BLOCKCHAIN GP
區塊鏈集團有限公司

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 364)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

HIGHLIGHT

	2017	2016	
	HK$'000	*HK$'000*	**Decrease**
Revenue	**281,761**	302,250	(6.78%)
Loss attributable to equity shareholders of the Company	**(145,935)**	(972,735)	(85.00%)

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Blockchain Group Company Limited (the "**Company**") is pleased to announce the audited annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017 (the "**Year**") together with comparative figures for the year ended 31 December 2016 (the "**Year 2016**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Note	**2017**	2016
		HK$'000	*HK$'000*
REVENUE	*2*	**281,761**	302,250
Cost of sales		**(167,162)**	(167,065)
GROSS PROFIT		**114,599**	135,185
Changes in fair value of agricultural produce less costs to sell during the year		**(21,428)**	(35,204)
Other income	*3*	**12,086**	8,099
Selling and distribution expenses		**(7,618)**	(14,966)
Administrative expenses		**(39,681)**	(44,293)
Impairment loss on goodwill		**–**	(910,000)
Changes in fair value of financial liabilities at fair value through profit or loss		**9,714**	(1,183)
Surplus on revaluation of property, plant and equipment		**1,901**	292
PROFIT/(LOSS) FROM OPERATIONS		**69,573**	(862,070)
Finance costs	*5*	**(212,751)**	(196,711)
Gain on bargain purchase from acquisition of an associate		**–**	99,373
Share of losses of associates		**(1,690)**	(224)
Loss on disposals of subsidiaries		**–**	(14,665)

	Note	2017 HK$'000	2016 HK$'000
LOSS BEFORE TAX		**(144,868)**	(974,297)
Income tax (expense)/credit	*6*	**(608)**	693
LOSS FOR THE YEAR	*7*	**(145,476)**	(973,604)
ATTRIBUTABLE TO:			
Equity shareholders of the Company		**(145,935)**	(972,735)
Non-controlling interests		**459**	(869)
LOSS FOR THE YEAR		**(145,476)**	(973,604)
			(Restated)
LOSS PER SHARE	*9*		
– Basic		**(HK12.47 cents)**	(HK97.22 cents)
– Diluted		**N/A**	N/A

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
LOSS FOR THE YEAR		**(145,476)**	(973,604)
Other comprehensive income/(loss):–			
Items that will not be reclassified to profit or loss:–			
Surplus on properties revaluation		**303**	71
Deferred tax relating to deficit on property revaluation		**(76)**	(18)
		227	53
Items that may be subsequently reclassified to profit or loss:–			
Exchange differences on translating foreign operations		**270,253**	(237,426)
Exchange differences reclassified to profit or loss upon disposals of subsidiaries		**–**	13,592
Share of other comprehensive income/(losses) of associates		**19,672**	(19,715)
		289,925	(243,549)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**290,152**	(243,496)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**144,676**	(1,217,100)
ATTRIBUTABLE TO:-			
Equity shareholders of the Company		**144,133**	(1,216,148)
Non-controlling interests		**543**	(952)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**144,676**	(1,217,100)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**806,059**	847,608
Intangible assets		**15,195**	19,340
Interests in associates		**293,994**	276,012
Available-for-sale financial assets		**171,400**	164,640
Deposits paid	*10*	**–**	425,600
Other receivables and prepayments		**1,996**	1,871
Deferred tax assets		**3,904**	4,087
		1,292,548	1,739,158
CURRENT ASSETS			
Inventories	*11*	**1,701,312**	11,374
Trade receivables	*12*	**15,235**	110
Prepayments, deposits and other receivables		**46,609**	102,201
Cash and bank balances		**1,763,684**	2,091,168
		3,526,840	2,204,853
CURRENT LIABILITIES			
Bank loans, secured		**20,100**	34,283
Trade payables	*13*	**9,777**	7,844
Receipts in advance, other payables and accruals	*13*	**167,619**	127,352
Amount due to a related party	*13*	**1,357**	1,591
Convertible bonds		**389,461**	379,048
Debentures		**491,755**	448,849
Financial liabilities at fair value through profit or loss		**–**	9,714
Promissory notes		**78,033**	93,813
Current tax liabilities		**17,586**	15,209
		1,175,688	1,117,703
NET CURRENT ASSETS		**2,351,152**	1,087,150

	Note	2017 HK$'000	2016 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,643,700**	2,826,308
NON-CURRENT LIABILITIES			
Debentures		**1,451,422**	844,131
Deferred tax liabilities		**10,686**	10,991
		1,462,108	855,122
NET ASSETS		**2,181,592**	1,971,186
CAPITAL AND RESERVES			
Share capital		**236,969**	233,251
Reserves		**1,942,533**	1,736,388
TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**2,179,502**	1,969,639
NON-CONTROLLING INTERESTS		**2,090**	1,547
TOTAL EQUITY		**2,181,592**	1,971,186

Notes:

1. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

(b) Initial application of IFRSs

In the current year, the Group initially applied the following new and revised IFRSs:

Amendments to IAS 7	Disclosure Initiative
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to IFRSs (2014-2016)	Amendments to IFRS 12

Except for the amendments included in the IAS 12 and Annual Improvements to IFRSs (2014-2016), which are not relevant to the preparation of the Group's consolidated financial statements, the nature and impact of the amendments are described below.

The Group has applied Amendments to IAS 7 for the first year in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure of the reconciliation between the opening and closing balances of these above items, the application of these amendments has had no impact on the Group's consolidated financial statements.

1. BASIS OF PREPARATION (Continued)

(c) IFRSs in issue but not yet effective

The following new and revised IFRSs in issue at 31 December 2017 have not been applied in the preparation of the Group's consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 January 2017:

IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatments[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[2]
Annual Improvements to IFRSs (2014-2016)	Amendments to IFRS 1 and IAS 28[1]

[1] Effective for annual periods beginning on or after 1 January 2018

[2] Effective for annual periods beginning on or after 1 January 2019

[3] Effective for annual periods beginning on or after a date to be determined

[4] Effective for annual periods beginning on or after 1 January 2021

2. REVENUE

The Group's revenue represents the invoiced value of goods sold to external customers less discounts and return, and net of value-added tax. An analysis of the Group's revenue are as follows:–

	2017	2016
	HK$'000	*HK$'000*
Sales of raw teas, refined teas and other related products	**281,761**	301,258
Sales of ginseng products	**–**	992
	281,761	302,250

3. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**9,207**	7,083
Gain on disposal of property, plant and equipment, net	**2,071**	–
Government grants	**807**	772
Others	**1**	244
	12,086	8,099

4. SEGMENT INFORMATION

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

Geographical information

All of the Group's revenue were generated in the PRC. All of the Group's non-current assets are located in the PRC.

Revenue from major customers

There are no major customers individually contributing over 10% of the Group's revenue for the years ended 31 December 2016 and 2017.

5. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Actual interest on convertible bonds	**74,877**	76,067
Imputed interest on convertible bonds	**–**	2,847
Interest on cash consideration payable for business combination	**1,227**	1,324
Interest on debentures	**63,000**	60,854
Amortisation of issuing costs for debentures	**59,434**	35,498
Interest on promissory notes	**10,720**	17,649
Bank loan interest expenses	**3,493**	2,472
	212,751	196,711

6. INCOME TAX EXPENSE/(CREDIT)

	2017	2016
	HK$'000	*HK$'000*
Current tax – the PRC enterprise income tax – provision for the year	**1,365**	2,970
Deferred tax	**(757)**	(3,663)
	608	(693)

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which subsidiaries of the Group are domiciled and operate.

No Hong Kong profits tax has been provided as there was no assessable profit earned in or derived from Hong Kong for the years ended 31 December 2016 and 2017.

Pursuant to Section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gain or appreciation shall apply to the Company or its operations.

Pursuant to the International Business Companies Act, 1984 (the "IBC Act") of the British Virgin Islands (the "BVI"), international business companies incorporated pursuant to the IBC Act enjoy a complete exemption from income tax. This includes an exemption from capital gains tax and all forms of withholding tax. Accordingly, the subsidiaries incorporated in the BVI are not subject to tax.

6. **INCOME TAX EXPENSE/(CREDIT) (Continued)**

The National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law") on 16 March 2007 and the State Council has announced the Detailed Implementation Regulations on 6 December 2007, which has been effective since 1 January 2008. According to the New CIT Law, the income tax rates for both domestic and foreign investment enterprises are unified at 25% effective from 1 January 2008. Pursuant to the relevant PRC tax rules and regulations, the Group's income derived from the tea plantation is subject to preferential income tax rates of 0% – 12.5%.

Pursuant to the New CIT Law and its implementation rules, the gross amount of dividends received by the Company's subsidiaries incorporated in Hong Kong and the BVI from its PRC subsidiaries in respect of their profits generated since 1 January 2008 is subject to withholding tax at a rate of 5% and 10% respectively. Under the Caishui (2008) No. 1, the undistributed profits of the PRC subsidiaries as at 31 December 2007 determined based on the relevant PRC tax rules and regulations are exempted from withholding tax. Since the Group can control the quantum and timing of distribution of profits of the Group's subsidiaries in the PRC, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

A reconciliation of income tax expense/(credit) applicable to loss before tax using the applicable rate for the regions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:–

	2017	2016
	HK$'000	*HK$'000*
Loss before tax	**(144,868)**	(974,297)
Tax at the PRC enterprise income tax rate of 25%	**(36,217)**	(243,574)
Tax effect of income that is not taxable	**(797)**	(26,374)
Tax effect of expenses that are not deductible	**56,208**	288,027
Tax effect of unrecongised tax loss	**1,998**	–
Tax effect of preferential tax rates for tea plantation in the PRC	**(20,584)**	(18,772)
Income tax expense/(credit)	**608**	(693)

Deductible temporary difference arising from unutilised tax loss of HK$7,992,000 (2016: Nil) has not been recognised in these consolidated financial statements owing to the absence of objective evidence in respect of the availability of sufficient taxable profit that are expected to arise to offset against deductible temporary difference. Such tax loss will expire within five years from the date of incurrence.

7. LOSS FOR THE YEAR

The Group's loss for the year is stated after charging/(crediting) the following:–

	2017	2016
	HK$'000	*HK$'000*
Amortisation of intangible assets	**5,387**	8,359
Auditor's remuneration for:–		
Annual audit	**3,000**	2,200
Audit in relation to a proposed acquisition	**1,500**	–
Others	**892**	688
	5,392	2,888
Cost of inventories sold	**167,162**	167,065
Depreciation of property, plant and equipment	**30,992**	35,223
Exchange gain, net	**–**	(2)
Gain on disposals of property, plant and equipment, net	**(2,071)**	–
Impairment loss on:		
– Trade receivables	**50**	–
– Other receivables	**–**	46
– Inventories (included in cost of sales)	**3,459**	4,754
Operating lease charges on land and buildings	**1,063**	1,251
Staff costs (excluding directors' remuneration):		
Salaries, bonus and allowances	**10,504**	15,157
Retirement benefits scheme contributions	**852**	766
	11,356	15,923

The cost of inventories sold includes staff costs, depreciation and operating leases charges of approximately HK$18,824,000 (2016: HK$20,244,000) which are included in the amounts disclosed separately above.

Note:–

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of contribution of HK$1,500, per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiaries established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of these subsidiaries. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

8. DIVIDENDS

No dividend has been paid or declared by the Company for the years ended 31 December 2016 and 2017.

9. LOSS PER SHARE

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

	2017	2016
	HK$'000	*HK$'000*
Loss		
Loss attributable to equity shareholders of the Company for the purpose of calculating basic loss per share	**(145,935)**	(972,735)
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**1,170,023,342**	1,000,586,932

Weighted average number of ordinary shares

	2017	2016 (Restated)
Issued ordinary shares at the beginning of the year	**23,325,093,070**	18,134,323,704
Effect of issue of shares for acquisitions of an associate and available-for-sale financial assets	**–**	1,740,655,738
Effect of conversion of convertible bonds	**75,373,768**	136,759,192
Weighted average number of ordinary shares in issue during the year used in basic loss per share calculation	**23,400,466,838**	20,011,738,634
Effect of share consolidation subsequent to the end of the reporting period	**(22,230,443,496)**	(19,011,151,702)
	1,170,023,342	1,000,586,932

9. LOSS PER SHARE (Continued)

The calculations of basic loss per share have taken into account the effect of share consolidation, which became effective after the end of the reporting period but before these consolidated financial statements were authorised for issue, retrospectively. Accordingly, the calculations of weighted average numbers of ordinary shares for the purpose of calculating basic loss per share were on the basis that every twenty issued and unissued shares of HK$0.01 each in the share capital of the Company be consolidated into one consolidated share of HK$0.2 each.

Diluted loss per share has not been disclosed as the effects of all potential ordinary shares are anti-dilutive for the years ended 31 December 2016 and 2017.

10. DEPOSITS PAID

	For potential business combination	**Property, plant and equipment**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
	(Note (a))	*(Note (b))*	
At 1 January 2016	528,000	24,000	552,000
Refund	(96,000)	–	(96,000)
Exchange differences	(28,800)	(1,600)	(30,400)
At 31 December 2016 and 1 January 2017	403,200	22,400	425,600
Refund	(421,200)	(23,400)	(444,600)
Exchange differences	18,000	1,000	19,000
At 31 December 2017	**–**	**–**	**–**

10. DEPOSITS PAID (Continued)

(a) Deposits paid for potential business combination for the year ended 31 December 2015

(i) On 22 May 2015, the Group entered into a non-legally binding memorandum of understanding ("MoU A") with a vendor ("Vendor A"). Pursuant to the MoU A, Vendor A intended to dispose of and the Group intended to acquire 100% of the issued share capital of a company ("Target A"), which after certain reorganisation will own a tea plantation base of approximately 6,500 Mu and certain retail shops in Fujian Province, the PRC. Subject to further negotiation between the Group and Vendor A and the results of the due diligence on Target A and its subsidiaries, the proposed consideration for the potential business combination amounted to RMB350,000,000 (equivalent to approximately HK$420,000,000).

During the year ended 31 December 2015, the Group paid RMB150,000,000 (equivalent to approximately HK$187,500,000) as deposits for such potential business combination.

Owing to the change of the Group's business plans, the Group decided not to proceed the potential business combination. On 20 March 2017, the Group entered into a separate agreement with Vendor A to terminate the MoU A. The Group received full refund of deposits of RMB150,000,000 on 22 March 2017.

(ii) On 19 June 2015, the Group entered into a non-legally binding memorandum of understanding ("MoU B") with a vendor ("Vendor B"). Pursuant to the MoU B, Vendor B intended to dispose of and the Group intended to acquire 100% of the issued share capital of a company ("Target B"), which after certain reorganisation will own a sophisticated tea cultural promotion business in Anhui Province, the PRC. Subject to further negotiation between the Group and Vendor B and the results of the due diligence on Target B and its subsidiaries, the proposed consideration for the potential business combination amounted to RMB280,000,000 (equivalent to approximately HK$336,000,000).

During the year ended 31 December 2015, the Group paid RMB90,000,000 (equivalent to approximately HK$112,500,000) as deposits for such potential business combination.

Owing to the change of the Group's business plans, the Group decided not to proceed the potential business combination. On 20 March 2017, the Group entered into a separate agreement with Vendor B to terminate the MoU B. The Group received full refund of deposits of RMB90,000,000 on 24 March 2017.

10. **DEPOSITS PAID (Continued)**

(a) **Deposits paid for potential business combination for the year ended 31 December 2015 (Continued)**

(iii) On 20 June 2015, the Group entered into a non-legally binding memorandum of understanding ("MoU C") with a vendor ("Vendor C"). Pursuant to the MoU C, Vendor C intended to dispose of and the Group intended to acquire 100% of the issued share capital of a company ("Target C"), which after certain reorganisation will own a sophisticated electronic commerce platform in Fujian Province, the PRC. Subject to further negotiation between the Group and Vendor C and the results of the due diligence on Target C and its subsidiaries, the proposed consideration for the potential business combination amounted to RMB160,000,000 (equivalent to approximately HK$192,000,000).

During the year ended 31 December 2015, the Group paid RMB80,000,000 (equivalent to approximately HK$100,000,000) as deposits for such potential business combination.

Owing to the change of the Group's business plans, the Group decided not to proceed the potential business combination. On 16 March 2016, the Group entered into a separate agreement with Vendor C to terminate the MoU C. The Group received full refund of deposits of RMB80,000,000 on the same date.

(iv) On 24 June 2015, the Group entered into a non-legally binding memorandum of understanding ("MoU D") with a vendor ("Vendor D"). Pursuant to the MoU D, Vendor D intended to dispose of and the Group intended to acquire 100% of the issued share capital of a company ("Target D"), which after certain reorganisation will own a sophisticated refined tea business in Hubei Province, the PRC. Subject to further negotiation between the Group and Vendor D and the results of the due diligence on Target D and its subsidiaries, the proposed consideration for the potential business combination amounted to RMB300,000,000 (equivalent to approximately HK$360,000,000).

During the year ended 31 December 2015, the Group paid RMB120,000,000 (equivalent to approximately HK$150,000,000) as deposits for such potential business combination.

Owing to the change of the Group's business plans, the Group decided not to proceed the potential business combination. On 23 March 2017, the Group entered into a separate agreement with Vendor D to terminate the MoU D. The Group received full refund of deposits of RMB120,000,000 on 24 March 2017.

10. DEPOSITS PAID (Continued)

(b) Deposits paid for acquisition of property, plant and equipment

The deposits paid represented the prepaid construction fees of RMB20,000,000 to a vendor for the construction in progress owned by the Group. On 20 March 2017, the Group entered into a separate agreement to cancel the construction contracts with the vendor. The Group received full refund of deposits of RMB20,000,000 on 27 March 2017.

11. INVENTORIES

	2017	2016
	HK$'000	*HK$'000*
Raw materials	**15,388**	14,763
Finished goods	**1,694,347**	1,161
	1,709,735	15,924
Less: Impairment loss	**(8,423)**	(4,550)
	1,701,312	11,374

Movements of impairment loss on inventories are as follows:

	2017	2016
	HK$'000	*HK$'000*
At 1 January	**4,550**	–
Impairment loss for the year	**3,459**	4,754
Exchange adjustments	**414**	(204)
At 31 December	**8,423**	4,550

12. TRADE RECEIVABLES

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

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

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**2,244**	–
31 – 60 days	**2,459**	–
61 – 90 days	**4,695**	–
91 – 120 days	**5,831**	–
Over 120 days	**6**	110
	15,235	110

At 31 December 2017, trade receivables of approximately HK$12,991,000 (2016: HK$110,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:–

	2017	2016
	HK$'000	*HK$'000*
Nether past due nor impaired	**2,244**	–
Less than 1 month past due but not impaired	**2,459**	–
1 to 2 months past due but not impaired	**4,695**	–
2 to 3 months past due but not impaired	**5,831**	–
Over 3 months past due but not impaired	**6**	110
	15,235	110

The carrying amounts of the Group's trade receivables are denominated in RMB.

13. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**9,777**	7,844
Interest payable on bank borrowings	**–**	877
Receipts in advance, other payables and accruals	**167,619**	126,475
	167,619	127,352
Amount due to a related party – *Note (i)*	**1,357**	1,591
	178,753	136,787

Notes:

(i) The amount is due to Mr. Cai Yanghang, senior management of the Group, which is unsecured, interest-free and repayable on demand.

(ii) As at 31 December 2016, included in other payables was interest payable on convertible bonds of HK$1,266,000, which is reclassified to convertible bonds at 31 December 2017.

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

Aging of trade payables

An aging analysis of the trade payables as at the end of reporting period, based on the date of receipt of consumables or goods purchased, is as follows:–

	2017	2016
	HK$'000	*HK$'000*
0 – 30 days	**120**	–
31 – 60 days	**98**	–
61 – 90 days	**466**	–
Over 90 days	**9,093**	7,844
	9,777	7,844

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Year, the Company continued to focus on the expansion of the tea business. However, the consumer market condition, especially the tea products for business gifts, continued to deteriorate which resulted in decrease in revenue by 6.78% from approximately HK$302.3 million for the Year 2016 to approximately HK$281.8 million for the Year. There is a pressure on sales of the Group's tea products. The loss of the Group decreased from approximately HK$973.6 million for the Year 2016 to approximately HK$145.5 million for the Year.

Loss attributable to equity shareholders of the Company for the Year decreased by 85.0% to approximately HK$145.9 million (Year 2016: approximately HK$972.7 million). The loss attributable to equity shareholders of the Company for the Year 2016 was mainly due to impairment loss on goodwill of approximately HK$910.0 million. However, no impairment loss on goodwill is recognised for the Year. Excluding this item, there was loss attributable to equity shareholders of the Company for the Year of approximately HK$145.9 million (Year 2016: approximately HK$62.7 million).

FINANCIAL PERFORMANCE

During the Year, the Group's consolidated revenue decreased by 6.8% to approximately HK$281.8 million (Year 2016: approximately HK$302.3 million). The decrease was mainly due to sluggish consumer markets, especially the tea products for business gifts.

During the Year, gross profit of the Group decreased by 15.2% to approximately HK$114.6 million (Year 2016: approximately HK$135.2 million) and gross profit margin decreased by 4 percentage points from 44.7% for the Year 2016 to 40.7% for the Year. The decrease in gross profit margin was due to the sluggish consumer markets, especially the tea products for business gifts. The loss after tax was mainly attributable to the finance costs of approximately HK$212.8 million during the Year.

PROSPECTS

The Group has been officially renamed as "Blockchain Group Company Limited". We are dedicated to the development and planning of relevant blockchains. In March 2018, the Group entered into a technological service agreement with an independent third party. It is expected that the development of the application system technologies for the Group's food tracking platform will be completed by 30 May 2018. The whole world will be able to access these technologies once they are ready. Our second leading position among providers of blockchain solutions in terms of food safety will be maintained as well. The Group believes that the development of the aforesaid food tracking technologies is the first step of the Group's exploration in blockchain industry. We will try to cooperate with more third parties in relation to blockchain technologies in all aspects, set up research centres and apply blockchain technologies to all industries, aiming to realize on diversified integration and set up an ecosphere for the application of blockchain technologies.

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

ANALYSIS BY CUSTOMER GEOGRAPHICAL REGIONS

Sales to customers located in the China region accounted for 100% (Year 2016: 100%) of total revenue for the Year.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2017, the Group had current assets of approximately HK$3,526.8 million (as at 31 December 2016: approximately HK$2,204.9 million) and current liabilities of approximately HK$1,175.7 million (as at 31 December 2016: approximately HK$1,117.7 million). The current ratio (calculated as current assets to current liabilities) increased from 1.97 as at 31 December 2016 to 3.00 as at 31 December 2017. The gearing ratio (calculated as the total bank borrowings, the convertible bonds, debentures, financial liabilities at fair value through profit or loss and promissory notes to total Shareholders' equity) increased from 0.92 as at 31 December 2016 to 1.11 as at 31 December 2017. These ratios were at reasonably adequate levels as at 31 December 2017 while the Group had sufficient resources in meeting its short-term and long-term obligations.

The Group principally met its funding requirements by cash flows from operations and financing activities. During the Year, the net cash used in (Year 2016: generated from) operating activities and net cash generated from financing activities were approximately HK$1,576 million (Year 2016: approximately HK$430.6 million) and approximately HK$517 million (Year 2016: approximately HK$3.4 million), respectively. The total bank borrowings decreased to approximately HK$20.1 million (as at 31 December 2016: approximately HK$34.3 million). The bank loans were repayable within one year with interest rate at 7.61% (Year 2016: from 5.44% to 7.40%) per annum. The Group's bank borrowings were denominated in RMB.

During the Year, the Group issued unlisted debentures of approximately HK$846.1 million (Year 2016: approximately HK$526.2 million) at face value with issuing costs of approximately HK$215.9 million (Year 2016: approximately HK$134.9 million). The debentures are interest bearing at a rate ranging from 0% to 8% (Year 2016: 0% to 10%) of the face value per annum, unsecured and repayable on the six months to eighth anniversary of the respective date of issue. In addition, the Group redeemed unlisted debentures with principal amounts of HK$39.4 million during the Year (Year 2016: HK$136 million). As at 31 December 2017, the carrying values of the debentures were approximately HK$1,943 million (as at 31 December 2016: HK$1,293 million).

During the Year, the original convertible bonds with principal amount of approximately HK$65.73 million were converted to ordinary shares of the Company. As at 31 December 2017, the carrying values of convertible bonds and convertible notes (included financial liabilities at fair value through profit and loss) amounted to approximately HK$389.5 million (Year 2016: approximately HK$379.0 million) and HK$Nil (Year 2016: approximately HK$9.7 million) respectively. As at 31 December 2017, the carrying value of promissory notes amounted to approximately HK$78.0 million (Year 2016: HK$93.8 million).

The original convertible bonds with principal amounts of approximately HK$212 million has maturity date on 31 December 2015. The Group is currently in the process of negotiating with the bondholders for the extension and/or restructuring of the terms of these convertible bonds. So far the Group entered into a settlement agreement with Great Vantage Investments Limited subsequent to the Year to restructure terms of the convertible bonds.

CAPITAL STRUCTURE

During the Year, there were increases in the issued share capital of the Company through the issuance of 371,776,018 new ordinary shares upon conversion of convertible bonds.

The total number of issued share capital of the Company as at 31 December 2017 comprised 23,696,869,088 ordinary shares.

The above information of capital structure of the Company has not taken into account the effect of share consolidation with details as set out below.

Subsequent to the balance sheet date, on 29 January 2018, the Board put forward to the Shareholders a proposal of share consolidation (the "**Share Consolidation**") on the basis that every twenty (20) issued and unissued shares of HK$0.01 each in the share capital of the Company be consolidated into one consolidated share of HK$0.2 each.

As at 31 December 2017, the authorised share capital of the Company was HK$800,000,000 divided into 80,000,000,000 shares of par value of HK$0.01 each, of which 23,696,869,088 shares had been allotted and issued as fully paid or credited as fully paid. Pursuant to the resolution passed by the Shareholders on 29 January 2018, the share consolidation became effective on 30 January 2018 and the authorised share capital of the Company remained at HK$800,000,000 dividing into 4,000,000,000 consolidated shares of par value of HK$0.1 each, of which 1,184,843,454 consolidated shares were in issue. All the consolidated shares rank pari passu in all respects with each other in accordance with the articles of association of the Company. Save for any fractional consolidated shares to which Shareholders may be entitled, the implementation of the Share Consolidation did not alter the underlying assets, business operations, management or financial position of the Company or result in any change in the rights of the Shareholders.

Subscription of Shares

On 5 December 2017, the Company and Mr. Li Dongfan, an executive Director and the joint chairman of the Board (the "**Subscriber**") entered into the conditional subscription agreement (the "**Subscription Agreement**") in relation to the subscription of 4,600,000,000 new ordinary shares of HK$0.01 each in the share capital of the Company (the "**Subscription Shares**") pursuant to which the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue the Subscription Shares at the subscription price of HK$0.03 per Subscription Share.

On 19 December 2017, the Company entered into a deed of termination with the Subscriber (the "**Deed of Termination**") to terminate the Subscription Agreement in all respects on amicable terms.

Pursuant to the Deed of Termination, all obligations of the parties under or in respect of the Subscription Agreement shall be fully discharged and no party shall have any claim of any nature whatsoever against the other party arising from or in connection with the Subscription Agreement. Each party shall also bear its own costs arising out of and incidental to the preparation, negotiation and execution of the Subscription Agreement and the Deed of Termination.

The total number of issued share capital of the Company as at the date of this announcement comprised 1,184,843,454 ordinary shares.

CAPITAL EXPENDITURE

During the Year, the total capital expenditure of the Group for the expansion of various plants and erection of new buildings was approximately HK$Nil (Year 2016: approximately HK$0.8 million).

FOREIGN EXCHANGE EXPOSURE

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

The closing exchange rate between HK$ and RMB adopted by the Group as at 31 December 2017 was RMB1: HK$1.20 (as at 31 December 2016: RMB1 to HK$1.12). Due to the appreciation of RMB against HK$ during the Year, the Group recorded a comprehensive income (Year 2016: loss) in exchange differences on translating foreign operations of approximately HK$270.2 million (Year 2016: approximately HK$237.4 million) and share of other comprehensive income (Year 2016: loss) of an associate (related to the translation of foreign operations) of approximately HK$19.6 million (Year 2016: HK$19.7 million). In view of continuing appreciation of RMB during the last three months before this announcement, the Group expects if such trend continues during the coming year, there will be a positive impact to the Group's performance.

CHARGES ON GROUP ASSETS

As at 31 December 2017, the Group did not pledge any non-current assets to secure bank loans.

CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as at 31 December 2017 (as at 31 December 2016: HK$Nil).

EMPLOYMENT INFORMATION

As at 31 December 2017, the total number of employees of the Group in Hong Kong and the PRC was 193 (as at 31 December 2016: 218). The Group's emoluments policies are based on the performance of individual employees and on the basis of the salary trends in various regions, and are reviewed periodically.

For the Year, the total staff costs (including Directors' emoluments) amounted to approximately HK$13.8 million (Year 2016: approximately HK$18.5 million). The Company maintains a share option scheme for the purpose of providing incentives and rewards to the eligible participants for their contributions to the Group.

SIGNIFICANT INVESTMENTS

During the Year, the Group did not have any significant investments (2016: Nil).

MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURE

The Group had no material acquisition or disposal of subsidiaries, associates and joint ventures for the Year.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the Year (Year 2016: HK$Nil).

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the forthcoming annual general meeting of the Company to be held on Thursday, 7 June 2018 (the "**AGM**"), the register of members of the Company will be closed from Friday, 1 June 2018 to Thursday, 7 June 2018, both days inclusive, during which period no transfers of shares shall be effected. The holders of shares whose names appear on the register of members of the Company on Thursday, 7 June 2018 will be entitled to attend and vote at the AGM. In order to qualify for attending and voting at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong, for registration not later than 4:00 p.m. on Thursday, 31 May 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Year, there were increases in the issued share capital of the Company through the issuance of 371,776,018 new ordinary shares upon conversion of convertible bonds.

The total number of issued share capital of the Company as at 31 December 2017 comprised 23,696,869,088 ordinary shares.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Year.

EVENTS AFTER REPORTING PERIOD

As described in the section headed "Capital Structure", the Share Consolidation became effective on 30 January 2018.

On 15 September 2017, the Company received a petition from PC Securities Limited (the "**Petitioner**") in the matter of the Companies (Winding Up and Miscellaneous Provision) Ordinance, Chapter 32 from the High Court of The Hong Kong Special Administrative Region (the "**High Court**") that the Company may be wound up by the High Court on the ground that the Company is insolvent and unable to pay its debts.

On 26 March 2018, upon the agreement between the Company and the Petitioner, the parties have made a joint application by way of consent summons to the court for the dismissal of the winding up petition of the Company (the "**Petition**"), and the High Court made an order on 26 March 2018 that the Petition be dismissed.

Reference is made to the announcements of the Company on 15 September 2017, 26 September 2017, 13 October 2017, 15 November 2017, 20 November 2017, 11 December 2017, 15 January 2018 and 22 January 2018 relating to the Petition and the announcement on 26 March 2018 relating to the dismissal of the Petition.

CORPORATE GOVERNANCE

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

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

Code provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders; while code provision E.1.2 stipulates that the chairman of the board should attend the annual general meeting. Mr. Cai Zhenrong (the chairman of the Board) and three independent non-executive Directors were unable to attend the annual general meeting of the Company held on 28 June 2017 due to their other business commitments Mr. Cai Zhenrong and two independent non-executive Directors were unable to attend the extraordinary general meeting of the Company held on 27 October 2017 due to their other business engagement. An executive Director chaired the meetings whereas other attended Board members were already of sufficient calibre and number for answering questions raised by the Shareholders.

Following the re-designation of Mr. Su Yichao from an independent non-executive Director to a non-executive Director with effect from 17 November 2017, the Company was not in compliance with Rule 3.10A of the Listing Rules, which stipulates that the number of independent non-executive directors shall represent at least one-third of the board.

The Company has taken active steps to identify suitable candidates and has appointed Mr. Wang Qidong as an independent non-executive Director on 13 February 2018. However, following the appointment of Mr. Yan Ximao as an executive Director on 13 February 2018, the Company is not in compliance with Rule 3.10A of Listing Rules, which stipulates that the number of independent non-executive Directors shall represent at least one-third of the Board. The Company will make its best endeavours to identify suitable candidates to fill the vacancies of the independent non-executive Director as soon as possible to meet the requirements under the Listing Rules. The Company will make further announcement(s) as and when appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry by the Company, all Directors have confirmed their compliance with the required standards set out in the Model Code throughout the Year.

AUDIT COMMITTEE

The Company has established an audit committee (the "**Audit Committee**") in accordance with the requirements of the CG Code for the purposes of reviewing and providing supervision over the Group's financial reporting process, risk management and internal control. The Audit Committee comprises three independent non-executive Directors. During the Year, two regular meetings of the Audit Committee were held. The audited financial statements of the Group for the Year have been reviewed by the Audit Committee and audited by the independent auditor of the Company, PKF Hong Kong.

PUBLICATION OF FINAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkex.com.hk and on the Company's website at www.blockchaingroup.com.hk. The annual report 2017 of the Company will also be published on the aforesaid websites in due course.

APPRECIATION

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

By Order of the Board
Blockchain Group Company Limited
Cai Yangbo
Executive Director

Hong Kong, 29 March 2018

As at the date of this announcement, the executive Directors are Mr. Cai Zhenrong, Mr. Li Dongfan, Mr. Cai Zhenyao, Mr. Cai Zhenying, Mr. Cai Yangbo, Mr. Choi Wing Toon, Mr. Chen Wenfang and Mr. Yan Ximao. The non-executive Director is Mr. Su Yichao. The independent non-executive Directors are Mr. Lawrence Gonzaga, Mr. Chin Hon Siang, Mr. Lin Hann Ruey and Mr. Wang Qidong.