



中国金控

# China Finance Investment Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 875)

## Interim Report

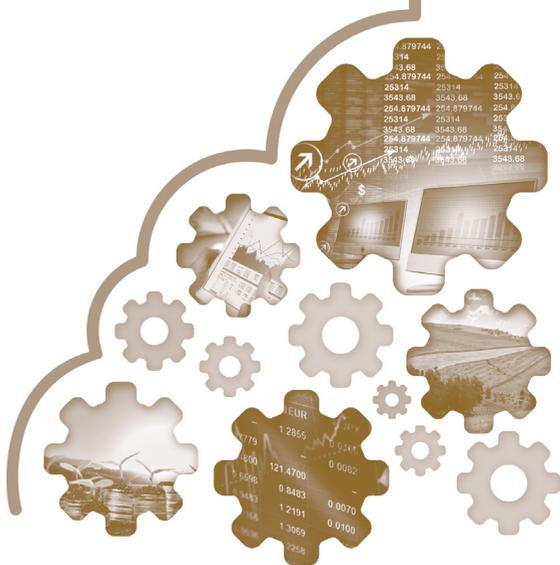
# 2016



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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive directors

Mr. LIN Yuhao (*Chairman*)

Mr. YAU Yik Ming Leao (*Deputy Chairman and Chief Executive Officer*)

Mr. TSANG King Sun

Mr. XU Bin

### Independent non-executive directors

Ms. TANG Shui Man

Mr. LI Shaohua

Ms. DIAO Hong

## AUDIT COMMITTEE

Ms. TANG Shui Man (*Committee Chairlady*)

Mr. LI Shaohua

Ms. DIAO Hong

## REMUNERATION COMMITTEE

Ms. DIAO Hong (*Committee Chairlady*)

Mr. TSANG King Sun

Ms. TANG Shui Man

Mr. LI Shaohua

## NOMINATION COMMITTEE

Mr. LIN Yuhao (*Committee Chairman*)

Mr. YAU Yik Ming Leao

Ms. TANG Shui Man

Mr. LI Shaohua

Ms. DIAO Hong

## CORPORATE GOVERNANCE COMMITTEE

Ms. TANG Shui Man (*Committee Chairlady*)

Mr. LI Shaohua

Ms. DIAO Hong

## AUTHORISED REPRESENTATIVES

Mr. YAU Yik Ming Leao

Mr. TSANG King Sun

## COMPANY SECRETARY

Mr. TSANG King Sun

## REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton, HM 12  
Bermuda

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1510, 15/F  
Ocean Centre, Harbour City  
5 Canton Road, Tsim Sha Tsui  
Kowloon, Hong Kong

## AUDITOR

Elite Partners CPA Limited

## LEGAL ADVISOR

Nixon Peabody CWL (as to Hong Kong laws)

## PRINCIPAL SHARE REGISTRAR

Appleby Management (Bermuda) Limited  
Canon's Court  
22 Victoria Street  
Hamilton, HM12  
Bermuda

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
Level 22, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## SHARE LISTING

The Stock Exchange of Hong Kong Limited  
Stock Code: 875

## CORPORATE WEBSITE

<http://www.cfi.hk>

## INVESTOR RELATIONS

Email: [ir@cfih.hk](mailto:ir@cfih.hk)

# MANAGEMENT DISCUSSION AND ANALYSIS

The board (the “Board”) of directors (the “Directors”) of China Finance Investment Holdings Limited (the “Company”), is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2016 (the “Reporting Period”).

## BUSINESS AND FINANCIAL REVIEW

During the Reporting Period, the Group recorded a revenue of approximately HK\$38.3 million, representing an increase of 18.0% compared with approximately HK\$32.4 million for the six months ended 30 June 2015 (the “Corresponding Period”). The Group recorded a gross profit of approximately HK\$6.2 million for the Reporting Period as compared to a gross loss of approximately HK\$7.8 million of the Corresponding Period. The improvement of the profitability for the six months ended 30 June 2016 was mainly attributable to: (i) increase in the average selling price in the vegetable markets in Hong Kong and Mainland China; (ii) the restructuring of production scale of plantation segment; and (iii) high profit margin from money lending business.

A net loss of approximately HK\$277.2 million was recorded for the six months ended 30 June 2016 as compared to a net loss of approximately HK\$90.9 million for the Corresponding Period in 2015. Such loss for the six months ended 30 June 2016 was mainly attributable to: (i) loss on derecognition of other financial asset of approximately HK\$215.5 million; (ii) loss of approximately HK\$29.4 million as a result of early redemption of the promissory notes; (iii) the recognition of impairment losses for property, plant and equipment of approximately HK\$8.1 million; and (iv) the recognition of imputed interest expenses on promissory notes of approximately HK\$3.2 million.

The adjusted LBITDA<sup>1</sup> for the six months ended 30 June 2016 was decreased by approximately HK\$29.3 million to approximately HK\$15.8 million when compared with the Corresponding Period in 2015. Such improvement for the six months ended 30 June 2016 was mainly attributable to: (i) improvement on gross profit of approximately HK\$14.0 million; and (ii) decrease in selling, administrative and other operating expenses of approximately HK\$17.1 million.

## Agriculture Business

The agriculture business made a contribution to the Group’s earnings with a revenue of approximately HK\$35.2 million and a gross profit of approximately HK\$4.3 million during the Reporting Period.

In light of the unsatisfactory results in previous years, the Group has been rationalising the agriculture business which has undergone a series of downsizing and restructuring exercises for its loss making and non-core operations in Hong Kong and Mainland China. In 2015, the Group disposed and ceased several loss making operations in Hong Kong and Mainland China with aims to more focus on promising businesses and minimise the operating losses.

<sup>1</sup> The adjusted LBITDA represents loss before net finance income and costs, income tax expense, depreciation and amortisation, impairment losses of property, plant and equipment, and inventories, loss on early redemption of promissory notes, and loss on derecognition of other financial asset.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the period under review, the Group decided to temporarily cease the operation of Jiangxi Anyi Congyu Agricultural Development Company Limited (“Jiangxi Anyi”) and Ningxia Cypress Jade Agricultural Development Company Limited (“Ningxia”) which principally engaged in growing and selling vegetables in Mainland China, due to a number of factors including but not limited to the increasingly competitive operating environment, a squeeze on profit margins as a result of rising production costs and inclement weather. The Board considers that the cessation of the operation will enable the Group to better utilise resources to core and potential business. From 1 January 2016 onwards, the Group has leased out the farmland of Jiangxi Anyi to an independent third party with an aim to bringing a steady rental income and optimising the utilisation of resources of the Group.

As a result, the remaining production bases of the agriculture businesses were further improved. The overall revenue and gross profit increased by approximately HK\$2.8 million and approximately HK\$12.1 million respectively as compared to the Corresponding Period.

Meanwhile, the Group will continue to control the costs and focus on existing resources to further strengthen and grow the Group’s businesses, both organically and through acquisitions when appropriate opportunities arise.

### Money Lending Business

In September 2015, the Group began to provide money lending business in Hong Kong primarily targeting loan financing including but not limited to personal loans and mortgage loans upon obtaining the money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

During the Reporting Period, loan interest income and net profit under money lending business amounted to approximately HK\$3.0 million and approximately HK\$0.6 million respectively. Outstanding loan principal and interest receivables amounted to approximately HK\$19.5 million. Interests of the loan receivables were charged at the rates ranging from 18.0% to 48.0% per annum. No significant default event occurred as of the date of this interim report and no provision for the impairment of loan receivables was considered necessary during the Reporting Period.

The Board considers it will be beneficial to the Group to explore new opportunities in the money lending business to broaden its source of income and expand the business operations in order to provide stable income and positive contribution to the financial results for the Company and the shareholders. The Group will keep on developing the money lending business by retaining prudent credit control procedures and strategies that hold a balance between business growth and risk management.

### Securities Brokerage

In April 2016, the Group commenced to provide securities broking services including but not limited to trading in securities, initial public offering, and private placements upon obtaining the Type 1 licence from the Securities and Futures Commission of Hong Kong to carry out Type 1 regulated activities (Dealing in Securities) under the Securities and Futures Ordinance ("SFO") (Cap. 571 of the Laws of Hong Kong).

The revenue of the securities broking service, being mainly the brokerage commission income amounted to approximately HK\$0.1 million for the Reporting Period. Since the securities brokerage business is in the early stage of development, it does not have a significant impact to the Group's performance. The Board believes that the securities brokerage business can contribute more revenue for the Group in the future.

### Investment in Internet Finance Business in Mainland China

The Group owned 25% equity interest in Shenzhen Qianhai Gelin Internet Financial Services Company Limited\* ("GLQH"), which was engaged in internet finance business in Mainland China. Since publication of the 《網絡借貸信息中介機構業務活動管理暫行辦法(徵求意見稿)》(the Interim Measures on the Administration of the Business Activities of Network Loan Information Agencies ("Draft for Public Comment")\*) on 28 December 2015, China government promulgated a series of emerging plans and regulations in order to standardise this industry. With the tighter policy, the whole P2P industry is undergoing a shakeout and may face transition from growth to recession.

Against the challenge and uncertainty on internet finance industry, GLQH developed new businesses including but not limited to providing management consultancy, marketing strategy, IT supports and data processing services in order to diversify the income stream and bring higher returns to shareholders.

### LIQUIDITY AND FINANCIAL RESOURCES

Except for equity fund raising from the Company, the Group finances its business operations with internally generated cash flows and general banking facilities. As at 30 June 2016, the Group had bank balances and cash of HK\$34.4 million (31 December 2015: HK\$44.1 million). The Group's quick ratio (measured as total current assets less inventories, biological assets and prepayments and other financial asset divided by total current liabilities) was approximately 0.7 times (31 December 2015: 0.7 times).

As at 30 June 2016, the total borrowings of the Group amounted to HK\$69.3 million (31 December 2015: HK\$126.4 million), of which, HK\$30.3 million (31 December 2015: HK\$31.3 million) were secured by several properties and motor vehicles of the Company. The borrowings in the amount of HK\$48.3 million (31 December 2015: HK\$49.4 million) were repayable within one year.

\* For identification purpose only

## MANAGEMENT DISCUSSION AND ANALYSIS

At the end of the Reporting Period, the Group had capital expenditure commitments of HK\$1.1 million (31 December 2015: HK\$1.1 million) in respect of acquisition of property, plant and equipment.

The Group will continue to adopt a positive but prudent approach in managing its financial resources. The Company may consider any debt and equity financing methods which would be in the interest of the Company and its shareholders as a whole.

### CAPITAL STRUCTURE AND GEARING RATIO

The Group manages 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 31 March, 2016, the Company entered into a subscription agreement with Mr. Zhu Yuanbiao and Ms. Wen Xiaojun (the "Subscribers") to allot and issue 719,696,968 new shares at the subscription price of HK\$0.099 per share. The new shares were issued under the general mandate granted to the Directors by the shareholders at the special general meeting held on 16 September 2015. The consideration for the subscription of the 719,696,968 new shares of HK\$0.01 each, was settled by setting off against 95% of the aggregate principal amount of promissory notes of value of HK\$75,000,000. The 719,696,968 new shares were allotted and issued to the Subscribers on 18 April 2016.

On 1 April 2016, the Company entered into a share subscription agreement with Mr. Huang Yuankai (the "Subscriber") to allot and issue a total of 420,000,000 new shares at the price of HK\$0.098 per share. The new shares were issued under the general mandate granted to the Directors by the shareholders at the special general meeting held on 16 September 2015. The 420,000,000 new shares of HK\$0.01 each, credited as fully paid, were allotted and issued to the Subscriber on 22 April 2016 with the net proceeds of approximately HK\$41.1 million principally for general working capital and future business development of the Group. Out of the net proceeds of HK\$41.1 million, approximately HK\$13.5 million for investment in an associate; HK\$6.0 million for money lending drawdown; HK\$14.0 million for business development of security broking services and the balance is held as bank deposit.

At the end of the Reporting Period, the Group's bank and other borrowings amounted to HK\$69.3 million (31 December 2015: HK\$126.4 million). Included in the above amount, an amount of HK\$46.9 million (31 December 2015: HK\$48.0 million) is charged at floating interest rate. The Group's interest rate risk primarily relates to the interest bearing bank balances and borrowings. The Group currently has not used any interest rate swaps to hedge its exposure to interest rate. The Group continues to monitor its exposure to interest rate risk closely, and may employ derivative financial instruments to hedge against risk when necessary.

As at 30 June 2016, the net debt to equity ratio was 0.2 (31 December 2015: 0.2). Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements. The Group's gearing ratio as at 30 June 2016 was 0.4 (31 December 2015: 0.4), which was measured as total debt to total shareholders' equity.

## SIGNIFICANT INVESTMENTS

The Group did not have any significant investments during the six months ended 30 June 2016.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

### Acquisitions

On 7 June 2015, Robust Canton Limited, a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Agreement") with an independent third party to acquire an investment holding company which indirectly holds 3 properties in Mainland China (the "Properties") (the "Properties Acquisition") at a consideration of HK\$37.5 million. The Group is currently developing its trading and financial business in Shenzhen, Mainland China and the Properties Acquisition provides an opportunity to the Group to acquire the Properties at a discount to the market price. The Properties are intended for the Group's own use and/or for investment purpose. If the conditions precedent set out in the Agreement were not satisfied or waived (as the case may be) on or before 30 September 2016, or such later date as the vendor and the Company may agree, the Agreement shall cease and determine.

Details of the Properties Acquisition are set out in the announcements of the Company dated 7 June 2015, 7 August 2015, 14 October 2015, 29 January 2016, 1 April 2016 and 30 June 2016.

On 15 July 2015, Trade Zone Global Limited ("Trade Zone"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the "Acquisition Agreement") with an independent third party (the "Vendor") to acquire Rise Glorious Investment Development Limited and its subsidiaries (the "Target Group"), at the consideration of HK\$250,000,000 to be settled by the Company by issuing the convertible notes (the "Finance Lease Acquisition"). The Target Group is principally engaged in the finance leasing business in Mainland China. Upon completion, the Target Group will become the indirect wholly-owned subsidiaries of the Company. The Vendor has guaranteed and warranted to Trade Zone that the audited consolidated adjusted earnings before interest, taxes, depreciation and amortisation of the Target Group for the financial periods ending 31 December 2016, 2017 and 2018 shall not be less than RMB20,000,000 per each financial period. If the conditions precedent set out in the Acquisition Agreement are not satisfied or waived (as the case may be) on or before 30 September 2016, or such later date as the Vendor and the Company may agree, the Acquisition Agreement shall cease and determine.

Details of the Finance Lease Acquisition are set out in the announcements of the Company dated 15 July 2015, 4 September 2015, 31 December 2015, 31 March 2016 and 30 June 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

On 2 February 2016, Shenzhen GLYD Internet Finance Services Company Limited (“Shenzhen GLYD”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “Micro Finance Agreement”) with independent third parties (the “Vendors”) to acquire Shengzhen Taihengfeng Technology Co. Ltd. and its subsidiaries (the “Taihengfeng Group”) at the consideration of RMB86,292,000 which is to be satisfied by the issue of the consideration shares of the Company (the “Micro Finance Acquisition”). Further to the announcement on 16 August 2016, Shenzhen GLYD and Vendors agreed to revise the consideration to RMB82,820,000 to be satisfied by the issue of promissory note. The Taihengfeng Group is principally engaged in the micro finance business in Mainland China. Upon completion, the Taihengfeng Group will become the indirect wholly-owned subsidiaries of the Company. If the conditions precedent set out in the Micro Finance Agreement are not satisfied or waived (as the case may be) on or before 31 December 2016, or such later date as the Vendors and the Company may agree, the Micro Finance Agreement shall cease and determine.

Details of the Micro Finance Acquisition are set out in the announcements of the Company dated 2 February 2016, 30 June 2016, 16 August 2016 and 23 August 2016.

Save as disclosed above, no material acquisitions or disposals of subsidiaries and associated companies have been made by the Company during the six months ended 30 June 2016.

### CHARGES ON GROUP'S ASSETS

As at 30 June 2016, leasehold land and buildings and motor vehicles with carrying amount of HK\$7.6 million (31 December 2015: HK\$8.0 million) were pledged to secure banking facilities granted to the Group.

### FOREIGN EXCHANGE EXPOSURE

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

### CONTINGENT LIABILITIES

As at 30 June 2016, the Group did not have any material contingent liabilities.

## EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2016, the Group had a total of 500 (30 June 2015: 1,300) full time employees in Hong Kong and Mainland China. Such change is mainly due to minimising the cost and group restructuring during the period. Total staff costs (including directors' remuneration) for the six months ended 30 June 2016 amounted to HK\$14.5 million (six months ended 30 June 2015: HK\$39.5 million). The employees are remunerated with reference to the qualification, experience, responsibility and performance of the individual, the performance of the Group and the market practices. Apart from the basic remuneration package, the Company also participates in the mandatory provident fund scheme in Hong Kong and the central provident fund scheme in Mainland China. The Company has adopted a share option scheme on 6 June 2013 (the "Scheme"). Pursuant to the Scheme, the Board may, at its discretion, grant options to eligible employees, executive and non-executive directors (including independent non-executive director) of the Group.

## PROSPECT

The Group will seek suitable investment opportunities from time to time to develop its existing business portfolio and engage in new line 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 agriculture business, the Company has been actively developing its business blueprint in the realm of internet finance, money lending and securities brokerage business since 2015. Meanwhile, the Group is eager to explore the market potential of Mainland China's burgeoning micro finance industry.

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

## INTERIM DIVIDEND

No dividend was paid, declared or proposed during the Reporting Period. The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2016 (six months ended 30 June 2015: Nil).

# REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION



開元信德會計師事務所有限公司

ELITE PARTNERS CPA LIMITED

Certified Public Accountants

## INDEPENDENT REVIEW REPORT TO THE BOARD OF DIRECTORS OF CHINA FINANCE INVESTMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

### Introduction

We have reviewed the interim financial information set out on pages 11 to 47 which comprises the condensed consolidated statement of financial position of China Finance Investment Holdings Limited (“the Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) as of 30 June 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The directors are responsible for the preparation and presentation of the interim financial information in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial information and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information as at 30 June 2016 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, “Interim Financial Reporting”.

### ELITE PARTNERS CPA LIMITED

Certified Public Accountants

#### Chan Wai Nam, William

Practising Certificate Number P05957

Hong Kong, 30 August 2016

10/F, 8 Observatory Road

Tsim Sha Tsui, Kowloon, Hong Kong

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2016

| <b>Six months ended 30 June</b>  |  |                                 |         |
|--|--|---------------------------------|---------|
| Notes  | <b>2016</b><br><b>HK\$'000</b><br><b>(Unaudited)</b> | 2015<br>HK\$'000<br>(Unaudited) |         |
| <b>Continuing operations</b>   |  |                                 |         |
| Revenue  | 38,281   | 32,431                          |         |
| Cost of sales and services rendered  | <b>(32,039)</b>                                      | (40,210)                        |         |
| <b>Gross profit/(loss)</b>   |  | <b>6,242</b>                    | (7,779) |
| Other income and gains   | 3,995  | 5,574                           |         |
| (Loss)/gain on change in fair value<br>less costs to sell of biological assets | <b>(449)</b>   | 190                             |         |
| Selling and distribution expenses  | <b>(6,267)</b>                                       | (9,888)                         |         |
| Administrative expenses  | <b>(22,361)</b>                                      | (36,171)                        |         |
| Other operating expenses   | <b>(254,002)</b>                                     | (36,370)                        |         |
| Share of profit of an associate  | 917  | –                               |         |
| Finance costs  | 4(a) <b>(5,274)</b>                                  | (3,089)                         |         |
| <b>Loss before taxation</b>  | 4 <b>(277,199)</b>                                   | (87,533)                        |         |
| Income tax expense   | –  | (20)                            |         |
| <b>Loss from continuing operations</b>   | <b>(277,199)</b>                                     | (87,553)                        |         |
| <b>Discontinued operation</b>  |  |                                 |         |
| Loss from discontinued operation, net of tax                                   | –  | (3,349)                         |         |
| <b>Loss for the period</b>   | <b>(277,199)</b>                                     | (90,902)                        |         |
| <b>Other comprehensive income:</b>   |  |                                 |         |
| Items that may be reclassified subsequently to profit or loss:                 |  |                                 |         |
| – Exchange differences arising<br>on translation of foreign operations         | <b>546</b>   | (129)                           |         |
| <b>Total comprehensive income for the period</b>                               | <b>(276,653)</b>                                     | (91,031)                        |         |

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2016*

|   | Notes | Six months ended 30 June        |                                 |
|---|-------|---------------------------------|---------------------------------|
|   |       | 2016<br>HK\$'000<br>(Unaudited) | 2015<br>HK\$'000<br>(Unaudited) |
| <b>Loss attributable to equity shareholders of the Company</b>                            |       |                                 |                                 |
| – from continuing operations  |       | (277,199)                       | (87,553)                        |
| – from discontinued operation   |       | –                               | (3,349)                         |
| <b>Loss for the period</b>  |       | <b>(277,199)</b>                | (90,902)                        |
| <b>Total comprehensive income attributable to:<br/>Equity shareholders of the Company</b> |       | <b>(276,653)</b>                | (91,031)                        |
| <b>Loss per share</b>   |       |                                 |                                 |
| <b>Basic (HK cents)</b>   | 5     |                                 |                                 |
| – from continuing operations  |       | (4.47)                          | (1.94)                          |
| – from discontinued operation   |       | –                               | (0.07)                          |
|   |       | <b>(4.47)</b>                   | (2.01)                          |
| <b>Diluted (HK cents)</b>   | 5     |                                 |                                 |
| – from continuing operations  |       | (4.47)                          | (1.94)                          |
| – from discontinued operation   |       | –                               | (0.07)                          |
|   |       | <b>(4.47)</b>                   | (2.01)                          |

The accompanying notes on pages 19 to 47 are an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

|  | Notes | At 30 June<br>2016<br>HK\$'000<br>(Unaudited) | At 31 December<br>2015<br>HK\$'000<br>(Audited) |
|--|-------|---|---|
| <b>Non-current assets</b>                    |       |   |   |
| Property, plant and equipment                | 7     | 72,374  | 82,496  |
| Goodwill                                     |       | –   | –   |
| Intangible asset                             |       | 500   | –   |
| Interest in an associate                     | 8     | 128,999                                       | 110,841   |
| Other non-current assets                     |       | 205   | –   |
|  |       | <b>202,078</b>                                | <b>193,337</b>                                  |
| <b>Current assets</b>                        |       |   |   |
| Inventories                                  |       | 2,438   | 1,073   |
| Biological assets                            |       | 4,858   | 1,174   |
| Trade and other receivables                  | 9     | 63,416  | 56,687  |
| Loan receivables                             | 10    | 19,180  | 9,056   |
| Interest receivables                         | 11    | 305   | 64  |
| Other financial asset                        | 12    | –   | 215,489   |
| Cash held on behalf of brokerage clients     | 13    | 2,387   | –   |
| Cash and cash equivalents                    |       | 34,393  | 44,074  |
|  |       | <b>126,977</b>                                | <b>327,617</b>                                  |
| <b>Current liabilities</b>                   |       |   |   |
| Trade and other payables                     | 14    | 57,480  | 44,005  |
| Interest-bearing bank and other borrowings   | 15    | 48,106  | 49,235  |
| Obligations under a finance lease            |       | 205   | 200   |
| Tax payables                                 |       | 76  | 76  |
|  |       | <b>105,867</b>                                | <b>93,516</b>                                   |
| <b>Net current assets</b>                    |       | <b>21,110</b>                                 | <b>234,101</b>                                  |
| <b>Total assets less current liabilities</b> |       | <b>223,188</b>                                | <b>427,438</b>                                  |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2016

|                                   | Notes | At 30 June<br>2016<br>HK\$'000<br>(Unaudited) | At 31 December<br>2015<br>HK\$'000<br>(Audited) |
|-----------------------------------|-------|---|---|
| <b>Capital and reserves</b>       |       |   |   |
| Share capital                     | 16    | 68,846  | 57,449  |
| Reserves                          |       | 123,005                                       | 281,493   |
| <b>Total equity</b>               |       | <b>191,851</b>                                | 338,942   |
| <b>Non-current liabilities</b>    |       |   |   |
| Promissory notes                  | 17    | 20,345  | 76,251  |
| Government grants                 | 14    | 10,334  | 11,483  |
| Obligations under a finance lease |       | 658   | 762   |
|                                   |       | <b>31,337</b>                                 | 88,496  |
|                                   |       | <b>223,188</b>                                | 427,438   |

The accompanying notes on pages 19 to 47 are an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 30 June 2016

| Notes  | Attributable to equity shareholders of the company |                           |                                 |                                       |  |                                   |                                |                   |
|--|--|---------------------------|---------------------------------|---------------------------------------|--|-----------------------------------|--------------------------------|-------------------|
|  | Share capital<br>HK\$'000                          | Share premium<br>HK\$'000 | Contributed surplus<br>HK\$'000 | Convertible bonds reserve<br>HK\$'000 | Exchange fluctuation reserve<br>HK\$'000 | Share options reserve<br>HK\$'000 | Accumulated losses<br>HK\$'000 | Total<br>HK\$'000 |
| <b>At 1 January 2015</b>                           | 37,950   | 104,756                   | 59,500                          | 9,934                                 | 4,030                                    | -                                 | (196,087)                      | 20,083            |
| Loss for the period                                | -  | -                         | -                               | -                                     | -  | -                                 | (90,902)                       | (90,902)          |
| Other comprehensive income for the period          | -  | -                         | -                               | -                                     | (129)                                    | -                                 | -                              | (129)             |
| <b>Total comprehensive income for the period</b>   | -  | -                         | -                               | -                                     | (129)                                    | -                                 | (90,902)                       | (91,031)          |
| Appropriation to statutory reserve                 | -  | -                         | 39                              | -                                     | -  | -                                 | (39)                           | -                 |
| Equity-settled share-based payment transaction     | -  | -                         | -                               | -                                     | -  | 11,253                            | -                              | 11,253            |
| Issue of new shares                                | 5,000  | 29,790                    | -                               | -                                     | -  | -                                 | -                              | 34,790            |
| Issue of ordinary shares under placement of shares | 8,630  | 63,171                    | -                               | -                                     | -  | -                                 | -                              | 71,801            |
| Issue of shares under share option scheme          | 1,446  | 22,242                    | -                               | -                                     | -  | (8,654)                           | -                              | 15,034            |
| Conversion of convertible bonds to ordinary shares | 923  | 11,603                    | -                               | (3,973)                               | -  | -                                 | -                              | 8,553             |
| <b>At 30 June 2015</b>                             | 53,949   | 231,562                   | 59,539                          | 5,961                                 | 3,901                                    | 2,599                             | (287,028)                      | 70,483            |
| <b>At 1 January 2016</b>                           | 57,449   | 317,874                   | 59,339                          | -                                     | 7,320                                    | 136,533                           | (239,573)                      | 338,942           |
| Loss for the period                                | -  | -                         | -                               | -                                     | -  | -                                 | (277,199)                      | (277,199)         |
| Other comprehensive income for the period          | -  | -                         | -                               | -                                     | 546                                      | -                                 | -                              | 546               |
| <b>Total comprehensive income for the period</b>   | -  | -                         | -                               | -                                     | 546                                      | -                                 | (277,199)                      | (276,653)         |
| Issue of ordinary shares under placement of shares | 16(b)  | 7,197                     | 81,275                          | -                                     | -  | -                                 | -                              | 88,472            |
| Issue of ordinary shares under placement of shares | 16(c)  | 4,200                     | 36,890                          | -                                     | -  | -                                 | -                              | 41,090            |
| <b>At 30 June 2016</b>                             | 68,846   | 436,039                   | 59,339                          | -                                     | 7,866                                    | 136,533                           | (516,772)                      | 191,851           |

The accompanying notes on pages 19 to 47 are an integral part of this condensed consolidated interim financial information.

# CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2016

Six months ended 30 June

|   | 2016<br>HK\$'000<br>(Unaudited) | 2015<br>HK\$'000<br>(Unaudited) |
|---|---------------------------------|---------------------------------|
| <b>Operating activities</b>                                       |                                 |                                 |
| Loss before taxation from   |                                 |                                 |
| – Continuing operations   | (277,199)                       | (87,533)                        |
| – Discontinued operation  | –                               | (3,349)                         |
|   | (277,199)                       | (90,882)                        |
| <b>Adjustments for:</b>   |                                 |                                 |
| Amortisation for government grants                                | (1,082)                         | (3,893)                         |
| Bad debts written-off   | –                               | 4                               |
| Depreciation  | 6,046                           | 7,097                           |
| Equity-settled share-based payment expenses                       | –                               | 11,253                          |
| Finance costs   | 5,274                           | 3,174                           |
| Government grants   | (1,408)                         | (362)                           |
| Impairment of property, plant and equipment                       | 8,076                           | 35,743                          |
| Interest income   | (405)                           | (58)                            |
| Loss on change in fair value                                      |                                 |                                 |
| less costs to sell of biological assets                           | 449                             | 815                             |
| Loss on derecognition of other financial asset                    | 215,489                         | –                               |
| Loss on disposal of property,<br>plant and equipment              | –                               | 119                             |
| Loss on early redemption of promissory notes                      | 29,442                          | –                               |
| Share of profit of an associate                                   | (917)                           | –                               |
| Written down of inventories                                       | –                               | 867                             |
| <b>Operating cash flows before changes<br/>in working capital</b> | <b>(16,235)</b>                 | <b>(36,123)</b>                 |

**CONDENSED CONSOLIDATED  
CASH FLOW STATEMENT**

*For the six months ended 30 June 2016*

|  | <b>Six months ended 30 June</b>          |  |
|--|--|--|
|  | <b>2016<br/>HK\$'000<br/>(Unaudited)</b> | <b>2015<br/>HK\$'000<br/>(Unaudited)</b> |
| Increase in inventories                                    | <b>(1,323)</b>                           | (460)                                    |
| Increase in biological assets                              | <b>(4,001)</b>                           | (1,623)                                  |
| Increase in trade and other receivables                    | <b>(6,331)</b>                           | (80,989)                                 |
| Increase in loan receivables                               | <b>(10,124)</b>                          | –  |
| Increase in interest receivables                           | <b>(241)</b>                             | –  |
| Increase in cash held on behalf of<br>brokerage clients    | <b>(2,387)</b>                           | –  |
| Increase in trade and other payables                       | <b>13,558</b>                            | 22,435                                   |
| <b>Cash used in operations</b>                             | <b>(27,084)</b>                          | (96,760)                                 |
| Interest received  | <b>7</b>                                 | 5  |
| <b>Net cash used in operating activities</b>               | <b>(27,077)</b>                          | (96,755)                                 |
| <b>Cash flows from investing activities</b>                |  |  |
| Additions to construction in progress                      | –  | (2,264)                                  |
| Capital injection in an associate                          | <b>(17,774)</b>                          | –  |
| Payments for other non-current assets                      | <b>(205)</b>                             | –  |
| Payments of intangible asset                               | <b>(500)</b>                             | –  |
| Proceeds from disposal of property,<br>plant and equipment | –  | 40                                       |
| Purchase of property, plant and equipment                  | <b>(5,061)</b>                           | (2,113)                                  |
| Receipt of government grants                               | <b>1,408</b>                             | 362                                      |
| <b>Net cash used in investing activities</b>               | <b>(22,132)</b>                          | (3,975)                                  |

**CONDENSED CONSOLIDATED  
CASH FLOW STATEMENT**

*For the six months ended 30 June 2016*

**Six months ended 30 June**

|  | <b>2016</b>        | 2015        |
|--|--------------------|-------------|
|  | <b>HK\$'000</b>    | HK\$'000    |
|  | <b>(Unaudited)</b> | (Unaudited) |
| <b>Cash flows from financing activities</b>                        |                    |             |
| Capital element of finance lease payments made                     | (99)               | (597)       |
| Expenses on issue of shares  | (120)              | –           |
| Interest element of a finance lease                                | (22)               | (9)         |
| Interest on bank and other borrowings                              | (2,078)            | (2,542)     |
| Proceeds from issue of shares                                      | 41,160             | 106,591     |
| Proceeds from new bank and other borrowings                        | 14,638             | 34,719      |
| Proceeds from share issued on exercise of share options            | –                  | 15,034      |
| Repayment of bank and other borrowings                             | (15,208)           | (40,809)    |
| <b>Net cash generated from financing activities</b>                | <b>38,271</b>      | 112,387     |
| <b>Net (decrease)/increase in cash and cash equivalents</b>        | <b>(10,938)</b>    | 11,657      |
| <b>Cash and cash equivalents at beginning of the period</b>        | <b>44,074</b>      | 10,098      |
| <b>Net effect of foreign exchange rate changes</b>                 | <b>1,257</b>       | (345)       |
| <b>Cash and cash equivalents at end of the period</b>              | <b>34,393</b>      | 21,410      |
| <b>Analysis of cash and cash equivalents</b>                       |                    |             |
| Cash and bank balances   | 34,393             | 20,073      |
| Cash and cash equivalents included in disposal group held for sale | –                  | 1,337       |
|  | <b>34,393</b>      | 21,410      |

The accompanying notes on pages 19 to 47 are an integral part of this condensed consolidated interim financial information.

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

## 1 BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information has been prepared in accordance with Hong Kong Accounting Standard 34 (“HKAS 34”) “Interim Financial Reporting” issued by the HKICPA as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”). It was authorised for issue on 30 August 2016.

The unaudited condensed consolidated interim financial information has been prepared in accordance with the same accounting policies adopted in the 2015 annual consolidated financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual consolidated financial statements. Details of any changes in accounting policies are set out in note 2.

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

This unaudited condensed consolidated interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual consolidated financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of consolidated financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The unaudited condensed consolidated interim financial information is unaudited, but has been reviewed by Elite Partners CPA Limited in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”, issued by the HKICPA. Elite Partners CPA Limited’s independent review report to the Board of Directors is included on page 10.

## 2 CHANGES IN ACCOUNTING POLICIES

(a) The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- Annual Improvements to HKFRSs 2012-2014 Cycle
- Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative

## 2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) (Continued)

### Annual Improvements to HKFRSs 2012-2014 Cycle

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34, "Interim Financial Reporting", has been amended to clarify that if an entity discloses the information required by the standard outside the condensed consolidated interim financial statements by a cross-reference to the information in another statements of the interim financial information, then users of the condensed consolidated interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group's interim financial information as the Group does not present the relevant required disclosures outside the condensed consolidated interim financial statements.

### Amendments to HKAS 1, Presentation of financial statements: Disclosure initiative

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group's interim financial information.

- (b) The HKICPA has issued a number of amendments and new standards which are not yet effective for the year ending 31 December 2016. These include the following which may be relevant to the Group:

|          |  | <b>Effective for accounting<br/>periods beginning on or after</b> |
|----------|--|---|
| HKFRS 15 | Revenue from Contracts<br>with Customers | 1 January 2018  |
| HKFRS 9  | Financial Instruments                    | 1 January 2018  |
| HKFRS 16 | Leases                                   | 1 January 2019  |

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results and financial position.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

### **3 REVENUE AND SEGMENT REPORTING**

#### **(a) Revenue**

The Group is principally engaged in cultivating and trading of agricultural produce and financial business including but not limited to money lending and securities broking.

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

|  | <b>Six months ended 30 June</b> |                    |
|--|---------------------------------|--------------------|
|  | <b>2016</b>                     | <b>2015</b>        |
|  | <b>HK\$'000</b>                 | <b>HK\$'000</b>    |
|  | <b>(Unaudited)</b>              | <b>(Unaudited)</b> |
| <i>Continuing operations</i>                 |                                 |                    |
| Revenue from trading of agricultural produce | <b>35,220</b>                   | 32,431             |
| Revenue from money lending                   | <b>2,950</b>                    | –                  |
| Revenue from securities broking              | <b>111</b>                      | –                  |
|  | <b>38,281</b>                   | 32,431             |

#### **(b) Segment reporting**

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

Agricultural produce: Cultivating and trading of agricultural produce

Money lending: Loan financing

Securities broking: Brokerage services in securities traded in Hong Kong

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED  
INTERIM FINANCIAL INFORMATION

**3 REVENUE AND SEGMENT REPORTING (CONTINUED)**

**(b) Segment reporting (Continued)**

**(i) Information about profit or loss, assets and liabilities**

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

|  | Agricultural<br>produce<br>HK\$'000 | Money<br>lending<br>HK\$'000 | Securities<br>broking<br>HK\$'000 | Total<br>HK\$'000 |
|--|-------------------------------------|------------------------------|-----------------------------------|-------------------|
| <b>For the six months ended<br/>30 June 2016 (Unaudited)</b>                 |                                     |                              |                                   |                   |
| Revenue from external<br>customers   | 35,220                              | 2,950                        | 111                               | 38,281            |
| Inter-segment revenue  | -                                   | -                            | -                                 | -                 |
| <b>Reportable segment revenue</b>  | <b>35,220</b>                       | <b>2,950</b>                 | <b>111</b>                        | <b>38,281</b>     |
| <b>Reportable segment profit/<br/>(loss) (adjusted EBITDA/<br/>(LBITDA))</b> | <b>(5,736)</b>                      | <b>673</b>                   | <b>(3,235)</b>                    | <b>(8,298)</b>    |
| Government grants  | 2,490                               | -                            | -                                 | 2,490             |
| Impairment of property,<br>plant and equipment                               | (8,076)                             | -                            | -                                 | (8,076)           |
| Loss on change<br>in fair value less costs to<br>sell of biological assets   | (449)                               | -                            | -                                 | (449)             |
| <b>As at 30 June 2016<br/>(Unaudited)</b>                                    |                                     |                              |                                   |                   |
| Reportable segment assets  | 87,931                              | 26,712                       | 26,577                            | 141,220           |
| Reportable segment liabilities   | 107,516                             | 218                          | 6,316                             | 114,050           |

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED  
INTERIM FINANCIAL INFORMATION**

**3 REVENUE AND SEGMENT REPORTING (CONTINUED)**

**(b) Segment reporting (Continued)**

**(i) Information about profit or loss, assets and liabilities  
(Continued)**

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

|   | Continuing operations               |                              |                                   | Discontinued operation |                                     | Total<br>HK\$'000 |
|---|-------------------------------------|------------------------------|-----------------------------------|------------------------|-------------------------------------|-------------------|
|   | Agricultural<br>produce<br>HK\$'000 | Money<br>lending<br>HK\$'000 | Securities<br>broking<br>HK\$'000 | Sub-total<br>HK\$'000  | Agricultural<br>produce<br>HK\$'000 |                   |
| <b>For the six months ended<br/>30 June 2015 (Unaudited)</b>                      |                                     |                              |                                   |                        |                                     |                   |
| Revenue from external customers   | 32,431                              | -                            | -                                 | 32,431                 | 43,016                              | 75,447            |
| Inter-segment revenue   | 13,962                              | -                            | -                                 | 13,962                 | -                                   | 13,962            |
| <b>Reportable segment revenue</b>   | <b>46,393</b>                       | <b>-</b>                     | <b>-</b>                          | <b>46,393</b>          | <b>43,016</b>                       | <b>89,409</b>     |
| <b>Reportable segment loss<br/>(adjusted LBITDA)</b>                              | <b>(26,794)</b>                     | <b>(67)</b>                  | <b>(77)</b>                       | <b>(26,938)</b>        | <b>(543)</b>                        | <b>(27,481)</b>   |
| Gain/(loss) on change<br>in fair value less costs to<br>sell of biological assets | 190                                 | -                            | -                                 | 190                    | (1,005)                             | (815)             |
| Government grants   | 3,986                               | -                            | -                                 | 3,986                  | 269                                 | 4,255             |
| Impairment of property,<br>plant and equipment                                    | (35,743)                            | -                            | -                                 | (35,743)               | -                                   | (35,743)          |
| Written down of inventories   | (867)                               | -                            | -                                 | (867)                  | (70)                                | (937)             |
| <b>As at 31 December 2015<br/>(Audited)</b>                                       |                                     |                              |                                   |                        |                                     |                   |
| <b>Reportable segment assets</b>  | <b>96,902</b>                       | <b>20,065</b>                | <b>9,358</b>                      | <b>126,325</b>         | <b>-</b>                            | <b>126,325</b>    |
| <b>Reportable segment liabilities</b>   | <b>101,778</b>                      | <b>173</b>                   | <b>492</b>                        | <b>102,443</b>         | <b>-</b>                            | <b>102,443</b>    |

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED  
INTERIM FINANCIAL INFORMATION

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

(ii) Reconciliations of reportable segment profit or loss

|   | Six months ended 30 June (Unaudited) |  |                   |                                   |  |                   |
|---|--------------------------------------|--|-------------------|-----------------------------------|--|-------------------|
|   | Continuing operations<br>HK\$'000    | 2016<br>Discontinued operation<br>HK\$'000 | Total<br>HK\$'000 | Continuing operations<br>HK\$'000 | 2015<br>Discontinued operation<br>HK\$'000 | Total<br>HK\$'000 |
| <b>Revenue</b>  |                                      |  |                   |                                   |  |                   |
| Reportable segment revenue  | 38,281                               | -  | 38,281            | 46,393                            | 43,016                                     | 89,409            |
| Elimination of inter-segment revenue  | -                                    | -  | -                 | (13,962)                          | -  | (13,962)          |
| <b>Consolidated revenue</b>   | <b>38,281</b>                        | <b>-</b>                                   | <b>38,281</b>     | <b>32,431</b>                     | <b>43,016</b>                              | <b>75,447</b>     |
| <b>Loss</b>   |                                      |  |                   |                                   |  |                   |
| <b>Reportable segment Loss (adjusted LBITDA)</b>                            | <b>(8,298)</b>                       | <b>-</b>                                   | <b>(8,298)</b>    | <b>(26,938)</b>                   | <b>(543)</b>                               | <b>(27,481)</b>   |
| Government grants   | 2,490                                | -  | 2,490             | 3,986                             | 269  | 4,255             |
| Interest income   | 405                                  | -  | 405               | 58                                | -  | 58                |
| Share of profit of an associate   | 917                                  | -  | 917               | -                                 | -  | -                 |
| Depreciation  | (6,046)                              | -  | (6,046)           | (6,508)                           | (590)                                      | (7,098)           |
| Finance costs   | (5,274)                              | -  | (5,274)           | (3,089)                           | (85)                                       | (3,174)           |
| Gain on disposal of subsidiary  | -                                    | -  | -                 | -                                 | 2,000                                      | 2,000             |
| Impairment of property, plant and equipment                                 | (8,076)                              | -  | (8,076)           | (35,743)                          | -  | (35,743)          |
| Loss on derecognition of other financial asset                              | (215,489)                            | -  | (215,489)         | -                                 | -  | -                 |
| Loss on early redemption of promissory notes                                | (29,442)                             | -  | (29,442)          | -                                 | -  | -                 |
| (Loss)/gain on change in fair value less costs to sell of biological assets | (449)                                | -  | (449)             | 190                               | (1,005)                                    | (815)             |
| Written down of inventories   | -                                    | -  | -                 | (867)                             | (70)                                       | (937)             |
| Unallocated head office and corporate income                                | -                                    | -  | -                 | 283                               | -  | 283               |
| Unallocated head office and corporate expenses                              | (7,937)                              | -  | (7,937)           | (18,905)                          | (3,325)                                    | (22,230)          |
| <b>Consolidated loss before taxation</b>                                    | <b>(277,199)</b>                     | <b>-</b>                                   | <b>(277,199)</b>  | <b>(87,533)</b>                   | <b>(3,349)</b>                             | <b>(90,882)</b>   |

**3 REVENUE AND SEGMENT REPORTING (CONTINUED)**

**(b) Segment reporting (Continued)**

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

|   | <b>30 June<br/>2016<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2015<br>HK\$'000<br>(Audited) |
|---|--|--|
| <b>Assets</b>                                     |  |  |
| Reportable segment assets                         | <b>141,220</b>                                       | 126,325                                      |
| Other financial asset                             | –  | 215,489                                      |
| Goodwill  | –  | –  |
| Interest in an associate                          | <b>128,999</b>                                       | 110,841                                      |
| Unallocated head office and corporate assets      | <b>58,836</b>  | 68,299                                       |
| <b>Consolidated total assets</b>                  | <b>329,055</b>                                       | 520,954                                      |
| <b>Liabilities</b>                                |  |  |
| Reportable segment liabilities                    | <b>114,050</b>                                       | 102,443                                      |
| Promissory notes                                  | <b>20,345</b>  | 76,251                                       |
| Unallocated head office and corporate liabilities | <b>2,809</b>   | 3,318  |
| <b>Consolidated total liabilities</b>             | <b>137,204</b>                                       | 182,012                                      |

**(iv) Geographical information**

Revenue from external customers, based on locations of customers, attributable to the Group by geographical areas is as follows:

|                              | <b>Six months ended 30 June</b>          |                                 |
|------------------------------|--|---------------------------------|
|                              | <b>2016<br/>HK\$'000<br/>(Unaudited)</b> | 2015<br>HK\$'000<br>(Unaudited) |
| <i>Continuing operations</i> |  |                                 |
| <b>Revenue</b>               |  |                                 |
| – Hong Kong                  | <b>9,358</b>                             | 7,023                           |
| – Mainland China             | <b>28,923</b>                            | 25,408                          |
|                              | <b>38,281</b>                            | 32,431                          |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED  
INTERIM FINANCIAL INFORMATION

**3 REVENUE AND SEGMENT REPORTING (CONTINUED)**

**(b) Segment reporting (Continued)**

**(iv) Geographical information (Continued)**

An analysis of the Group's non-current assets by their geographical location is as follows:

|                                      | <b>30 June<br/>2016<br/>HK\$'000<br/>(Unaudited)</b> | 31 December<br>2015<br>HK\$'000<br>(Audited) |
|--------------------------------------|--|--|
| <i>Continuing operations</i>         |  |  |
| <b>Property, plant and equipment</b> |  |  |
| – Hong Kong                          | <b>10,705</b>  | 8,460  |
| – Mainland China                     | <b>61,669</b>  | 74,036                                       |
|                                      | <b>72,374</b>  | 82,496                                       |

**4 LOSS BEFORE TAXATION**

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

|  | <b>Six months ended 30 June</b>          |                                 |
|--|--|---------------------------------|
|  | <b>2016<br/>HK\$'000<br/>(Unaudited)</b> | 2015<br>HK\$'000<br>(Unaudited) |
| <i>Continuing operations</i>                                   |  |                                 |
| <b>(a) Finance costs</b>                                       |  |                                 |
| – Imputed interest expenses<br>on convertible bonds            | –  | 760                             |
| – Imputed interest expenses<br>on promissory notes             | <b>3,174</b>                             | –                               |
| – Interest on bank loans wholly<br>repayable within five years | <b>2,039</b>                             | 2,284                           |
| – Interest on finance lease                                    | <b>22</b>                                | –                               |
| – Interest on other loans                                      | <b>39</b>                                | 45                              |
|  | <b>5,274</b>                             | 3,089                           |

#### 4 LOSS BEFORE TAXATION (CONTINUED)

|  | Six months ended 30 June        |                                 |
|--|---------------------------------|---------------------------------|
|  | 2016<br>HK\$'000<br>(Unaudited) | 2015<br>HK\$'000<br>(Unaudited) |
| <b>(b) Other income and gains</b>  |                                 |                                 |
| – Bank interest received   | (7)                             | (5)                             |
| – Government grants  | (2,490)                         | (3,986)                         |
| – Other interest income  | (398)                           | (53)                            |
| – Rental income  | (535)                           | (633)                           |
| – Reversal of impairment of trade receivables                                    | –                               | (85)                            |
| – Sundry income  | (565)                           | (812)                           |
|  | <b>(3,995)</b>                  | <b>(5,574)</b>                  |
| <b>(c) Other items</b>   |                                 |                                 |
| – Bad debts written off  | –                               | 4                               |
| – Depreciation of property,<br>plant and equipment                               | 6,046                           | 6,508                           |
| – Impairment of property,<br>plant and equipment                                 | 8,076                           | 35,743                          |
| – Loss/(gain) on change in fair value<br>less costs to sell of biological assets | 449                             | (190)                           |
| – Loss on disposal of property,<br>plant and equipment                           | –                               | 119                             |
| – Loss on early redemption of<br>the promissory notes                            | 29,442                          | –                               |
| – Loss on derecognition of<br>other financial asset                              | 215,489                         | –                               |
| – Written down of inventories  | –                               | 867                             |

#### 5 LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to the equity holders of the Company of HK\$277,199,000 (2015: HK\$90,902,000) and the weighted average number of 6,196,063,000 (2015: 4,520,200,000) ordinary shares in issue during the period.

The computation of diluted loss per share for the six months ended 30 June 2016 and 2015 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.

## 5 LOSS PER SHARE (CONTINUED)

### From continuing operations

The calculation of basic loss per share is based on the Group's loss attributable to the equity holders of the Company of HK\$277,199,000 (2015: HK\$87,553,000) and the weighted average number of 6,196,063,000 (2015: 4,520,200,000) ordinary shares in issue during the period.

The computation of diluted loss per share for the six months ended 30 June 2016 and 2015 does not assume the conversion of the Company's preference shares and convertible bonds, and the exercise of the Company's share options since their assumed conversion and exercise would result in a decrease in loss per share. Therefore, the basic and diluted loss per share are the same.

### From discontinued operation

The calculation of basic loss per share is based on the Group's loss attributable to the equity holders of the Company of HK\$Nil (2015: loss of HK\$3,349,000) and the weighted average number of 6,196,063,000 (2015: 4,520,200,000) ordinary shares in issue during the period.

The computation of diluted loss per share for the six months ended 30 June 2016 and 2015 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 change in loss per share. Therefore, the basic and diluted loss per share are the same.

## 6 DIVIDEND

No dividend was paid, declared or proposed during the period. The Directors do not recommend the payment of an interim dividend (2015: Nil).

## 7 PROPERTY, PLANT AND EQUIPMENT

### (a) Acquisitions and disposals

During the six months ended 30 June 2016, the Group acquired items of plant and equipment with a cost of HK\$5,061,000 (six months ended 30 June 2015: HK\$7,116,000). Items of plant and equipment with no net book value were disposed of during the six months ended 30 June 2016 (six months ended 30 June 2015: HK\$159,000), resulting in no loss on disposal (six months ended 30 June 2015: loss of HK\$119,000).

### (b) Impairment losses

During the six months ended 30 June 2016, the Group assessed the recoverable amounts of those property, plant and equipment and as a result the carrying amount of those assets written down to their recoverable amount of approximately HK\$72,374,000 (six months ended 30 June 2015: HK\$94,382,000). An impairment loss of approximately HK\$8,076,000 (six months ended 30 June 2015: HK\$35,743,000) was recognised in other operating expenses. The estimates of recoverable amount were based on the value in use of the assets.

## **8 INTEREST IN AN ASSOCIATE**

|  | <b>At 30 June<br/>2016<br/>HK\$'000<br/>(Unaudited)</b> | At 31 December<br>2015<br>HK\$'000<br>(Audited) |
|--|---|---|
| At 1 January   | <b>110,841</b>  | —   |
| Cost of investment   | <b>17,774</b>   | 110,057   |
| Share of post-acquisition profit and<br>other comprehensive income | <b>384</b>  | 784   |
|  | <b>128,999</b>  | 110,841   |

The Group's associate, which is unlisted and established in a form of limited company, is as follows:

| <b>Name</b>   | <b>Place of<br/>incorporation/<br/>business</b> | <b>Particular of<br/>registered capital</b> | <b>Percentage of<br/>ownership interest held<br/>by the Company</b> | <b>Principal activities</b>                |
|---|---|---|---|--|
| Shenzhen Qianhai Gelin<br>Internet Financial Services<br>Company Limited* | PRC/PRC   | RMB100,000,000                              | 25%   | Provision of internet<br>financing service |

The associate is accounted for using the equity method in the condensed consolidated financial statements.

There are no contingent liabilities relating to the Group's interest in the associate.

\* For identification purpose only

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**8 INTEREST IN AN ASSOCIATE (CONTINUED)**

Summarised financial information of the material associate, adjusted for any differences in accounting policies, and reconciled to the carrying amount in the condensed consolidated financial statements are disclosed below:

|  | <b>At 30 June<br/>2016<br/>HK\$'000</b>  | At 31 December<br>2015<br>HK\$'000 |
|--|--|------------------------------------|
| Current assets   | <b>172,785</b>                           | 148,228                            |
| Non-current assets   | <b>2,602</b>                             | 1,322                              |
| <b>Total assets</b>  | <b>175,387</b>                           | 149,550                            |
| Current liabilities  | <b>(8,705)</b>                           | (2,020)                            |
| <b>Net assets</b>  | <b>166,682</b>                           | 147,530                            |
|  | <b>Six months ended 30 June</b>          |                                    |
|  | <b>2016<br/>HK\$'000<br/>(Unaudited)</b> | 2015<br>HK\$'000<br>(Unaudited)    |
| Revenue  | <b>13,641</b>                            | –                                  |
| Profit and total comprehensive income<br>for the period attributable to equity holders | <b>1,536</b>                             | –                                  |
| Share of total comprehensive income (25%)<br>(2015: 0%)                                | <b>384</b>                               | –                                  |

## 9 TRADE AND OTHER RECEIVABLES

|  | Notes | <b>At 30 June<br/>2016<br/>HK\$'000<br/>(Unaudited)</b> | At 31 December<br>2015<br>HK\$'000<br>(Audited) |
|--|-------|---|---|
| Trade receivables arising from trading of agricultural produce |       | <b>8,823</b>  | 4,036   |
| Less: impairment   |       | <b>(729)</b>  | (738)   |
| <b>Total trade receivables</b>                                 | (a)   | <b>8,094</b>  | 3,298   |
| Account receivables arising from dealing in securities         |       |   |   |
| – Cash clients   |       | <b>177</b>  | –   |
| – Clearing houses  |       | <b>3,927</b>  | –   |
| <b>Total account receivables</b>                               | (b)   | <b>4,104</b>  | –   |
| Other receivables  |       | <b>9,909</b>  | 10,235  |
| Less: impairment   |       | <b>(203)</b>  | (206)   |
| <b>Total other receivables</b>                                 |       | <b>9,706</b>  | 10,029  |
| Deposits and prepayments                                       |       | <b>41,512</b>   | 43,360  |
|  |       | <b>63,416</b>   | 56,687  |

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**9 TRADE AND OTHER RECEIVABLES (CONTINUED)**

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

|               | <b>At 30 June<br/>2016<br/>HK\$'000<br/>(Unaudited)</b> | At 31 December<br>2015<br>HK\$'000<br>(Audited) |
|---------------|---|---|
| Current       | <b>7,186</b>  | 2,849   |
| 61 – 120 days | <b>601</b>  | 446   |
| Over 120 days | <b>307</b>  | 3   |
|               | <b>8,094</b>  | 3,298   |

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

Account receivables from cash clients arising from the securities broking are repayable on demand subsequent to settlement date. No aging analysis is disclosed as the aging analysis does not give additional value in view of the nature of these account receivables.

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

## 10 LOAN RECEIVABLES

|  | <b>At 30 June<br/>2016<br/>HK\$'000<br/>(Unaudited)</b> | At 31 December<br>2015<br>HK\$'000<br>(Audited) |
|--|---|---|
| <b>Carrying amount receivables based on scheduled repayment dates set out in the loan agreements</b> |   |   |
| Within one year  | <b>15,781</b>   | 1,370   |
| After one year which contain a repayment on demand clause (shown under current assets)               | <b>3,399</b>  | 7,686   |
|  | <b>19,180</b>   | 9,056   |
| Less: current portion  | <b>(19,180)</b>   | (9,056)   |
| Non-current portion  | –   | –   |

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

Except for loan receivables of HK\$2,872,000 (2015: HK\$Nil) as at 30 June 2016, which are unsecured, bear interest and are repayable with fixed terms agreed with customers, all loan receivables are secured by collaterals provided by customers, bear interest and are repayable within fixed terms agreed with the customers. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the loan receivables mentioned above.

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

|                    | <b>At 30 June<br/>2016<br/>HK\$'000<br/>(Unaudited)</b> | At 31 December<br>2015<br>HK\$'000<br>(Audited) |
|--------------------|---|---|
| Within 3 months    | <b>906</b>  | 54  |
| 3 months to 1 year | <b>14,875</b>   | 1,316   |
| Over 1 year        | <b>3,399</b>  | 7,686   |
|                    | <b>19,180</b>   | 9,056   |

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**11 INTEREST RECEIVABLES**

|                      | <b>At 30 June<br/>2016<br/>HK\$'000<br/>(Unaudited)</b> | At 31 December<br>2015<br>HK\$'000<br>(Audited) |
|----------------------|---|---|
| Interest receivables | <b>305</b>  | 64  |

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

Except for interest receivables of HK\$55,000 (2015: HK\$Nil) as at 30 June 2016, which are unsecured, and repayable with fixed terms agreed with customers, the remainings are secured by collaterals provided by customers and repayable within fixed terms agreed with the customers.

|              | <b>At 30 June<br/>2016<br/>HK\$'000<br/>(Unaudited)</b> | At 31 December<br>2015<br>HK\$'000<br>(Audited) |
|--------------|---|---|
| Current      | <b>118</b>  | 42  |
| 0 – 30 days  | <b>108</b>  | 22  |
| 31 – 90 days | <b>79</b>   | –   |
|              | <b>305</b>  | 64  |

**12 OTHER FINANCIAL ASSET**

On 30 June 2015, the Company entered into the subscription agreement with Shenzhen Qianhai Zhongjin Institute of International Education Limited\* ("Zhongjin") pursuant to which Zhongjin has agreed to subscribe for the convertible bonds in the aggregate principal amount of HK\$463 million upon written request from the Company at any time within the first anniversary of the date of the subscription agreement (the "Option"). The proposed convertible bonds are interest-free with maturity date falling on the third anniversary of the date of issue.

On 31 December 2015, the fair value of the Option was HK\$215,489,000. It is based on valuation performed by Access Partner Consultancy & Appraisals Limited, by using a Black-Scholes Merton Option Pricing model.

\* For identification purpose only

## 12 OTHER FINANCIAL ASSET (CONTINUED)

On 30 June 2016, the Company entered into a supplemental agreement with Zhongjin. According to the supplemental agreement, subject to the approval from the Company's shareholders at a special general meeting, the Company has the right to request Zhongjin to subscribe for the convertible bonds in aggregate principal amount of HK\$463 million, bearing interest at 12% per annum payable annually in arrears with maturity date falling on the third anniversary of the date of issue, at any time and from time to time on or prior to 31 May 2017. The Company's contractual right and Zhongjin's contractual obligation in respect of subscription of convertible bonds would become valid provided that the Company has been granted the approval from shareholders. As at the Reporting Period, the Option cannot provide certain economic benefit inflow towards the Company, the Option shall be derecognised as a financial asset. The carrying amount of the Option of HK\$215,489,000 is recognised as 'Loss on derecognition of other financial asset' in other operating expenses for the six months ended 30 June 2016.

## 13 CASH HELD ON BEHALF OF BROKERAGE CLIENTS

The Group maintains segregated trust accounts with authorised institutions to hold clients' monies arising from its normal course of business. The Group has classified the clients' monies as "Cash held on behalf of brokerage clients" under the current assets section of the unaudited condensed consolidated statement of financial position and recognised the corresponding account payables (note 14) to respective clients on the grounds that it is liable for any loss or misappropriation of clients' monies. The cash held on behalf of brokerage clients is restricted and governed by the Securities and Futures (Client Money) Rules under the Securities and Futures Ordinance.

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14 TRADE AND OTHER PAYABLES

|   | Notes | At 30 June<br>2016<br>HK\$'000<br>(Unaudited) | At 31 December<br>2015<br>HK\$'000<br>(Audited) |
|---|-------|---|---|
| Trade payables arising from trading of agricultural produce | (a)   | 22,655  | 20,347  |
| Account payables arising from dealing in securities         |       |   |   |
| – Cash clients  |       | 3,306   | –   |
| – Clearing houses   |       | 2,960   | –   |
| Total account payables                                      | (b)   | 6,266   | –   |
| Accruals and other payables                                 |       | 26,496  | 21,512  |
| Government grants   |       | 12,397  | 13,629  |
|   |       | 67,814  | 55,488  |
| Less: current portion                                       |       | (57,480)                                      | (44,005)  |
| Non-current portion – government grants                     |       | 10,334  | 11,483  |

**14 TRADE AND OTHER PAYABLES (CONTINUED)**

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

|               | <b>At 30 June<br/>2016<br/>HK\$'000<br/>(Unaudited)</b> | At 31 December<br>2015<br>HK\$'000<br>(Audited) |
|---------------|---|---|
| 0 – 60 days   | <b>8,540</b>  | 4,812   |
| 61 – 120 days | <b>2,420</b>  | 5,970   |
| Over 120 days | <b>11,695</b>   | 9,565   |
|               | <b>22,655</b>   | 20,347  |

- (b) The normal settlement terms of account payables to cash client and clearing houses, are two days after the trade date.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging 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 account payables are non-interest bearing.

Account payables to clients also include those payables placed in trust accounts with authorised institutions of HK\$ 2,387,000 (31 December 2015: HK\$Nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED  
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15 INTEREST-BEARING BANK AND OTHER BORROWINGS

|   | Notes | At 30 June<br>2016<br>HK\$'000<br>(Unaudited) | At 31 December<br>2015<br>HK\$'000<br>(Audited) |
|---|-------|---|---|
| Bank loans  | (a)   | 46,854  | 47,968  |
| Other loan  | (b)   | 1,252   | 1,267   |
|   |       | <b>48,106</b>                                 | 49,235  |
| Secured   |       | 29,436  | 30,326  |
| Unsecured   |       | 18,670  | 18,909  |
| Carrying amount   |       | <b>48,106</b>                                 | 49,235  |
| <b>Repayable:</b>                                       |       |   |   |
| Within one year   |       | 48,106  | 49,235  |
| More than one year,<br>but not exceeding than two years |       | –   | –   |
|   |       | <b>48,106</b>                                 | 49,235  |
| Less: amounts shown under current liabilities           |       | <b>(48,106)</b>                               | (49,235)  |
| Non-current liabilities                                 |       | –   | –   |

Notes:

- (a) The bank loan amounted to HK\$17,418,000 is unsecured. The loan interest is charged at prevailing rate quoted by the People's Bank of China plus 20% to 25% of prevailing rate and repayable within three years.

The bank loan amounted to HK\$29,436,000 is secured by several Group's properties. The loan interest is charged at prime rate plus 15% to 40% of prime rate per annum.

- (b) Other loan is unsecured, interest-free and has no fixed term of repayment.

## 16 SHARE CAPITAL

| Notes  | <b>At 30 June<br/>2016<br/>HK\$'000<br/>(Unaudited)</b> | At 31 December<br>2015<br>HK\$'000<br>(Audited) |
|--|---|---|
| <b>Authorised:</b>   |   |   |
| 150,000,000,000<br>(31 December 2015: 150,000,000,000)<br>ordinary shares of HK\$0.01 each | <b>1,500,000</b>  | 1,500,000                                       |
| 10,000,000,000<br>(31 December 2015: 10,000,000,000)<br>preference shares at HK\$0.01 each | <b>100,000</b>  | 100,000   |
| <b>Issued and fully paid:</b>  |   |   |
| 6,881,597,622<br>(31 December 2015: 5,741,900,654)<br>ordinary shares of HK\$0.01 each     | <b>68,816</b>   | 57,419  |
| 3,030,000<br>(31 December 2015: 3,030,000)<br>preference shares of HK\$0.01 each (a)       | <b>30</b>   | 30  |
|  | <b>68,846</b>   | 57,449  |

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

| Notes   | <b>No. of shares</b> | <b>Amount<br/>HK\$'000</b> |
|---|----------------------|----------------------------|
| At 31 December 2015 and<br>1 January 2016 (audited) | 5,741,900,654        | 57,419                     |
| Issue of ordinary shares under placement (b)        | 719,696,968          | 7,197                      |
| Issue of ordinary shares under placement (c)        | 420,000,000          | 4,200                      |
| At 30 June 2016 (unaudited)                         | 6,881,597,622        | 68,816                     |

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

### 16 SHARE CAPITAL (CONTINUED)

Notes:

- (a) The preference shares are non-redeemable with par value of HK\$0.01 each credited as fully paid up are issued and allotted to vendors as part of the considerations for the acquisitions occurred in Year 2012. According to the terms of the preference share policy, one preference share is eligible to convert into one new ordinary share any time no earlier than one year from the date of issue.
- (b) On 31 March 2016, the Company entered into a subscription agreement with independent third parties, Mr. Zhu Yuanbiao and Ms. Wen Xiaojun (the "Subscribers") to allot and issue a total of 719,696,968 new ordinary shares of the Company (the "Shares") at the subscription price of HK\$0.099 per share. The new Shares were issued under the general mandate granted to the Directors by the shareholders at the special general meeting held on 16 September 2015. The 719,696,968 new Shares of HK\$0.01 each, was settled by setting off against 95% of the aggregate principal amount of promissory notes of value of HK\$75,000,000. The 719,696,968 new Shares were allotted and issued to the Subscribers on 18 April 2016.
- (c) On 1 April 2016, the Company entered into a share subscription agreement with an independent third party, Mr. Huang Yuankai (the "Subscriber") to allot and issue a total of 420,000,000 new ordinary shares of the Company (the "Shares") at the subscription price of HK\$0.098 per share. The new Shares were issued under the general mandate granted to the Directors by the shareholders at the special general meeting held on 16 September 2015. The 420,000,000 new Shares of HK\$0.01 each, credited as fully paid, were allotted and issued to the Subscriber on 22 April 2016 with the net proceeds of approximately HK\$41.1 million principally for general working capital and future business development of the Group.

### 17 PROMISSORY NOTES

|   | HK\$'000      |
|---|---------------|
| Issue of promissory notes                         | 100,000       |
| Fair value change on issuance of promissory notes | (26,401)      |
| Imputed interest expense                          | 2,652         |
| <hr/>   |               |
| At 31 December 2015 (audited)                     | 76,251        |
| Loss on early redemption of promissory notes      | 29,442        |
| Imputed interest expense                          | 3,174         |
| Settled off ordinary shares consideration         | (88,522)      |
| <hr/>   |               |
| <b>At 30 June 2016 (unaudited)</b>                | <b>20,345</b> |

On 24 September 2015, the Company issued unsecured promissory notes ("PN") with principal value of HK\$100,000,000 as a partial consideration for the acquisition of an associate. The PN bears interest 3% per annum and is payable on 23 September 2018 (the "PN Maturity Date"). The fair values of the PN at the date of issuance was approximately HK\$73,599,000.

## 17 PROMISSORY NOTES (CONTINUED)

The PN is subsequently measured at amortised cost, using effective interest rate of approximately 14%. As at 31 December 2015, the carrying amount of the PN was approximately HK\$76,251,000.

During the year ended 31 December 2015, imputed interest of approximately HK\$2,652,000 was charged to profit or loss of the Group. In addition, no interest has been paid in connection to this PN.

During the Reporting Period, 95% of the aggregate principal amount of PN of value of HK\$75,000,000 was settled by setting off against issue of 719,696,968 shares of ordinary shares at the subscription price of HK\$0.099 per share. Payment of 5% of the aggregate principal amount of HK\$75,000,000 of the PN and payment of interests accrued were agreed to be waived.

During the Reporting Period, imputed interest of approximately HK\$3,174,000 was charged to profit or loss of the Group. In addition, no interest has been paid in connection to this PN.

As at 30 June 2016, the carrying amount of the remaining 25% PN was approximately HK\$20,345,000.

## 18 SHARE-BASED PAYMENT TRANSACTIONS

A share option scheme (the "Scheme") was adopted pursuant to a resolution passed at the annual general meeting of the Company held on 6 June 2013 ("Adoption Date") for the primary purpose of providing incentives or rewards to selected participants. Under the Scheme, the Company may grant options to any participant of certain defined categories. Saved as determined by the Directors and provided in the offer of the grant of the relevant option, there is no performance target requirement which must be achieved before the option can be exercised but the participant must remain in the categories upon exercise.

The total number of shares in respect of which options may be granted under the Scheme must not exceed 10% of the shares of the Company in issue as at the Adoption Date. The total number of shares issued and to be issued upon exercise of the options granted to a participant in any 12-month period must not exceed 1% of the shares of the Company in issue. Any further grant of options in excess of the individual limit must be subject to shareholders' approval.

The option price is determined by the Board of Directors in its absolute discretion which, in any event, shall be at least the higher of (a) the closing price of the shares on the offer date; (b) the average closing price of the shares for the five business days immediately preceding the offer date; and (c) the nominal amount for the time being of each share.

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**18 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)**

The table below discloses movement of the Company's share options held by the Group's Directors and other eligible participants:

| Name of category/<br>participant   | Number of share options |                                 |                                   | At 30 June<br>2016 | Date of<br>granted | Exercise<br>period       | Exercise<br>price<br>HK\$ |
|------------------------------------|-------------------------|---------------------------------|-----------------------------------|--------------------|--------------------|--------------------------|---------------------------|
|                                    | At<br>1 January<br>2016 | Granted<br>during<br>the period | Exercised<br>during<br>the period |                    |                    |                          |                           |
| <b>Directors</b>                   |                         |                                 |                                   |                    |                    |                          |                           |
| In aggregate                       | 58,964,806              | -                               | -                                 | 58,946,806         | 3/7/2015           | 3/7/2015 –<br>2/7/2025   | 0.495                     |
|                                    | <b>58,964,806</b>       | <b>-</b>                        | <b>-</b>                          | <b>58,964,806</b>  |                    |                          |                           |
| <b>Other eligible participants</b> |                         |                                 |                                   |                    |                    |                          |                           |
| In aggregate                       | 10,000,000              | -                               | -                                 | 10,000,000         | 13/4/2015          | 13/4/2015 –<br>12/4/2025 | 0.104                     |
| In aggregate                       | 458,330,698             | -                               | -                                 | 458,330,698        | 3/7/2015           | 3/7/2015 –<br>2/7/2025   | 0.495                     |
| In aggregate                       | 515,000                 | -                               | -                                 | 515,000            | 10/9/2015          | 10/9/2015 –<br>9/9/2025  | 0.349                     |
|                                    | <b>468,845,698</b>      | <b>-</b>                        | <b>-</b>                          | <b>468,845,698</b> |                    |                          |                           |
|                                    | <b>527,810,504</b>      | <b>-</b>                        | <b>-</b>                          | <b>527,810,504</b> |                    |                          |                           |

**18 SHARE-BASED PAYMENT TRANSACTIONS (CONTINUED)**

The fair value of share options is determined at the date of grant using Binominal Option Pricing Model by an independent valuer and the following assumptions were used to calculate the fair value of share options:

|  | <b>10 September<br/>2015</b> | <b>3 July<br/>2015</b> | <b>13 April<br/>2015</b> |
|--|------------------------------|------------------------|--------------------------|
| Fair value at measurement date   | HK\$87,497                   | HK\$135,904,419        | HK\$11,252,776           |
| Share price  | HK\$0.325                    | HK\$0.465              | HK\$0.104                |
| Exercise price   | HK\$0.349                    | HK\$0.495              | HK\$0.104                |
| Expected volatility (expressed<br>as weighted average volatility<br>used in the modeling under<br>the Binominal Option<br>Price Model) | 65%                          | 65%                    | 65%                      |
| Option life (expressed<br>as weighted average life<br>used in the modeling under<br>the Binominal Option<br>Price Model)               | 10 years                     | 10 years               | 10 years                 |
| Expected dividends   | 0%                           | 0%                     | 0%                       |
| Risk-free interest rate<br>(based on exchange<br>fund notes)   | 1.53%                        | 1.87%                  | 1.49%                    |

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

At the end of the Reporting Period, the Company has 527,810,504 share options outstanding. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in issue of 527,810,504 additional ordinary shares of the Company and additional share capital of approximately HK\$5,278,000.

## 19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

### Financial assets and liabilities measure at fair value

The following table presents the fair value of the Group's financial instruments measured at the end of reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, "Fair value measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active market for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

|   | Level 1<br>HK\$'000 | Level 2<br>HK\$'000 | Level 3<br>HK\$'000 | Total<br>HK\$'000 |
|---|---------------------|---------------------|---------------------|-------------------|
| <b>Recurring fair value measurement</b> |                     |                     |                     |                   |
| <b>At 30 June 2016</b>                  |                     |                     |                     |                   |
| Other financial asset                   | –                   | –                   | –                   | –                 |
| <b>At 31 December 2015</b>              |                     |                     |                     |                   |
| Other financial asset                   | –                   | 215,489             | –                   | 215,489           |

The fair value of the other financial asset is determined by using a Black-Scholes Merton Option Price model.

During the six months ended 30 June 2015 and 2016, there were no transfers between Level 1 and Level 2. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of reporting period in which they occur.

## 19 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

### **Fair value of financial assets and liabilities carried at other than fair value**

Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

- The estimate of fair values of biological assets is determined based on market prices in the local market.
- For disclosure purpose, the fair value of the promissory notes is not materially different from its carrying value. The fair value has been determined by using discounted cash flow models and is classified as level 3 in the fair value hierarchy. Significant inputs include the discount rate used to reflect the credit risks of the Group.
- The directors of the Company consider that the carrying amounts of the Group's financial assets and financial liabilities recorded at amortised cost in the financial statements with a maturity of less than one year are assumed to approximate their fair values.
- The fair value of balances with related parties has not been determined as the timing of the expected cash flows of these balances cannot be reasonably determined because of their close relationship.

## 20 CAPITAL COMMITMENTS OUTSTANDING NOT PROVIDED FOR IN THE INTERIM FINANCIAL INFORMATION

|                                   | <b>At 30 June<br/>2016<br/>HK\$'000<br/>(Unaudited)</b> | At 31 December<br>2015<br>HK\$'000<br>(Audited) |
|-----------------------------------|---|---|
| Authorised but not contracted for | <b>1,082</b>  | 1,096   |

## 21 MATERIAL RELATED PARTY TRANSACTIONS

The Group paid key management personnel compensation as follows:

|  | <b>At 30 June<br/>2016<br/>HK\$'000<br/>(Unaudited)</b> | At 30 June<br>2015<br>HK\$'000<br>(Unaudited) |
|--|---|---|
| Salaries and other short-term employee benefits              | <b>4,796</b>  | 2,987   |
| Contribution to defined contribution retirement scheme plans | <b>86</b>   | 61  |
| Equity-settled share-based payment                           | <b>–</b>  | 7,789   |
|  | <b>4,882</b>  | 10,837  |

## 22 SUBSEQUENT EVENT

On 2 February 2016, Shenzhen GLYD Internet Finance Services Company Limited\* (“Shenzhen GLYD”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement (the “Micro Finance Agreement”) with independent third parties (the “Vendors”) to acquire Shengzhen Taihengfeng Technology Co. Ltd.\* and its subsidiaries (the “Taihengfeng Group”) at the consideration of RMB86,292,000 which is to be satisfied by the issue of the consideration shares of the Company. Further to the announcement on 16 August 2016, Shenzhen GLYD and Vendors agreed to revise the consideration to RMB82,820,000 to be satisfied by the issue of promissory notes. The Taihengfeng Group is principally engaged in the micro finance business in Mainland China. Upon completion, the Taihengfeng Group will become the indirect wholly-owned subsidiaries of the Company.

On 4 April 2016 and 10 April 2016, the Company entered into the subscription agreement and supplemental agreement, respectively, (collectively known as the “Subscription Agreement”) with Shenzhen Qianhai Ali Fund Management Co. Ltd. (the “Subscriber”), pursuant to which Subscriber has agreed to subscribe for and the Company has agreed to issue the zero coupon convertible bonds up to the maximum principal amount of HK\$2,000 million (the “Convertible Bonds”). On 13 June 2016 and 12 July 2016, the Company served the subscription notice and amendment on subscription notice, respectively, (collectively known as “Subscription Notice”) on Subscriber regarding the issue of the Convertible Bonds B in the principal amount of HK\$330 million (the “Subscription”). The Subscription is subject to the fulfillment of the conditions set out in the Subscription Agreement including approval by Shareholders at a special general meeting of the Company. A circular containing further information on the issue of the Convertible Bonds and notice of the special general meeting will be despatched to the Shareholders as soon as practicable.

On 24 July 2016, the Company offered share options (the “Options”), subject to acceptance of the grantees (“Grantees”), to certain eligible persons under the share option scheme of the Company adopted on 6 June 2013, to subscribe for a total of 688,159,762 ordinary shares of HK\$0.01 each of the Company. Among the 688,159,762 Options, a total of 278,280,000 Options were granted to the Directors and their associates (within the meaning under the Listing Rules) and a total 409,879,762 Options were granted to other eligible participants of the Company and its subsidiaries.

\* For identification purpose only

## OTHER INFORMATION

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2016, the interests or short positions of the directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company or the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

#### Long positions in the shares of the Company:

| Name of directors | Capacity  | Class of shares          | Number of Shares held | Approximate percentage of shareholding in class |
|-------------------|---|--------------------------|-----------------------|---|
| Lin Yuhao         | Interest of controlled corporation                      | Ordinary shares (Note 1) | 863,017,507           | 12.54%  |
| Yau Yik Ming Leao | Interest of controlled corporation and beneficial owner | Ordinary shares (Note 2) | 143,000,000           | 2.08%   |
|                   | Beneficial owner  | Share Option (Note 3)    | 10,913,479            | 0.16%   |
| Tsang King Sun    | Beneficial owner  | Ordinary shares          | 20,000,000            | 0.29%   |
|                   | Beneficial owner  | Share Option (Note 3)    | 33,913,479            | 0.49%   |
| Xu Bin            | Beneficial owner  | Share Option (Note 3)    | 14,137,848            | 0.21%   |

Notes:

1. 863,017,507 shares were held by Sino Richest Investment Holdings Limited, which is wholly and beneficially owned by Mr. Lin Yuhao, executive Director.
2. 100,000,000 shares were held by Asiaticorp International Holdings Ltd, which is wholly and beneficially owned by Mr. Yau Yik Ming Leao, executive Director.
3. These represented the interests in underlying shares in respect of share options granted by the Company, details of which are disclosed in section headed "SHARE OPTION SCHEME" below.

Save as disclosed above, as at 30 June 2016, none of the directors, chief executives of the Company or their associates had any interests or short positions in any Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) recorded in the register required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## CHANGE IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the change in information of directors of the Company during the Reporting Period and up to the date of this report are as follows:

| Name of directors | Particulars                                    | Effective date |
|-------------------|--|----------------|
| Mr. Lin Yuhao     | Appointment as executive Director and Chairman | 13 May 2016    |

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed above in respect of certain directors and chief executives of the Company, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

### Long positions in the shares and underlying shares of the Company:

| Name of shareholder                               | Capacity                           | Class of shares | Number of shares held | Percentage of shareholding in class |
|---|------------------------------------|-----------------|-----------------------|-------------------------------------|
| Sino Richest Investment Holdings Limited (Note 1) | Beneficial owner                   | Ordinary shares | 863,017,507           | 12.54%                              |
| Lin Yuhao (Note 1)                                | Interest of controlled corporation | Ordinary shares | 863,017,507           | 12.54%                              |
| Zhu Yuanbiao                                      | Beneficial owner                   | Ordinary shares | 359,848,484           | 5.23%                               |
| Wen Xiaojun                                       | Beneficial owner                   | Ordinary shares | 359,848,484           | 5.23%                               |

Note:

- Sino Richest Investment Holdings Limited is wholly beneficially owned by Mr. Lin Yuhao.

Save as disclosed above, the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO as at 30 June 2016.

## OTHER INFORMATION

### SHARE OPTION SCHEME

On 6 June 2013, the Company adopted a new share option scheme (the "Scheme") under which the Board may, at its discretion, grant options to eligible participants under the Scheme. On 25 April 2013, listing approval was granted by the Stock Exchange in respect of the Scheme. The Board is able to grant options under the Scheme carrying the right to subscribe for a maximum of 192,551,261 Shares. On 13 April 2015, share options to subscribe for a total of 192,551,261 Shares were granted to the directors and other eligible participants.

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 12 June 2015, the share option mandate limit was refreshed pursuant to which the Company was authorised to grant share options to subscribe for up to a maximum number of 517,810,504 Shares.

Movements of the share options, which were granted under the Scheme, during the six months ended 30 June 2016 are set out below:

| Category of participant     | Number of Share Options       |                                     |                                       |                             | Date of grant     | Share options duration                | Exercise Price |
|-----------------------------|-------------------------------|-------------------------------------|---------------------------------------|-----------------------------|-------------------|---------------------------------------|----------------|
|                             | Outstanding at 1 January 2016 | Granted during the Reporting Period | Exercised during the Reporting Period | Outstanding at 30 June 2016 |                   |                                       |                |
| Other eligible participants | 10,000,000                    | Nil                                 | Nil                                   | 10,000,000                  | 13 April 2015     | 13 April 2015 to 12 April 2025        | HK\$0.104      |
| Directors                   | 58,964,806                    | Nil                                 | Nil                                   | 58,964,806                  | 3 July 2015       | 3 July 2015 to 2 July 2025            | HK\$0.495      |
| Other eligible participants | 458,330,698                   | Nil                                 | Nil                                   | 458,330,698                 | 3 July 2015       | 3 July 2015 to 2 July 2025            | HK\$0.495      |
| Other eligible participants | 515,000                       | Nil                                 | Nil                                   | 515,000                     | 10 September 2015 | 10 September 2015 to 9 September 2025 | HK\$0.349      |
| <b>Total</b>                | <b>527,810,504</b>            | <b>Nil</b>                          | <b>Nil</b>                            | <b>527,810,504</b>          |                   |                                       |                |

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in note 18 to the interim condensed consolidated financial statements.

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

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

## **CORPORATE GOVERNANCE CODE**

During the Reporting Period, the Company has complied with the Code Provisions and mandatory disclosure requirement as set out in the CG Code, except for the following deviations in respect of which remedial steps for compliance have been taken or considered reasons are given below.

Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established set out in writing.

Mr. Yau Yik Ming Leao became the Chief Executive Officer and the Deputy Chairman of the Company since 31 December 2014. He was responsible for the overall management of the Group as well as part of the duties of Chairman of the Board which constitutes a deviation from the code provisions A.2 of the CG Code.

As at 13 May 2016, Mr. Lin Yuhao was appointed as the Chairman of the Board and Executive Director. At the same time, Mr. Yau Yik Ming Leao still held the post of Chief Executive Officer of the Company. They are not related to each other and there are clear divisions among their responsibilities with a view to achieving a balance of power and authority. The Chairman provides leadership to the Board in terms of formulating policies and strategies, and discharges those duties set out in code provision A.2 of the CG Code. The Chief Executive Officer of the Company has the overall responsibility of implementing the decisions, policies and strategies approved by the Board, and overseeing the Group's business and operations.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the Model Code. Based on specific enquiry of the directors of the Company, all the directors confirmed that they had complied with the required standards as set out in the Model Code during the Reporting Period.

## OTHER INFORMATION

### AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including the review of the unaudited interim financial information of the Group for the six months ended 30 June 2016. At the request of the Board, the Company's external auditor, Elite Partners CPA Limited, has carried out a review of the unaudited interim financial information in accordance with Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

As at the date of this report, the Audit Committee comprises all independent non-executive directors, namely, Ms. TANG Shui Man (Chairlady), Mr. LI Shaohua and Ms. DIAO Hong.

### APPRECIATION

On behalf of the Board, I would like to take this opportunity to express gratitude to our employees for their contribution and dedication to the Group, and our shareholders, customers and business partners for their continuous support.

On behalf of the Board  
**China Finance Investment Holdings Limited**  
**Lin Yuhao**  
*Chairman*

Hong Kong, 30 August 2016