Administrative expenses		(47,176)	(35,121)
Reversal of impairment losses on deposits and prepayments		26,250	—
Impairment losses on other receivables		(811)	(47)
Reversal of impairment losses/ (impairment losses) on trade receivables		1,460	(12,444)
Impairment losses on loan receivables		(674)	(26,942)
Other operating expenses	6	(49)	(1,234)
Share-based payment expenses		—	(33,232)
Finance costs	7	(10,838)	(8,081)
Profit/(loss) before taxation	8	36,024	(63,489)
Income tax expense	9	(5,407)	(4,633)
Profit/(loss) for the year		30,617	(68,122)

	<i>Note</i>	2021 HK\$'000 (unaudited)	2020 <i>HK\$'000</i> (audited)
Other comprehensive income, net of tax:			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences on translating foreign operations		<u>20,416</u>	<u>28,812</u>
Profit/(loss) and total comprehensive income/(expenses) for the year		<u>51,033</u>	<u>(39,310)</u>
Profit/(loss) attributable to:			
Owners of the Company		35,711	(68,089)
Non-controlling interests		<u>(5,094)</u>	<u>(33)</u>
		<u>30,617</u>	<u>(68,122)</u>
Total comprehensive income/(expenses) attributable to:			
Owners of the Company		56,127	(39,277)
Non-controlling interests		<u>(5,094)</u>	<u>(33)</u>
		<u>51,033</u>	<u>(39,310)</u>
Earnings/(loss) per share (HK\$)			
Basic	<i>10</i>	<u>0.10</u>	<u>(0.29)</u>
Diluted	<i>10</i>	<u>0.10</u>	<u>(0.29)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	<i>Note</i>	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Non-current assets			
Property, plant and equipment		52,809	41,100
Right-of-use assets		31,058	29,063
Goodwill		1,457	1,457
Investment in an associate		—	—
Other non-current assets		775	730
		<u>86,099</u>	<u>72,350</u>
Current assets			
Inventories		22,966	110,700
Trade and other receivables	11	688,415	353,740
Loan receivables	12	302,451	242,401
Pledged bank deposits		77,756	—
Bank balances and cash		142,842	64,597
		<u>1,234,430</u>	<u>771,438</u>
Current liabilities			
Trade and other payables	13	343,710	198,865
Notes payables		169,593	—
Bonds		—	36,119
Promissory notes		16,339	27,250
Bank and other borrowings		220,003	192,562
Lease liabilities		11,815	9,905
Deferred income		831	1,041
Tax payables		25,829	19,800
		<u>788,120</u>	<u>485,542</u>
Net current assets		<u>446,310</u>	<u>285,896</u>
Total assets less current liabilities		<u>532,409</u>	<u>358,246</u>

	<i>Note</i>	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Capital and reserves			
Share capital	<i>14</i>	3,823	3,051
Reserves		435,131	306,318
		<hr/>	<hr/>
Equity attributable to owners of the Company		438,954	309,369
Non-controlling interests		(2,935)	(1,004)
		<hr/>	<hr/>
Total equity		436,019	308,365
		<hr/> <hr/>	<hr/> <hr/>
Non-current liabilities			
Bank and other borrowings		63,674	16,091
Lease liabilities		30,727	31,399
Deferred income		1,989	2,391
		<hr/>	<hr/>
		96,390	49,881
		<hr/>	<hr/>
		532,409	358,246
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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 Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The principal place of business in Hong Kong is Room 1502, 15/F., Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are assets and investment holding; growing, processing and trading of agricultural produce and trading of seafood and meat 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 (“**HKFRS**”), 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 (Chapter 622 of the Laws of Hong Kong) (“**Companies Ordinance**”). Significant accounting policies adopted by the Group are discussed below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2.2 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for current and prior accounting periods reflected in these consolidated financial statements.

2.2 ADOPTION OF NEW AND REVISED HKFRSs

(a) Application of new and revised HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39,
HKFRS 7, HKFRS 4 and HKFRS 16

Interest Rate Benchmark
Reform — Phase 2

In addition, the Group has early applied the Amendments to HKFRS 16, COVID-19- Related Rent Concessions beyond 30 June 2021.

The application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

Other than the amendments to HKFRS 16, COVID-19 Related Rent Concessions beyond 30 June 2021, the Group has not applied any new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. 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 Business Combination — Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16 Property Plant and Equipment — Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37 Onerous contracts — cost of fulfilling a contract	1 January 2022
Annual Improvements to HKFRSs 2018–2020 Cycle	1 January 2022
Amendments to HKAS 1 Classification of liabilities as current or non-current	1 January 2023
Amendments to HKAS 1 Presentation of Financial Statements and HKFRS Practice Statement 2 Making Materiality Judgements — Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors — Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 Income Taxes — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023

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. SEGMENT INFORMATION

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

Operating segment information

- (i) the “Agricultural and meat business” segment engages in cultivating and trading of agricultural, seafood and meat produce;
- (ii) the “Money lending business” segment engages in money lending services; and
- (iii) the “Securities brokerage business” 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 Reporting Period is set out below.

(i) Information about profit or loss

	Agricultural and meat business HK\$'000 (unaudited)	Money lending business HK\$'000 (unaudited)	2021 Securities brokerage business HK\$'000 (unaudited)	Unallocated HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Revenue					
Reportable segment revenue	522,625	24,032	15,622	—	562,279
(Loss)/profit					
Reportable segment (loss)/profit (adjusted (LBITDA)/EBITDA)	25,837	21,664	(2,411)	—	45,090
Depreciation	(6,859)	(8)	(13)	—	(6,880)
Right-of-use asset depreciation	(7,920)	(88)	(1,770)	(724)	(10,502)
Reversal of impairment losses on trade receivables	1,460	—	—	—	1,460
Reversal of impairment losses on deposits and prepayments	—	—	—	26,250	26,250
Finance costs	(9,725)	(9)	(250)	(854)	(10,838)
Government grants	1,738	—	60	30	1,828
Gain on disposal of fixed assets	1	—	—	—	1
Interest income	131	1	—	—	132
Impairment losses on loan receivables	—	(674)	—	—	(674)
Impairment losses on other receivables	—	(18)	—	(793)	(811)
Bad debts written off	(815)	—	—	—	(815)
Unallocated head office and corporate expenses	—	—	—	(8,217)	(8,217)
Consolidated (loss)/profit before taxation	<u>3,848</u>	<u>20,868</u>	<u>(4,384)</u>	<u>15,692</u>	<u>36,024</u>
	Agricultural and meat business HK\$'000 (audited)	Money lending business HK\$'000 (audited)	2020 Securities brokerage business HK\$'000 (audited)	Unallocated HK\$'000 (audited)	Total HK\$'000 (audited)
Revenue					
Reportable segment revenue	302,000	20,598	6,092	—	328,690
(Loss)/profit					
Reportable segment (loss)/profit (adjusted (LBITDA)/EBITDA)	21,255	17,722	(1,801)	—	37,176
Depreciation	(7,009)	(17)	(10)	—	(7,036)
Right-of-use asset depreciation	(5,825)	(81)	(1,755)	(1,608)	(9,269)
Impairment losses on trade receivables	(12,444)	—	—	—	(12,444)
Impairment losses on other receivables	(47)	—	—	—	(47)
Finance costs	(5,283)	(10)	(119)	(2,669)	(8,081)
Government grants	1,244	—	50	432	1,726
Gain on deregistration of a subsidiary	997	—	—	—	997
Interest income	243	2	—	—	245
Impairment losses on loan receivables	—	(26,942)	—	—	(26,942)
Share-based payment transactions	—	—	—	(33,232)	(33,232)
Bad debt recovery	—	7	—	—	7
Unallocated head office and corporate income	—	—	—	6,399	6,399
Unallocated head office and corporate expenses	—	—	—	(12,988)	(12,988)
Consolidated (loss)/profit before taxation	<u>(6,869)</u>	<u>(9,319)</u>	<u>(3,635)</u>	<u>(43,666)</u>	<u>(63,489)</u>

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

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

	Agricultural and meat business <i>HK\$’000</i> (unaudited)	Money lending business <i>HK\$’000</i> (unaudited)	2021 Securities brokerage business <i>HK\$’000</i> (unaudited)	Unallocated <i>HK\$’000</i> (unaudited)	Total <i>HK\$’000</i> (unaudited)
Assets					
Reportable segment assets	845,558	271,378	141,760	—	1,258,696
Goodwill	1,457	—	—	—	1,457
Unallocated head office and corporate assets	—	—	—	60,376	60,376
Consolidated total assets	<u>847,015</u>	<u>271,378</u>	<u>141,760</u>	<u>60,376</u>	<u>1,320,529</u>
Liabilities					
Reportable segment liabilities	618,368	31,349	135,133	—	784,850
Promissory notes	—	—	—	16,339	16,339
Unallocated head office and corporate liabilities	—	—	—	83,321	83,321
Consolidated total liabilities	<u>618,368</u>	<u>31,349</u>	<u>135,133</u>	<u>99,660</u>	<u>884,510</u>
Other segment information					
Capital expenditure (<i>Note</i>)	27,434	—	14	911	28,360
Income tax expense	—	5,407	—	—	5,407

Note: Capital expenditure consists of expenditure for additions to property, plant and equipment and right-of-use assets.

	Agricultural and meat business <i>HK\$'000</i> (audited)	Money lending business <i>HK\$'000</i> (audited)	2020 Securities brokerage business <i>HK\$'000</i> (audited)	Unallocated <i>HK\$'000</i> (audited)	Total <i>HK\$'000</i> (audited)
Assets					
Reportable segment assets	568,787	240,234	28,189	—	837,210
Goodwill	1,457	—	—	—	1,457
Unallocated head office and corporate assets	—	—	—	5,121	5,121
Consolidated total assets	<u>570,244</u>	<u>240,234</u>	<u>28,189</u>	<u>5,121</u>	<u>843,788</u>
Liabilities					
Reportable segment liabilities	364,582	25,583	17,178	—	407,343
Bonds	—	—	—	36,119	36,119
Promissory notes	—	—	—	27,250	27,250
Unallocated head office and corporate liabilities	—	—	—	64,711	64,711
Consolidated total liabilities	<u>364,582</u>	<u>25,583</u>	<u>17,178</u>	<u>128,080</u>	<u>535,423</u>
Other segment information					
Capital expenditure (<i>Note</i>)	923	—	—	3,716	4,639
Income tax expense	—	4,633	—	—	4,633

Note: Capital expenditure consists of expenditure for additions to property, plant and equipment and right-of-use assets.

(iii) Geographical information

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

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Revenue		
— Hong Kong	15,687	29,042
— the PRC	546,592	299,648
	<u>562,279</u>	<u>328,690</u>

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

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Non-current assets		
— Hong Kong	2,752	4,377
— the PRC	83,347	67,973
	<u>86,099</u>	<u>72,350</u>

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

(iv) Information about major customers

The Group's customer base included one (2020: two) customers with whom transactions have exceed 10% of its revenue during the years is set out below:

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Customer A — Agricultural, seafood and meat produce	58,849	56,822
Customer B — Agricultural, seafood and meat produce	N/A*	45,511

* The revenue of the corresponding customer is not disclosed as the revenue individually did not account for 10% or more of the Group's revenue for both years.

4. REVENUE

An analysis of revenue is as follows:

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Revenue from contracts with customers within the scope of HKFRS 15		
Recognised at point in time:		
Sale of agricultural, seafood and meat produce	522,625	302,000
Securities brokerage services income	15,622	6,092
	<u>538,247</u>	<u>308,092</u>
Recognised from other sources:		
Money lending interest income	24,032	20,598
	<u>562,279</u>	<u>328,690</u>

5. OTHER GAINS

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Amortisation of government grants (<i>note</i>)	1,828	1,726
Bank interest income	59	245
Other interest income	73	—
Gain on deregistration of a subsidiary	—	997
Rental income	19	216
Services income	1,332	1,015
Bad debt recovered	—	7
Gain on disposal of fixed assets	1	—
Gain on redemption of convertible bonds at discount	—	5,712
Sundry income	1,432	1,342
	<u>4,744</u>	<u>11,260</u>

Note: It represents the receipt of government grants for the construction of property, plant and equipment, which is amortised to profit or loss on a straight-line basis over the estimated useful life of the relevant assets.

6. OTHER OPERATING EXPENSES

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Foreign exchange losses, net	16	1,234
Waive of debts	15	—
Others	18	—
	<hr/> 49 <hr/>	<hr/> 1,234 <hr/>

7. FINANCE COSTS

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Interest expenses on lease liabilities	4,643	4,166
Interest expenses on bonds	778	2,542
Interest expenses on bank and other borrowings	1,314	1,373
Interest expenses on notes	4,103	—
	<hr/> 10,838 <hr/>	<hr/> 8,081 <hr/>

8. PROFIT/(LOSS) BEFORE TAXATION

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

	2021 HK\$'000 (unaudited)	2020 HK\$'000 (audited)
Staff costs (including directors' emoluments)		
Salaries and allowances	21,843	16,633
Retirement benefit costs	1,367	977
Discretionary bonus	—	—
Equity-settled share-based payment	—	33,232
	<hr/>	<hr/>
Total staff costs	23,210	50,842
Auditor's remuneration	778	750
Cost of inventories recognised as an expense	470,138	274,417
Depreciation:		
— on owned assets	6,880	7,036
— on right-of-use assets	10,502	9,269
Foreign exchange losses, net	16	1,234
Reversal of impairment losses on deposits and prepayments	(26,250)	—
Impairment losses on other receivables	811	47
(Reversal of impairment losses)/impairment losses on trade receivables	(1,460)	12,444
Impairment losses on loan receivables	674	26,942
Gain on deregistration of a subsidiary	—	(997)
	<hr/>	<hr/>
Equity-settled share-based payment		
Directors	—	9,615
Employees	—	23,617
	<hr/>	<hr/>
Total equity-settled share-based payment	—	33,232
	<hr/> <hr/>	<hr/> <hr/>

9. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
EIT in the PRC		
Provision for the year	<u>5,407</u>	<u>4,633</u>

The tax rate applicable to the Group's Hong Kong subsidiaries was 16.5% (2020: 16.5%) during the Reporting Period.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduced 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 was provided as the Group's subsidiaries in Hong Kong did not have any assessable profit arising from Hong Kong during the Reporting Period (2020: Nil).

Provision for Enterprise Income Tax ("**EIT**") in the PRC was 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 engaged 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 thus entitled to full exemption of EIT.

10. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the Group's profit/(loss) attributable to the owners of the Company of approximately HK\$35,711,000 (2020: HK\$(68,089,000)), and the weighted average number of 349,026,696 (2020: 237,726,733) ordinary shares in issue during the Reporting Period.

Diluted earnings/(loss) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the Company's share options, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options and preference shares.

11. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2021 HK\$'000 (unaudited)	2020 HK\$'000 (audited)
Trade receivables arising from trading of agricultural, seafood and meat produce		429,980	339,873
Less: impairment		(17,057)	(18,473)
Total trade receivables	(a)	412,923	321,400
Accounts receivable arising from dealing in securities — Margin clients and broker receivables	(b)	—	—
Total accounts receivable		412,923	321,400
Other receivables		85,490	9,600
Less: impairment	(c)	(9,013)	(8,200)
Total other receivables		76,477	1,400
Deposits and prepayments	(d)	201,015	59,190
Less: impairment		(2,000)	(28,250)
Total deposits and prepayments		199,015	30,940
		688,415	353,740

- (a) The average credit period on sales of agricultural, seafood and meat produce is 60 days. At the end of year 2021, the ageing analysis of trade receivables from trading of agricultural, seafood and meat produce, based on the invoice date and net of impairment losses, is as follows:

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
0 – 60 days	90,452	69,726
61 – 120 days	94,006	62,202
Over 120 days	228,465	189,472
	<u>412,923</u>	<u>321,400</u>

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

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Less than 60 days past due	94,006	62,202
Over 60 days past due	228,465	189,472
	<u>322,471</u>	<u>251,674</u>

The movements in impairment on trade receivables are as follows:

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
At 1 January	18,473	5,883
Impairment loss recognised	—	12,444
Reversal of impairment loss	(1,460)	—
Exchange realignment	44	146
At 31 December	<u>17,057</u>	<u>18,473</u>

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all receivables. To measure the expected credit losses, receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current	1 to 60 days per due	Over 60 days per due	Total
At 31 December 2021				
Weight average expected loss rate	0.34%	1.37%	5.90%	
Receivable amount (<i>HK\$'000</i>)	90,761	71,838	267,381	429,980
Loss allowance (<i>HK\$'000</i>)	309	985	15,763	17,057
At 31 December 2020				
Weight average expected loss rate	0.52%	0.86%	8.48%	
Receivable amount (<i>HK\$'000</i>)	70,093	62,742	207,038	339,873
Loss allowance (<i>HK\$'000</i>)	367	540	17,566	18,473

As shown above, no trade receivables (2020: 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 the respective trade dates.

Accounts receivable from cash clients arising from the securities brokerage business are repayable on demand subsequent to the respective settlement dates. 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.

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.

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

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
At 1 January	8,200	8,145
Impairment loss recognised	811	47
Reversal of impairment loss	—	—
Exchange realignment	2	8
	<hr/>	<hr/>
At 31 December	<u>9,013</u>	<u>8,200</u>

- (d) Included in the amount of approximately HK\$28,250,000, being deposit of acquiring properties from Elite One International Holdings Limited previously fully impaired, of which HK\$26,250,000 has been received before the date of this announcement. The rest are rental deposits and prepayments.

The movements in impairment on deposits and prepayments are as follows:

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
At 1 January	28,250	28,250
Reversal of impairment loss	<u>(26,250)</u>	<u>—</u>
At 31 December	<u>2,000</u>	<u>28,250</u>

12. LOAN RECEIVABLES

The Group's loan receivables (including interest receivables) arose from money lending business. Loan receivables bore interest at rates range from 7.2% to 12% (2020: 7.2% to 12%), 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.

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Carrying amount of receivables based on scheduled repayment dates set out in the loan agreements		
Within one year	302,451	205,860
Repayment on demand clause (shown under current assets)	<u>—</u>	<u>36,541</u>
	302,451	242,401
Less: current portion	<u>(302,451)</u>	<u>(242,401)</u>
Non-current portion	<u><u>—</u></u>	<u><u>—</u></u>

The Group's loan receivables, which arise from money lending business (i.e. providing property mortgage loans and personal loans in Hong Kong and in the PRC), are denominated in Hong Kong dollar with gross amount of nil (2020: HK\$18,000) and in RMB with gross amount of approximately HK\$333,320,000 (2020: HK\$272,578,000), respectively.

No loan receivables (2020: nil) were secured by collaterals provided by customers, interest-bearing and are repayable with fixed terms agreed with the customers. The maximum exposure to credit risk in respect of loan receivables 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 years ended 31 December 2021 and 2020, based on the maturity date, net of impairment losses, is as follows:

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
Receivable:		
Within 3 months	112,569	63,836
3 months to 1 year	141,913	142,024
Over 1 year (with repayment on demand clause)	47,969	36,541
	<u>302,451</u>	<u>242,401</u>

The movements in impairment on loan receivables are as follows:

	2021 <i>HK\$'000</i> (unaudited)	2020 <i>HK\$'000</i> (audited)
At 1 January	30,195	3,253
Impairment loss recognised	674	26,942
As 31 December	<u>30,869</u>	<u>30,195</u>

13. TRADE AND OTHER PAYABLES

	<i>Notes</i>	2021 HK\$'000 (unaudited)	2020 <i>HK\$'000</i> (audited)
Trade payables arising from trading of agricultural, seafood and meat produce	<i>(a)</i>	<u>124,840</u>	<u>101,866</u>
Accounts payable arising from dealing in securities			
— Cash clients		6	6
— Clearing houses		<u>133,464</u>	<u>13,719</u>
Total accounts payable	<i>(b)</i>	<u>133,470</u>	<u>13,725</u>
Accruals and other payables		<u>85,400</u>	<u>83,274</u>
		<u>343,710</u>	<u>198,865</u>

- (a) Trade payables arising from trading of agricultural, seafood and meat 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 year ended 31 December 2021 is as follows:

	2021 HK\$'000 (unaudited)	2020 <i>HK\$'000</i> (audited)
0–60 days	30,531	65,713
61–120 days	23,749	14,187
Over 120 days	<u>70,560</u>	<u>21,966</u>
	<u>124,840</u>	<u>101,866</u>

- (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, the ageing analysis does not give additional value in view of the nature of this business.

It is the Group's 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\$133,470,000 (2020: HK\$13,725,000).

14. SHARE CAPITAL

	<i>Notes</i>	2021 HK\$'000 (unaudited)	2020 <i>HK\$'000</i> (audited)
Authorised:			
150,000,000,000 (2020: 150,000,000,000) ordinary shares of HK\$0.01 each		<u>1,500,000</u>	<u>1,500,000</u>
10,000,000,000 (2020: 10,000,000,000) preference shares of HK\$0.01 each		<u>100,000</u>	<u>100,000</u>
Issued and fully paid:			
379,257,038 (2020: 302,083,407) ordinary shares of HK\$0.01 each		<u>3,793</u>	<u>3,021</u>
3,030,000 (2020: 3,030,000) preference shares of HK\$0.01 each	(a)	<u>30</u>	<u>30</u>
Total amount		<u>3,823</u>	<u>3,051</u>
		Number of shares	Amount <i>HK\$'000</i>
At 1 January 2020		100,022,838	1,000
Issue of ordinary shares under specific mandate subscription	(b)	200,000,000	2,000
Issue of ordinary shares under share option scheme	(c)	<u>2,060,569</u>	<u>21</u>
At 31 December 2020 and 1 January 2021		<u>302,083,407</u>	<u>3,021</u>
Issue of ordinary share under general mandate subscription	(d)	60,416,000	604
Issue of ordinary share under share option scheme	(e)	2,527,168	25
Issue of ordinary share under share option scheme	(e)	13,930,123	140
Issue of ordinary share under share option scheme	(e)	<u>300,340</u>	<u>3</u>
At 31 December 2021		<u>379,257,038</u>	<u>3,793</u>

Notes:

- (a) The preference shares, which are non-redeemable with par value of HK\$0.01 each credited as fully paid up, were issued and allotted to vendors as part of the considerations for the acquisitions occurred during the year ended 31 December 2012. According to the terms of the preference share policy, one preference share is eligible to convert into one new ordinary share (adjusted from 3,030,000 ordinary shares to 15,150 ordinary shares as a result of capital reorganisation effective on 25 June 2018 and 15 April 2019) any time no earlier than one year from the date of issue.
- (b) The Company issued new shares (the “**Subscription A**”) to Sino Richest Investment Holdings Limited (the “**Sino Richest**”), which is wholly owned by Mr. Lin Yuhao, an executive Director, and a controlling shareholder of the Company under specific mandate which was granted by the shareholders of the Company (the “**Shareholders**”) on 15 April 2020. The Subscription A took place and completed on 27 April 2020 under which 200,000,000 ordinary shares were duly allotted and issued as fully-paid by the Company to Sino Richest at the subscription price of HK\$0.65 per subscription share. Details of the above were set out in the Company’s announcements dated 6 February 2020, 27 February 2020, 19 March 2020, 20 March 2020, 8 April 2020, 15 April 2020 and 27 April 2020, and the Company’s circular dated 20 March 2020.
- (c) On 16 March 2020, 2,060,569 ordinary shares were issued by the Company upon exercise of 2,060,569 share options at an exercise price of HK\$1.144 each.
- (d) The issuance of 60,416,000 ordinary shares is disclosed in the Company’s circular dated 19 March 2021 in respect of connected transaction involving subscription of new shares (the “**Subscription B**”) by Sino Richest is under general mandate granted by the Shareholders on 15 June 2020. As the Subscription B constituted a connected transaction, it was approved by the Shareholders at the Company’s general meeting held on 8 April 2021. The Subscription was completed on 19 April 2021 under which 60,416,000 ordinary shares were duly allotted and issued as fully paid by the Company to Sino Richest at the subscription price of HK\$0.80 per subscription share. Details of the above were set out in the Company’s announcements dated 20 January 2021, 8 April 2021 and 19 April 2021, and the Company’s circular dated 19 March 2021.
- (e) During the year ended 31 December 2021, 16,757,631 share options were exercised to subscribe for 16,757,631 ordinary shares of the Company at the consideration of approximately HK\$29,493,000 of which approximately HK\$167,000 was credited to share capital and the balance of approximately HK\$29,326,000 was credited to the share premium account. Amount of approximately HK\$18,913,000 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 capital management objectives are to ensure the Group’s ability to continue as a going concern and to maximise the return to the Shareholders through the optimisation of 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 2021 was 0.44 (2020: 0.40).

The only capital requirement imposed on the Group externally is that the Group must have a minimum public float of 25% of the total issued share capital of the Company in order to maintain its listing on the Stock Exchange. The Group receives monthly report from the share registrars on substantial share interests showing the non-public float, and such monthly report demonstrates the Group’s continuous compliance with the 25% public float requirement from the date of its listing. As of 31 December 2021, approximately 70.19% (2020: 32.33%) of the shares were held by the public.

15. EVENTS AFTER THE REPORTING PERIOD

On 24 January 2022, the Group entered into twenty-eighth supplemental deed whereby the parties agreed to extend the date for fulfilment of the conditions precedent set out in the sales and purchase agreement dated 25 May 2017 (the “**Agreement**”) with an independent third party to dispose of the security brokerage business to a date falling on the expiration of 62 months from the date of the Agreement.

Save as disclosed above, there is no material event undertaken by the Company or by the Group after the end of the Reporting Period and up to the date of this announcement.

DIVIDENDS

The Board does not recommend the payment of any dividend for the years ended 31 December 2021 and 2020 to the holders of both ordinary shares and preference shares of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group was principally engaged in (i) growing and trading of agricultural, seafood and meat produce (“**Agricultural and Meat Business**”); (ii) provision of money lending services (“**Money Lending Business**”); and (iii) securities trading and brokerage services (“**Securities Brokerage Business**”) during the Reporting Period.

Agricultural and Meat Business

The Group’s Agricultural and Meat Business benefited from China’s post-pandemic economic recovery. The Group has been actively developing its trading of seafood business during the Reporting Period. Meanwhile, the Group strengthened the revenue stream and enlarged its customer base by commencing to supply food produce, including agricultural, seafood and meat produce, to supermarkets in the PRC and commencing online sales during the Reporting Period. As a result, during the Reporting Period, turnover from the Agricultural and Meat Business segment increased by approximately 73.0%, from approximately HK\$302.0 million for the Corresponding Period to approximately HK\$522.6 million. During the Reporting Period, the Agricultural and Meat Business segment recorded a gross profit of approximately HK\$37.9 million (2020: HK\$20.1 million).

The Group has been conducting research and development for the growing of medicinal value crops i.e. Kimura et Migo* (鐵皮石斛). The Kimura et Migo is still at growth stage in the cultivation area located in Conghua* (從化) of Guangdong Province. The normal growing cycle of Kimura et Migo requires approximately three to five years of growth to reach maturity, before it can be effectively harvested and used. Due to its rarity, the economic value of Kimura et Migo will become higher when it grows older. The Group plans to crop Kimura et Migo when it achieves its highest economic values, after taking into account factors including the cultivation costs, harvest yield, return on investment, market demand and competition for similar products.

Looking ahead, the Group will continue to control its costs, utilise its existing resources and collaborate with business partners to further strengthen the cultivation and trading of agricultural, seafood and meat produce with high potential for development, or pursue acquisitions when opportunities arise.

Money Lending Business

Following the completion of the acquisition of Shenzhen Taihengfeng Technology Company Limited* (深圳市泰恒豐科技有限公司) and its subsidiaries in November 2016, the Group expanded into the micro finance business sector in Shenzhen, the PRC, through provision of personal loans and corporate loans services. 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 Peer to Peer (“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. The Group has responded by narrowing its target customers to borrowers with better risk profiles. The average interest rate charged to borrowers was 9.8% during the Reporting Period, which remained the same as that of the Corresponding Period.

During the Reporting Period, loan interest income and gross profit under Money Lending Business amounted to approximately HK\$24.0 million (2020: HK\$20.6 million) and HK\$24.0 million (2020: HK\$20.6 million) respectively. Such increase in loan interest income and gross profit was attributable to the increase in business volume of Money Lending Business. Outstanding loan principal and interest receivables amounted to approximately HK\$333.3 million (2020: HK\$272.6 million). No material default event occurred as at 31 December 2021. Net impairment loss of approximately HK\$0.7 million for loan receivables was recognised by the Group during the Reporting Period (2020: HK\$26.9 million).

In the coming year, it is projected that the performance of Money Lending Business segment in both the PRC and Hong Kong will remain uncertain due to the uncertain economic environment and policy in the PRC.

Securities Brokerage Business

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

As such, on 25 May 2017, the Group entered into a sale and purchase agreement (the “**Agreement**”) with an independent third party, pursuant to which the Group has conditionally agreed to sell the Securities Brokerage Business at the consideration of net asset value of the Securities Brokerage Business as at the date of the Agreement plus HK\$12.0 million (the “**Disposal**”). Subsequently, the Group entered into supplemental deeds, whereby the parties have agreed to extend the date of fulfillment of the conditions precedent as set out in the Agreement. The latest supplemental deed was entered into on 24 January 2022, which further extends the date of fulfillment on the expiration of 62 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, 24 February 2020, 22 May 2020, 24 August 2020, 24 November 2020, 24 February 2021, 24 August 2021, 24 November 2021 and 24 January 2022.

The Disposal is still in process, and the delay in completion is mainly due to the fact that additional time is required by the purchaser to prepare necessary information for effecting the Disposal to comply with relevant regulatory requirements in Hong Kong. The Group and the purchaser will continue to use their best endeavours to complete the Disposal as soon as practicable.

During the Reporting Period, the Securities Brokerage Business generated revenue of approximately HK\$15.6 million (2020: HK\$6.1 million) and loss before taxation of approximately HK\$4.4 million (2020: HK\$3.6 million) respectively. The increase in revenue was mainly due to referral income generated by the Group during the Reporting Period.

Investment in Internet Finance Business in Mainland China

The Group owns 25% equity interest in Shenzhen Qianhai Jinlin Technology Services Company Limited (formerly known as Shenzhen Qianhai Gelin Internet Financial Services Company Limited)* (深圳市前海錦林科技服務有限公司), which is engaged in internet finance business in the PRC.

During the Reporting Period, no revenue (2020: HK\$200) and a net loss of approximately HK\$0.3 million (2020: HK\$0.4 million) were recorded under such internet finance business, respectively.

It is evident that the Group’s internet finance business was impacted by the relevant online lending regulations in the PRC (which became effective on 18 December 2018) and has since become trivial.

FINANCIAL REVIEW

During the Reporting Period, the Group recorded a turnover of approximately HK\$562.3 million, representing an increase of approximately 71.1% from approximately HK\$328.7 million for the Corresponding Period. Gross profit of the Group during the Reporting Period was approximately HK\$75.6 million representing an increase of approximately HK\$30.5 million or 67.6%, as compared with approximately HK\$45.1 million for the Corresponding Period. The increase in turnover was mainly due to increase in revenue from Agricultural and Meat Business and Securities Brokerage Business during the Reporting Period. There was a rise in gross profit mainly attributable to sales of products with higher profit margin in the Agricultural and Meat Business. The interest income and gross profit under Money Lending Business increased from approximately HK\$20.6 million and HK\$20.6 million for the Corresponding Period to approximately HK\$24.0 million and HK\$24.0 million for the Reporting Period respectively.

During the Reporting Period, the Securities Brokerage Business generated revenue of approximately HK\$15.6 million and loss before taxation of approximately HK\$4.4 million, as compared to approximately HK\$6.1 million and HK\$3.6 million for the Corresponding Period.

Please refer to the paragraph headed “Business Review” above for further details on the reason for the increase in interest income and gross profit of Money Lending Business and increase in revenue of Securities Brokerage Business.

The Group recorded other gains in the net amount of approximately HK\$4.7 million during the Reporting Period, representing a decrease of approximately HK\$6.3 million or 57.9%, as compared to approximately HK\$11.3 million for the Corresponding Period. Such decrease was mainly attributable to the fact that gain on redemption of convertible bonds at discount and gain on deregistration of a subsidiary were already recognised during the Corresponding Period and these were no such gains recognised during the Reporting Period.

During the Reporting Period, selling and distribution expenses increased by approximately HK\$9.7 million or 350.8% to approximately HK\$12.5 million from approximately HK\$2.8 million for the Corresponding Period. Such increase was mainly attributable to the increase in staff salaries of approximately HK\$5.0 million, distribution and package expenses of approximately HK\$2.6 million and warehousing and testing fee of approximately HK\$1.1 million as a result of the commencement of food produce supply to supermarkets in the PRC during the Reporting Period.

No share-based payment was recorded during the Reporting Period (2020: HK\$33.2 million).

Administrative expenses increased by approximately HK\$12.1 million or 34.3% to approximately HK\$47.2 million during the Reporting Period from approximately HK\$35.1 million for the Corresponding Period. Such increase was mainly attributable to the increase in professional fee in Securities Brokerage Business by approximately HK\$9.0 million and increase in staff costs by approximately HK\$0.4 million.

Other operating expenses decreased from approximately HK\$1.2 million to approximately HK\$0.05 million. Such significant decrease in the other operating expenses was mainly attributable to the decrease in foreign exchange loss during the Reporting Period.

In light of the settlement of some trade receivables of the Group's customers during the Reporting Period, with reference to the comparable market data in respect of impairment provisions, net reversal of impairment loss has been made on trade receivables of approximately HK\$1.5 million (2020: impairment loss HK\$12.4 million) for the Reporting Period. The estimated credit risk on loan receivables was fairly the same as the Corresponding Period and a provision for impairment loss on loan receivables of approximately HK\$0.7 million (2020: HK\$26.9 million) was provided during the Reporting Period. In view of the settlement of deposits before the date of this announcement, reversal of impairment loss of approximately HK\$26.3 million has been made in respect of deposits and prepayments.

No impairment losses on goodwill and allowance for inventories were made during the Reporting Period (2020: nil).

The net profit of the Group for the Reporting Period was approximately HK\$30.6 million, compared to a net loss of approximately HK\$68.1 million for the Corresponding Period.

The turnaround from loss to profit in the Group's financial performance was mainly attributable to (i) an increase in gross profit during the Reporting Period due to the increase in revenue; (ii) the reversal of impairment loss in respect of trade receivables for the Corresponding Period due to the recovery of certain trade receivables during the Reporting Period; and (iii) the reversal of impairment loss in respect of deposits and prepayments due to the recovery of deposits before the date of this announcement.

Liquidity and Financial Resources

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

As at the end of the Reporting Period, the Group had bank balances and cash of approximately HK\$142.8 million (2020: 64.6 million). The Group's quick ratio (measured as total current assets less inventories, deposits and prepayments divided by total current liabilities) was approximately 1.3 times (2020: 1.3 times).

As at the end of the Reporting Period, the total borrowings of the Group, which comprised of note payables, bonds, promissory notes, bank and other borrowings denominated in Hong Kong dollar and Renminbi (“**RMB**”), amounted to approximately HK\$469.6 million (2020: HK\$272.0 million) of which, approximately HK\$16.5 million (2020: HK\$16.1 million) were secured by certain buildings, plant and machineries and approximately HK\$169.6 million were secured by bank deposits, of the Group. As at 31 December 2021, borrowings of approximately HK\$405.9 million (2020: HK\$255.9 million) were repayable within one year. As at 31 December 2021, borrowings of approximately HK\$21.4 million (2020: HK\$59.0 million) and HK\$448.2 million (2020: HK\$213.0 million) were denominated in Hong Kong dollar and RMB respectively. Borrowings of approximately HK\$235.2 million (2020: HK\$52.8 million) were charged at fixed interest rates as at 31 December 2021.

As at the end of the Reporting Period, the Group had capital expenditure commitments of approximately HK\$0.8 million (2020: HK\$0.8 million) which comprised of acquisition of property, plant and equipment. Operating lease payments represent rental payable by the Group for office premises and farmlands. Leases were negotiated for fixed terms ranging from 1 to 26 years.

The Group will continue adopting a positive yet prudent approach in managing its financial resources. Should other opportunities arise, thus prompting the need for additional funding, the management believes that the Group is well-positioned to obtain financing on favourable terms.

CAPITAL STRUCTURE AND GEARING RATIO

The Group assumes capital management to ensure that the business of the Group will continue as a going concern whilst maximising the return to Shareholders through the optimisation of its debt and equity balance. The Group’s overall strategy remains unchanged from last year.

The Group reviews its 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 financial statement, 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 20 January 2021, the Company and Sino Richest entered into a subscription agreement (the “**Subscription**”), pursuant to which the Company conditionally agreed to allot and issue and Sino Richest conditionally agreed to subscribe for an aggregate of 60,416,000 ordinary shares of the Company at the subscription price of HK\$0.80 per subscription share. The reason for the Subscription was to repay the outstanding unsecured bonds which were

due on 30 June 2021. The net proceeds from the Subscription was approximately HK\$47.7 million, and it was expected that (i) approximately HK\$37.5 million would be used for repayment of the indebtedness of the Group due to holders of the unsecured bonds; and (ii) approximately HK\$10.2 million would be used as the general working capital of the Group. Details of the Subscription were set out in the Company's announcements dated 20 January 2021, 8 April 2021 and 19 April 2021, and the Company's circular dated 19 March 2021.

The detailed breakdown and description of the utilisation of the net proceeds from the subscription completed on 27 April 2020 and the Subscription as at the date specified were as follows:

Date of announcement	Event	The unutilised net proceeds as at 31 December 2020	Intended use of net proceeds	Actual use of proceeds as at 31 December 2021
6 February 2020 (completed on 27 April 2020)	Subscription for 200,000,000 ordinary shares of the Company at an issue price of HK\$0.65 per share	Approximately HK\$14.5 million	Approximately HK\$14.5 million for expanding the Agricultural and Meat Business	Approximately HK\$14.5 million was used for the lease of two farmlands both located in Shanwei of Guangdong Province ("Shanwei Farmlands")
Date of announcement	Event	Net proceeds raised	Intended use of net proceeds	Actual use of proceeds as at 31 December 2021
20 January 2021 (completed on 19 April 2021)	Subscription for 60,416,000 ordinary shares of the Company at an issue price of HK\$0.80 per share	Approximately HK\$47.7 million	(i) Approximately HK\$37.5 million for repayment to the holders of the unsecured bonds (ii) Approximately HK\$10.2 million for the general working capital of the Group	(i) Approximately HK\$37.5 million was used to settle the outstanding unsecured bonds (ii) Approximately HK\$10.2 million was used for the general working capital of the Group

Note: Details of the subscription completed on 27 April 2020 were set out in the Company's announcements dated 6 February 2020, 27 February 2020, 19 March 2020, 20 March 2020, 8 April 2020, 15 April 2020 and 27 April 2020 and the Company's circular dated 20 March 2020.

In light of the above, during the Reporting Period, the Company issued and allotted a total of 60,416,000 ordinary shares of HK\$0.01 each with aggregate nominal value of HK\$604,160.

During the Reporting Period, the Company issued and allotted a total of 16,757,631 ordinary shares of HK\$0.01 each upon the exercise of a total of 16,757,631 share options granted by the Company.

As at 31 December 2021, the net debt to adjusted equity ratio was 0.44 (2020: 0.40). The Group's gearing ratio as at 31 December 2021 was 1.77 (2020: 0.88), which was measured as total debt to total shareholders' equity. The increase of the Group's gearing ratio was mainly due to the increase in bank and other borrowings and note payables during the Reporting Period.

Mr. Lin Yuhao, an executive Director, and two former Directors, namely Mr. Lin Yupa and Ms. Diao Jing, had advanced unsecured interest-free loans to the Group, the balances due to Mr. Lin Yuhao, Mr. Lin Yupa and Ms. Diao Jing as at 31 December 2021 were approximately HK\$212.4 million, HK\$4.2 million and HK\$1.5 million (2020: HK\$140.2 million, HK\$49.1 million and HK\$1.5 million) respectively. As at 31 December 2021, the outstanding balances of unsecured promissory notes issued by the Company to Mr. Lin Yuhao, an executive Director and Mr. Lin Yupa, a former Director, were HK\$16.3 million and HK\$10.9 million (classified to other payables during the Reporting Period) (2020: HK\$16.3 million and HK\$10.9 million) respectively.

SIGNIFICANT INVESTMENTS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

Save for the disclosure under paragraph headed "Business Review — Securities Brokerage Business", the Group did not have material acquisitions or disposals of subsidiaries and associated companies during the Reporting Period.

CHARGES ON GROUP'S ASSETS

As at 31 December 2021, certain buildings, plants and machineries and bank deposits amounted to approximately HK\$186.1 million (2020: HK\$16.1 million) were pledged to secure bank loans and notes payables of the Group.

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 2021, the Group did not have any material contingent liabilities.

TREASURY POLICIES

The objective of the Group's treasury policy is to ensure that sufficient cash and access to capital are available to finance the Group's ongoing operations and execute its current and future plans. The Group has adopted prudent treasury policies and thus maintained a healthy liquidity position throughout the Reporting Period. To manage liquidity risk, the management closely monitors the Group's liquidity position and uses their best endeavours to maintain sufficient cash and cash equivalents and credit facilities available to satisfy the Group's payment obligations.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have other plan for material investments or acquisition of material capital assets as at 31 December 2021.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2021, the Group had a total of 69 (2020: 70) full-time employees in Hong Kong and the PRC. Total staff costs (including Directors' remuneration) for the Reporting Period amounted to HK\$23.2 million (2020: HK\$50.8 million). The employees are remunerated with reference to each individual's qualification, experience, responsibility and performance, the performance of the Group and market practices. Apart from the basic remuneration package, staff benefits offered by the Group to its employees include contribution to discretionary bonus, the mandatory provident fund scheme (the "**MPF Scheme**") in Hong Kong and the central provident fund scheme (the "**Retirement Benefit Scheme**") in the PRC. The Group operates the MPF Scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Employment Ordinance (Chapter 57 of the Laws of Hong Kong). The MPF Scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the MPF Scheme vest immediately. Pursuant

to the relevant labour laws, rules and regulations in the PRC, the Group participates in the Retirement Benefit Scheme organised by the relevant local government authorities in the PRC whereby the Group is required to make contributions to the Retirement Benefit Scheme at a certain rate of the standard wages determined by the relevant authorities in the PRC during the Reporting Period. Contributions to the Retirement Benefit Scheme vest immediately. As at 31 December 2021, there was no forfeited contribution under the MPF Scheme and the Retirement Benefit Scheme which may be used by the Group to reduce the contribution payable in the future years. The Company 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.

LITIGATION

The Company has received a statement of claim from a former employee to claim approximately HK\$1.8 million arrears of salary plus interest. The Company is currently seeking legal advice on the claim to assess its merits and implications on the Group, as well as the potential legal action the Company should take in response to the claim. In the meantime, the Company is also liaising with such former employee for possible settlement of the claim. The related estimated financial impacts and provisions of the potential claim have already recorded in the Group’s consolidated financial statements. The Company will make further announcement(s) to inform Shareholders of any further development of the claim as and when appropriate.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the Reporting Period are set out in note 15 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 and Meat Business, the Company has been actively developing its trading of seafood and meat business and commencing to supply food produce to supermarkets in the PRC during the Reporting Period.

In order to expand the Agricultural and Meat Business, in late 2018, the Group started consolidating agricultural products from various neighbourhood farms and agricultural companies to process, package and sell to customers. In 2019, the Group entered into long term co-operation agreements with certain agricultural companies in other provinces in the PRC to broaden its agricultural bases and source/subcontract the agricultural produce of the Group.

During the Reporting Period, the Group entered into lease agreements for the lease of Shanwei Farmlands in order to expand the production base in Guangdong Province, which is a desirable location for expansion of its production base as the climate is comparatively moderate and it allows year-round cultivation for agricultural produces. Shanwei Farmlands adopt an outsourcing model, under which local farmers are engaged to cultivate agricultural produce for the Group. Plants and crops harvested from Shanwei Farmlands would be supplied by local farmers to the Group and the Group would be responsible for sales through its established network of customers. The Group is in negotiation the terms and conditions with local farmers and expects the Shanwei Farmlands would be in production in 2022.

The Group entered into various agreements with e-commerce operators and online sales platforms to enhance the online sales of its agricultural, seafood and meat produce. On 12 June 2020, the Group entered into an agreement with third parties for the acquisition of 100% interests of Shenzhen Cypress Jade Cross-border E-commerce Co. Ltd* (深圳市從玉跨境電商有限公司) (formerly known as Shenzhen Mckrypton Technology Company Limited* (深圳市麥氦科技有限公司) (“**Cypress Jade Cross-border E-commerce**”). Cypress Jade Cross-border E-commerce was established in the PRC and principally engaged in online sales in Shenzhen, the PRC. As a result of the acquisition, the Group is expected to have a prime opportunity to sell its agricultural, seafood and meat produce through this online sales platform in Shenzhen, the PRC. Even though the newly acquired online sales platform has not been put into full operation during the Reporting Period, the Group plans to further its cooperation with other well-recognised e-commerce operators through such online sales platform and participate in online marketing campaigns to enhance the sales of the Agricultural and Meat Business segment in the near future. During the Reporting Period, the Group also entered into the Service Agreement with Meituan Select, through which the Group can sell its agricultural, seafood and meat produce through the platform of Meituan Select. Through cooperation with e-commerce operators and online sales platforms, the Group is expected to expand its online sales channels for its agricultural, seafood and meat produce, and thus diversify the revenue stream of the Group.

Meanwhile, the Group is seeking any vertical integration business opportunity to enhance its revenue stream, including but not limited to provide door-to-door delivery services for its agricultural, seafood and meat produce in the PRC.

Apart from the aforesaid investments, the Group will also consider other potential profitable businesses which could boost profitability in the future, including but not limited to, the financial and agricultural and meat segments in the PRC and Hong Kong.

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

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

CORPORATE GOVERNANCE PRACTICES

The requirements under the Corporate Governance Code (the “**New CG Code**”) which came into effect on 1 January 2022 shall apply to the Company’s corporate governance report for the financial year commencing on 1 January 2022. During the Reporting Period, the Company’s corporate governance practices are based on the principles and the code provisions (“**Code Provisions**”) set out in the old Corporate Governance Code and Corporate Governance Report (the “**CG Code**”) contained in Appendix 14 to the Listing Rules (the requirements under which are applicable to the Company during the Reporting Period). The code provision numbers of the CG Code referred in this announcement are those of the old CG Code. During the Reporting Period, the Company has complied with the Code Provisions and mandatory disclosure requirements as set out in the CG Code except the deviation from code provision A.2.1 of the CG Code provides that the roles and responsibilities of chairman and chief executive officer should be separated.

The Company periodically reviews its corporate governance practices to ensure that the requirements of the CG Code are continuously satisfied. The key corporate governance principles and practices of the Company are summarised in the annual report to be published.

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 internal controls system aims to help achieve 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 ensures that the Group has established and maintained appropriate and effective risk management and internal control systems.

The audit committee of the Board ("**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, experience and training of staff and external advisors of the Group's accounting and financial reporting departments.

The management of the Group is responsible for designing, maintaining, implementing and monitoring the risk management and internal control systems 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 significant risks associated with its business. The Board would perform annual review on any significant change of business environment and establish procedures to respond to the risks resulting 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 the risks has been assessed and prioritised based on their relevant impact and chance of occurrence. The relevant risk management strategies would be applied to each type of risks according to the assessment results. Types of risk management strategies are listed as follow:

- Risk retention and reduction: accept the impact of risk or undertake actions by the Group to reduce the impact of the risk;
- Risk avoidance: change business process or objective so as to avoid risk;
- Risk sharing and diversification: diversify the effect of risk or allocate to different locations or products or markets;
- 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 resulting from the risks. The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Company engages an external consultant to perform internal audit function and to review the effectiveness of the financial, operational and compliance controls, internal control system, and risk management functions of the Company and the Group's major subsidiaries on a rotation basis annually. The Audit Committee and the Board, having reviewed the internal control and risk management review report for the Reporting Period, 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 Reporting Period. The Company has complied with the requirements under Code Provisions C.2.1 to C.2.5 and C.3.3 of the CG Code relating to risk management and internal control.

The Board has received a confirmation from the management of the Company on the effectiveness and adequacy of the risk management and internal control systems.

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 of Listed Issuers as set out in Appendix 10 to the Listing Rules. Having made specific enquiry with the Directors, all the Directors confirmed that they had complied with the required standards of the said code during the Reporting Period.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 17 June 2022 to Wednesday, 22 June 2022, 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 forthcoming 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 Thursday, 16 June 2022.

AUDIT COMMITTEE

As at the date of this announcement, the Audit Committee comprises three members, all are independent non-executive Directors, namely Ms. Li Yang (Chairlady of the committee), Mr. Li Shaohua and Ms. Zhu Rouxiang.

REVIEW OF UNAUDITED ANNUAL RESULTS

The auditing procedures for the annual results of the Reporting Period have not been completed due to the recent surge of COVID-19 cases and the implementation of tightened COVID-19 prevention and control quarantine measures in the PRC and Hong Kong. The unaudited annual results contained herein have not been agreed with the Company's auditors. An announcement in relation to the audited results will be made when the Company's auditors have completed the auditing procedures in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The unaudited annual results contained herein have been reviewed by the Audit Committee.

FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing process, the Company will issue further announcement(s) in relation to the audited annual results for the Reporting Period as agreed by the Company's auditors and the material differences (if any) as compared with the unaudited annual results contained herein. The Board expects the auditing process will be completed in late April 2022 and the Company expects to publish the Group's audited annual results for the Reporting Period on or before end of April 2022. In addition, the Company will issue further announcement(s) as and when necessary if there are other material developments in the completion of the auditing process.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This unaudited annual results announcement is published on the websites of the Company (www.cfi.hk) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the Reporting Period will be despatched to the Shareholders and will be available at the above websites in due course.

The unaudited annual results for the Reporting Period contained in this announcement is only based on a preliminary assessment by the Board with reference to the information currently available which have not been agreed by the Company's auditors and are subject to possible adjustments. The audited annual results for the Reporting Period may therefore be different from the unaudited annual results as disclosed in this announcement. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By order of the Board
China Finance Investment Holdings Limited
LIN Yuhao
Chairman and Chief Executive Officer

Hong Kong, 31 March 2022

As at the date of this announcement, the Board comprises five Directors, including one executive Director, namely Mr. Lin Yuhao; one non-executive Director, namely Ms. Han Xiuhong and three independent non-executive Directors, namely Mr. Li Shaohua, Ms. Zhu Rouxiang and Ms. Li Yang.

In the case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.

* *For identification purpose only*