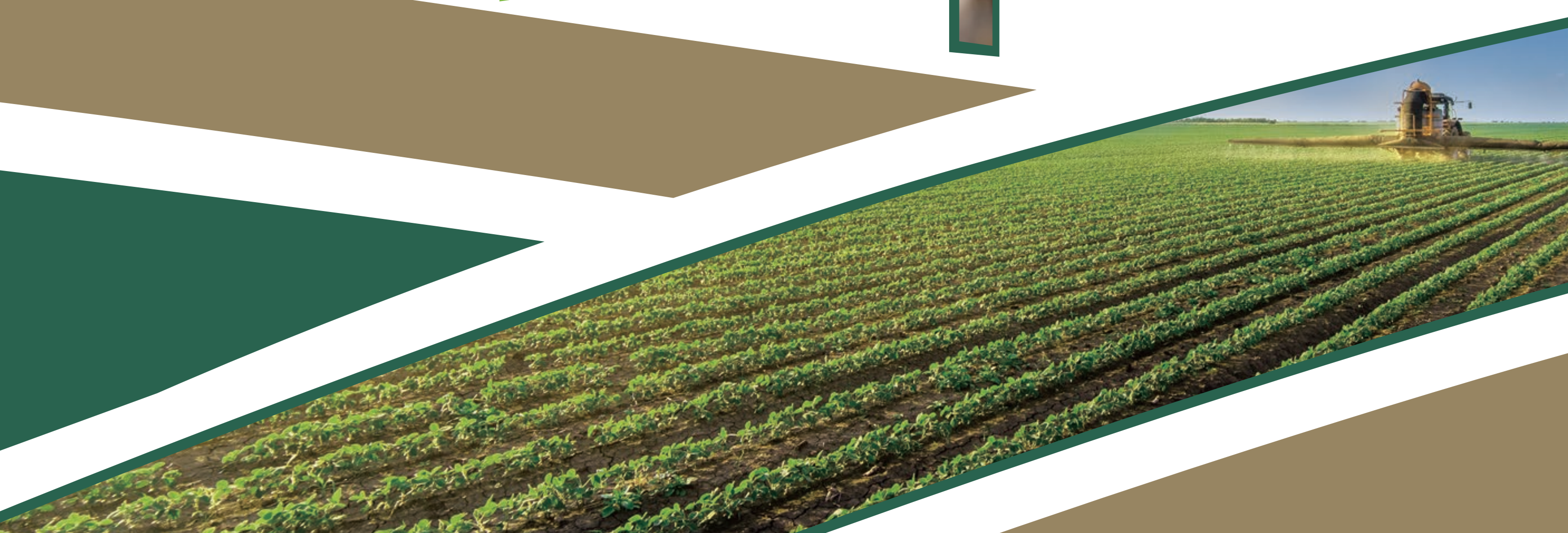
中国金控 CFIH

China Finance Investment Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 875)

Annual Report 2018



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This annual report is printed on environmental friendly paper.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors
Ms. DIAO Hong
Ms. DIAO Jing
Mr. YAU Yik Ming Leao *(retired on 15 June 2018)*
Mr. XU Bin *(resigned on 28 February 2018)*
Mr. LIN Yupa *(appointed on 18 April 2019)*

Non-executive director
Mr. LIN Yuhao *(Chairman)*

Independent non-executive directors
Mr. LI Shaohua
Ms. ZHU Rouxiang
Ms. LI Yang

AUDIT COMMITTEE
Ms. LI Yang *(Committee Chairlady)*
Mr. LI Shaohua
Ms. ZHU Rouxiang

REMUNERATION COMMITTEE
Ms. ZHU Rouxiang *(Committee Chairlady)*
Ms. DIAO Jing
Mr. LI Shaohua
Ms. LI Yang

NOMINATION COMMITTEE
Ms. ZHU Rouxiang *(Committee Chairlady)*
Ms. DIAO Hong
Mr. LIN Yuhao
Mr. LI Shaohua
Ms. LI Yang
Mr. XU Bin *(resigned on 28 February 2018)*

CORPORATE GOVERNANCE COMMITTEE
Ms. LI Yang *(Committee Chairlady)*
Mr. LI Shaohua
Ms. ZHU Rouxiang

AUTHORISED REPRESENTATIVES
Ms. DIAO Jing
Mr. LIN Yuhao *(appointed on 15 June 2018)*
Mr. YAU Yik Ming Leao *(retired on 15 June 2018)*

COMPANY SECRETARY
Ms. YEUNG Man Wah *(appointed on 31 July 2018)*
Ms. LEUNG Tsz Kwan *(resigned on 31 July 2018)*

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
World Link CPA Limited

LEGAL ADVISOR
P.C. Woo & Co.
(as to Hong Kong laws)

PRINCIPAL SHARE REGISTRAR
Estera Services (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton HM 12
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.cfih.hk

INVESTOR RELATIONS
Email: ir@cfih.hk

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of China Finance Investment Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), I am pleased to present you with the annual results of the Group for the year ended 31 December 2018.

During the year ended 31 December 2018 (the "Reporting Period"), the Group recorded a turnover of approximately HK$157.2 million, an increase of 90.1% from HK$82.7 million for the year ended 31 December 2017 (the "Corresponding Period"). The Group recorded a gross profit of approximately HK$34.8 million as compared with a gross profit of approximately HK$44.4 million for the Corresponding Period. The increase in turnover was mainly due to increase in revenue from agriculture business as a results of adjusting strategies of selling agricultural produce during the Reporting Period. The decrease of the profitability was mainly attributable to the increase in the self-plantation costs and decrease in unit selling price of vegetables in the agricultural business.

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

Following the completion of the acquisition of Shenzhen Taihengfeng Technology Company Limited and its subsidiaries (the "Taihengfeng Group") in November 2016, the Group is able to expand into the micro finance market in Shenzhen, the People's Republic of China (the "PRC") through provision of personal loans and corporate loans services. The Taihengfeng Group has generated stable segment profits and contributed to the stability of the overall results of the Group during the Reporting Period.

Looking ahead, 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.

Finally, on behalf of the Board, I would like to extend our sincere gratitude to the Group's shareholders, customers and business partners for their continuous support and to our management and staff for their diligence, dedication and contribution throughout the past year.

LIN Yuhao
Chairman

28 March 2019

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Results of Continuing Operations

Agriculture Business

Due to (i) fierce competition in the agricultural market and the general decreasing trend in average selling price of vegetables; (ii) increase in production costs (including but not limited to labour and rental costs); and (iii) the worsening soil condition of certain farmlands, profitability of the Group's Agricultural Business has been affected. To place viability as its top priority, the Group decisively adjusted its strategies by minimising inventory level, promoting sales at competitive prices and increasing liquidity. As a result, during the Reporting Period, the turnover of the Agricultural Business segment increased by approximately 159.6% to approximately HK$118.1 million from approximately HK$45.5 million for the Corresponding Period. Given the margin squeeze, the rise in turnover co-existed with the decrease in gross profit margin. During the Reporting Period, the Agricultural Business segment recorded a gross loss of approximately HK$4.3 million (31 December 2017: gross profit of HK$8.2 million).

In the second quarter of 2018, the management decided to focus on new agricultural products with high potential for development. On 9 July 2018, the Group signed a framework cooperation agreement with Guangdong Academy of Agricultural Sciences*（廣東省農業科學院作物研究所）, pursuant to the framework cooperation agreement, the Company will collaborate with Guangdong Academy of Agricultural Sciences*（廣東省農業科學院作物研究所）to conduct the research and development of growing medicinal value crop such as Dendrobium officinale Kimura et Migo*（鐵皮石斛）.

After years of cultivation, soil quality has been seriously declined because of the previous cultivation methods and the use of chemical fertilisers, which prevent land from regenerating. Therefore, in April 2018, the management engaged sub-contractors to apply a more conservative/eco-friendly method for cultivation. The management believed that conservative cultivation will be a sustainable way of minimising soil quality decline which can take minimal changes to the soil's natural condition and at the same time improving the soil's productivity and minimised the cost in the long run. The soil improvement started in May 2018 and completed in late August 2018.

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

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

Money Lending Business

Given increasingly stringent conventional bank lending requirements, licensed and non-bank money lenders provide another alternative for potential borrowers to obtain efficient and flexible liquidity solutions. This has driven an increase in demand for loan services in the money lending business, and creates potential for the Group to further expand its Money Lending Business segment. Following the completion of the acquisition of Shenzhen Taihengfeng Technology Company Limited and its subsidiaries (the "Taihengfeng Group") in November 2016, the Group expanded into the micro finance business sector in Shenzhen, the PRC through the provision of personal loans and corporate loans services. The Taihengfeng Group has generated stable segment profits and contributed to the stability of the overall results of the Group during the Reporting Period.

During the Reporting Period, loan interest income and gross profit under Money Lending Business amounted to approximately HK$39.1 million (2017: HK$37.1 million) and HK$39.1 million (2017: HK$36.2 million) respectively. Outstanding loan principal and interest receivables amounted to approximately HK$293.1 million (2017: HK$293.0 million). The average interest rate charged on the loans is 13.83% per annum. No material default event occurred as at 31 December 2018 but a provision of approximately HK$35.5 million for the loss allowance for loan receivables was considered necessary upon the application of HKFRS 9 by the Group effective from 1 January 2018 during the Reporting Period. An impairment loss of goodwill of approximately HK$35 million (2017: HK$17.6 million) was recognised during the Reporting Period given the worsening business environment of micro-finance business in the PRC. Details of the impairment testing are disclosed in note 17 to the consolidated financial statements.

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

To further strengthen the development of Money Lending Business in future, the Group may consider obtaining bank loans or other financing opportunities by prudent credit control procedures and strategies to balance between business growth and risk management.

Results of Discontinued Operations

Securities Brokerage

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

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

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

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

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

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

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

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

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

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

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

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

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

During the Reporting Period, the Securities Brokerage Business generated revenue and profit before taxation of approximately HK$19.0 million (2017: HK$1.2 million) and approximately HK$3.1 million (2017: loss of HK$8.5 million) respectively. The increase in revenue and turnaround was mainly due to commission earned from placing exercises during the Reporting Period. As at 31 December 2018, the Company is expected to record a gain on disposal in the amount of approximately HK$9.8 million.

Investment in Internet Finance Business in Mainland China

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

During the Reporting Period, GLQH recorded revenue of approximately HK$2.9 million (2017: HK$41 million) and net loss of approximately HK$179 million (2017: net profit of HK$21.7 million).

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

FINANCIAL REVIEW

During the Reporting Period, the Group recorded a turnover of approximately HK$157.2 million, an increase of 90.1% from HK$82.7 million for the Corresponding Period. The Group recorded a gross profit of approximately HK$34.8 million as compared with approximately HK$44.4 million for the Corresponding Period. The increase in turnover was mainly due to increase in revenue from Agriculture Business during the Reporting Period as explained above. The decrease of the profitability was mainly attributable to the increase in the self-plantation costs and decrease in unit selling price of vegetables in the Agricultural Business.

Administrative expenses decreased by approximately HK$34 million to HK$41.3 million (2017: HK$75.3 million). The decrease was mainly due to (i) decrease of approximately HK$20.7 million in the equity-settled share-based payment of approximately HK$3.9 million (2017: HK$24.6 million); and (ii) decrease of approximately HK$6.6 million in staff costs and directors remuneration. Selling and distribution expenses increased by approximately HK$11.2 million to approximately HK$28.8 million (2017: HK$17.6 million). Such increase was mainly attributable to increase of HK$7.6 million in delivery and freight expenses and HK$3.7 million in packaging expenses.

Other operating expenses increased from approximately HK$43.4 million to approximately HK$64.9 million. Such significant increase in the operating expenses was mainly attributable to impairment of goodwill in relation to the acquisition of micro finance business of approximately HK$35.0 million (2017: HK$17.6 million), impairment losses of loan receivables of approximately HK$8.5 million (2017: nil) and the foreign exchange losses of approximately HK$21.4 million (2017: gains of approximately 23.4 million) during the the Reporting Period as compared to the Corresponding Period.

The net loss of the Group for the Reporting Period was HK$158.6 million as compared to a net loss of HK$72.9 million for the Corresponding Period. Such increase in loss for the Reporting Period was mainly due to significant increase in other operating expenses as explained above and share of result and impairment loss of GLQH of approximately HK$44.1 million (2017: profit of HK$5.4 million).

Liquidity and Financial Resources

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

As at 31 December 2018, the Group had bank balances and cash of approximately HK$4.8 million (2017: HK$10.2 million). The Group's quick ratio (measured as total current assets less inventories, biological assets and deposits and prepayments divided by total current liabilities) was approximately 1.6 times (2017: 2.3 times).

As at 31 December 2018, the total borrowings of the Group, which comprised of convertible bonds, bonds, promissory notes, bank and other borrowings and finance lease payables, amounted to approximately HK$189.9 million of which, approximately HK$16.2 million were secured by certain buildings, plant and machineries and motor vehicles of the Group. As at 31 December 2017, the total borrowings of the Group amounted to approximately HK$85.6 million of which, HK$0.4 million were secured by motor vehicles of the Group. As at 31 December 2018, borrowings of approximately HK$162.5 million (2017: HK$85.4 million) were repayable within one year. As at 31 December 2018, borrowings of approximately HK$69.1 million (2017: HK$25.1 million) and HK$120.8 million (2017: HK$60.5 million) were denominated in HK$ and RMB respectively. Borrowings of approximately HK$171.5 million (2017: HK$84.3 million) are charged at fixed interest rates as at 31 December 2018.

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

At the end of the Reporting Period, the Group had capital expenditure commitments of approximately HK$0.8 million (2017: HK$1.5 million) in respect of acquisition of property, plant and equipment. The Group had commitments for future minimum lease payments under non-cancellable operating leases of approximately HK$67.0 million (2017: HK$79.9 million). Operating lease payments represent rental payable by the Group for office premises and farmland. Leases are negotiated for fixed terms ranging from 1 to 26 years.

Capital Structure and Gearing Ratio

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

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

On 23 January 2018, the Company entered into a subscription agreement with Hui Jia Investments Limited ("Hui Jia") pursuant to which the Company has conditionally agreed to issue and Hui Jia has conditionally agreed to subscribe for the convertible bonds in the principal amount of HK$40 million with conversion price of HK$0.04 per conversion share (adjusted from HK$0.04 to HK$0.40 per conversion share as a result of the Capital reorganisation effected on 25 June 2018) under the general mandate granted to the directors by the shareholders at the annual general meeting held on 16 June 2017. The conversion price of HK$0.04 per conversion share (before Capital Reorganisation) represents a premium of approximately 17.65% to the closing price of HK$0.034 per share as quoted on the Stock Exchange on 23 January 2018. The net conversion price was HK$0.039 per conversion share (before Capital Reorganisation). All the conditions set out in the subscription agreement have been fulfilled subsequently and the subscription was completed on 7 February 2018 in accordance with the terms and conditions of the subscription agreement. The convertible bonds bear interest at the rate of 5% per annum and will mature on the date falling on the first (1st) anniversary of the date of issue. The gross and net proceeds from the subscription were HK$40 million and approximately HK$39.9 million respectively, which were used (i) approximately HK$13.0 million for repayment of debts; (ii) approximately HK$23.0 million for agricultural produce segment's operation, including approximately HK$15.9 million for settlement of accounts payables, HK$4.8 million for farmland rental and approximately HK$2.3 million for staff costs; and (iii) the balance for general working capital of the Group. No conversion rights of the convertible bonds have been exercised by Hui Jia and the convertible bonds matured on 7 February 2019. The Company has been negotiating with Hui Jia about the repayment of the convertible bonds upon its expiry. On 20 February 2019, the Company received a repayment demand letter from Hui Jia, requesting the Company to repay the outstanding principal amount and the interest accrued in a total sum of approximately HK$42 million and if such amount is not repaid within 7 days of the repayment demand letter, Hui Jia shall institute legal proceedings against the Company without further notice. There has been no material update on the above on this matter as at date of this report and further announcement will be made as and when appropriate.

On 15 May 2018, the Company entered into the subscription agreements with Mr. Hong Shaopei ("Mr. Hong") and Mr. Wang Chaoyang ("Mr. Wang") respectively pursuant to which the Company has conditionally agreed to issue and Mr. Hong and Mr. Wang have conditionally agreed to subscribe for the convertible bonds in the aggregate principal amount of HK$21.2 million under the general mandate granted to the directors by the shareholders at the annual general meeting held on 16 June 2017. The conversion price of HK$0.023 per conversion share (before Capital Reorganisation) represents a premium of approximately 9.52% to the closing price of HK$0.021 per share as quoted on the Stock Exchange on 15 May 2018. The net conversion price was HK$0.022 per conversion share (before Capital Reorganisation). All the conditions set out in the subscription agreements have been fulfilled subsequently and the subscriptions were completed on 5 June 2018 in accordance with the terms and conditions of the subscription agreements. The convertible bonds bear interest at the rate of 5% per annum and will mature on the date falling on the first (1st) anniversary of the date of issue. The gross and net proceeds from the subscription were HK$21.2 million and approximately HK$21.1 million respectively, which were applied for repayment of debts of the Group. On 11 June 2018, the Company respectively issued and allotted 460,869,565 shares of HK$0.01 to each of Mr. Hong and Mr. Wang (a total of 921,739,130 shares) upon the exercise of conversion rights with the conversion price of HK$0.023 per conversion share (before Capital Reorganisation) in respect of an aggregate principal amount of HK$21.2 million of the convertible bonds issued by the Company on 5 June 2018.

On 15 May 2018, the Company proposed to reorganise the capital of the Company (the "Capital Reorganisation") through (i) a reduction in the par value of each issued share from HK$0.01 to HK$0.001 by cancelling paid up capital to the extent of HK$0.009 on each issued share and round down of the total number of consolidated shares in the issued share capital of the Company (the "Capital Reduction"); and (ii) consolidation of the reduced shares on the basis that every 10 issued reduced shares of HK$0.001 each will be consolidated into one consolidated share of HK$0.01 each (the "Share Consolidation"), which were duly passed in the special general meeting held by the Company on 22 June 2018. Following the fulfillment of all the conditions for the implementation of the Capital Reorganisation, the Capital Reorganisation became effective on 25 June 2018 upon which the number of issued shares of the Company was 11,217,876,347 shares of HK$0.01 each consolidated into 1,121,787,634 of HK$0.01 each. Details of the Capital Reorganisation were set out in the Company's announcements dated 15 May 2018, 25 May 2018 and 22 June 2018, the next day disclosure return dated 25 June 2018 and the Company's circular dated 25 May 2018.

On 18 July 2018, the Company entered into subscription agreements with five subscribers, namely Mr. Chen Xiangzhuan, Mr. Han Xuebing, Ms. Hu Chenxi, Mr. Wu Xianwei and Mr. Zhang Junta (collectively the "July 2018 Subscribers"), pursuant to which the Company has conditionally agreed to issue and July 2018 Subscribers has conditionally agreed to subscribe for the convertible bonds in the principal amount of HK$39.5 million with conversion price of HK$0.091 per conversion share under the special mandate approved by the shareholders of the Company on 24 January 2019. The conversion price of HK$0.091 per conversion share represents a premium of approximately 3.41% to the closing price of HK$0.088 per share as quoted on the Stock Exchange on 18 July 2018. The net conversion price was HK$0.0905 per conversion share. All the conditions set out in the subscription agreements have been fulfilled and the subscriptions were completed on 14 February 2019 in accordance with the terms and conditions of the subscription agreements. The convertible bonds bear interest at the rate of 5% per annum and will mature on the date falling on the first (1st) anniversary of the date of issue. The gross and net proceeds from the subscription were approximately HK$39.5 million and HK$39.3 million respectively, which were used for repayment of the Group's overdue debts owed to several individual creditors arising from borrowings to discharge operating expenses of the Group's Agricultural Business. No conversion rights of the convertible bonds have been exercised by the July 2018 Subscribers as at date of this report.

During the Reporting Period, the Company issued and allotted a total of 110,580,098 shares of HK$0.01 each upon the exercise of a total of 110,580,098 share options granted by the Company.

In the light of the above, during the Reporting Period, the Company issued and allotted a total number of 921,739,130 shares of HK$0.01 each, resulting in a total number of 11,217,876,347 issued shares as at 11 June 2018 prior to the Capital Reorganisation, pursuant to the Capital Reorganisation, 11,217,876,347 shares of HK$0.01 each were consolidated into 1,121,787,634 shares of HK$0.01 each pursuant to the Capital Reorganisation. On 7 September 2018, the issued number of shares of the Company increased to 1,232,367,732 upon the exercise of a total of 110,580,098 share options granted by the Company.

As at 31 December 2018, the net debt to adjusted equity ratio was 0.51 (2017: 0.19). Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements. The Group's gearing ratio as at 31 December 2018 was 1.04 (2017: 0.26), which was measured as total debt to total shareholders' equity.

On 4 March 2019, the Company entered into subscription agreements with four subscribers, namely Ms. Zhang Lize, Mr. Ceng Yingxiang, Mr. Luo Yingling and Mr. Zhang Huifeng (collectively the "March 2019 Subscribers"), pursuant to which the Company has conditionally agreed to issue and March 2019 Subscribers has conditionally agreed to subscribe for the convertible bonds in the principal amount of approximately HK$18,592,000 with conversion price of HK$0.083 per conversion share under the general mandate granted to the directors by the shareholders at the annual general meeting held on 15 June 2018. The conversion price of HK$0.083 per conversion share represents a premium of approximately 5.06% to the closing price of HK$0.079 per share as quoted on the Stock Exchange on 4 March 2019. The net conversion price was HK$0.082 per conversion share. All the conditions set out in the subscription agreements have been fulfilled subsequently and the subscription was completed on 25 March 2019 in accordance with the terms and conditions of the subscription agreements. The convertible bonds bear interest at the rate of 5% per annum and will mature on the date falling on the first (1st) anniversary of the date of issue. The gross and net proceeds from the subscription of approximately HK$18.6 million and HK$18.5 million respectively were used for repayment of debts. No conversion rights of convertible bonds have been exercised by the March 2019 Subscribers as at date of this report.

On 18 March 2019, the Company proposed to reorganise the capital of the Company (the "2019 Capital Reorganisation") through (i) a reduction in the par value of each issued share from HK$0.01 to HK$0.0005 by cancelling paid up capital to the extent of HK$0.0095 on each issued share and round down of the total number of consolidated shares in the issued share capital of the Company; and (ii) consolidation of the reduced shares on the basis that every 20 issued reduced shares of HK$0.0005 each will be consolidated into one consolidated share of HK$0.01 each. Conditional upon the 2019 Capital Reorganisation becoming effective, the Company also proposed to change the board lot size for trading on the Stock Exchange from 20,000 shares to 2,000 consolidated shares. The 2019 Capital Reorganisation is not yet effective as at date of this report.

On 28 March 2019, a director of the Company has advanced an unsecured interest free loan of approximately RMB49,500,000 (equivalent to HK$56,361,000).

Significant Investments

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

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

Except the disclosure under section headed "Results of Discontinued Operations", the Group did not have material acquisition or disposals of subsidiaries and associated companies during the Reporting Period.

Charges On Group's Assets

As at 31 December 2018, certain buildings, plant and machineries and motor vehicles were pledged to secure bank loans and finance lease of the Group of approximately HK$16.2 million (2017: HK$0.4 million).

Foreign Exchange Exposure

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

Contingent Liabilities

As at 31 December 2018, the Group did not have any material contingent liabilities.

Employee and Remuneration Policy

As at 31 December 2018, the total employees in Hong Kong and Mainland China dropped from 245 to 73 mainly due to reduction of direct head counts in Agriculture Business during the year. Total staff costs (including directors' emoluments and excluding the staff costs from discontinued operations) for the Reporting Period amounted to HK$31.3 million (2017: HK$69.2 million). The employees are remunerated with reference to the qualification, experience, responsibility and performance of the individual, the performance of the Group and the market practices. Apart from the basic remuneration package, the Company also participates in the mandatory provident fund scheme in Hong Kong and the central provident fund scheme in Mainland China. The Company has adopted a share option scheme on 6 June 2013 (the "Scheme"). Pursuant to the Scheme, the Board may, at its discretion, grant options to eligible employees, executive and non-executive Directors (including independent non-executive Directors) of the Group.

PROSPECTS

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

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

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.

* *For identification purpose only*

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Ms. DIAO Hong ("Ms. Diao"), aged 53, was appointed as an independent non-executive Director of the Company on 2 January 2015. Ms. Diao was re-designated as an executive Director of the Company (the "Re-designation") on 8 May 2017. In addition, she also serves as a member of the nomination committee of the Board and acts as director of certain subsidiaries of the Company. Ms. Diao graduated from Shandong University with a bachelor's degree in economics. She has extensive experience in corporate management, investments and acquisitions. Ms. Diao Hong is the sister of Ms. Diao Jing, an executive Director of the Company.

Ms. DIAO Jing ("Ms. Diao"), aged 46, was appointed as an executive Director of the Company on 5 September 2017. Ms. Diao serves as an authorized representative of the Company. In addition, she also serves as a member of the remuneration committee of the Board and acts as director of certain subsidiaries of the Company. Ms. Diao obtained a certificate in English (Economics and Trade) from Sichuan International Studies College（四川外語學院）in July 1994. Ms. Diao has around 14 years of experience as a managerial role. From May 2003 to August 2014, Ms. Diao was the supervisor of the general manager's office in a company incorporated in the PRC mainly engaged in manufacturing and sales of electronic components and was responsible for human resources management and company policy matters. From November 2014, Ms. Diao joined a company incorporated in the PRC mainly engaged in biotechnology research and development as an administrative manager and was responsible for human resources management and administrative matters. Ms. Diao Jing is the sister of Ms. Diao Hong, an executive Director of the Company.

NON-EXECUTIVE DIRECTOR

Mr. LIN Yuhao ("Mr. Lin"), aged 44, was appointed as an executive Director and the chairman of the Company on 13 May 2016. Mr. Lin has been re-designated from an executive Director to a non-executive Director of the Company with effect from 10 March 2017. In addition, Mr. Lin also serves as an authorized representative of the Company and a member of the nomination committee of the Board. Mr. Lin obtained an Executive Master's degree in Business Administration from University of Liege, Belgium. Mr. Lin has extensive experience in finance, real estate, education and internet technology businesses in the PRC. In particular, Mr. Lin has ample operational experience in micro finance, credit and consumer finance in the PRC.

Mr. Lin, was the vice president of 深圳市企業聯合會 (Shenzhen Business Association*) and 深圳市企業家協會 (Shenzhen Entrepreneurs Association*), was the vice chairman of 深圳市龍崗區阪田街道工商業聯合會 (Shenzhen Longgang Bantian Street Federation of Industry and Commerce*), and is currently the vice-president of 深圳社會組織總會 (Shenzhen Non-Governmental Organization Federation*). Mr. Lin is the younger brother of Mr. Lin Yupa, the director of certain subsidiaries of the Agricultural Business in the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LI Shaohua ("Mr. Li"), aged 56, was appointed as an independent non-executive Director of the Company on 2 January 2015. In addition, Mr. Li serves as a member of each of the audit committee, the remuneration committee, the nomination committee and the corporate governance committee. Mr. Li graduated from Daqing Petroleum College and obtained a master's degree in business administration from Murdoch University, Australia. He is currently a deputy general manager of an energy company in the PRC.

Ms. ZHU Rouxiang ("Ms. Zhu"), aged 38, was appointed as an independent non-executive director of the Company on 8 May 2017. In addition, Ms. Zhu also serves as a member of each of the audit committee and the corporate governance committee of the Board and the chairlady of each of the remuneration committee and nomination committee of the Board. Ms. Zhu graduated from Huazhong University of Science and Technology with a diploma in clinical medicine. Ms. Zhu is currently the general manager of 深圳市金安教育集團 (Shenzhen City Jinan Education Group*), a company engaging in education business. Ms. Zhu was the chairlady of 珠海市零零柒電子科技有限公司 (Zhuhai City Linglingqi Electronic Technology Company Limited*), a company engaging in trading of technological products business, from 2013 to 2015, the general manager of 廣州市百樂投資有限公司 (Guangzhou City Baile Investment Company Limited*), a company engaging in investment business, from 2011 to 2013 and the legal representative and chairlady of 珠海市金琴紙品有限公司 (Zhuhai City Jinqin Paper Product Company Limited*), a company engaging in paper product business, from 2003 to 2011. She gained experiences in corporate management, sales and marketing, risk management, trading and investment.

Ms. LI Yang ("Ms. Li"), aged 39, was appointed as an independent non-executive director on 3 July 2017. In addition, Ms. Li also serves a member of each of the remuneration committee and the nomination committee of the Board and the chairlady of each of the audit committee and the corporate governance committee of the Board. Ms. Li graduated from University College Dublin of the National University of Ireland with a master's degree in accounting. She is member of the Institute of Chartered Certified Accountants in Ireland and a Chartered Professional Accountant of the Institute of Chartered Certified Accountants. Ms. Li is currently the manager of one of the big four accounting firms. Ms. Li has over 10 years of professional experience in areas of accounting and auditing.

SENIOR MANAGEMENT

Mr. LIN Yupa, aged 47, joined the Group in June 2017 and is currently the director of certain subsidiaries of the Agriculture Business in the PRC. Mr. LIN Yupa graduated from Beijing Economic and Technological Research Institute with a diploma in economic management. He has extensive experience in agriculture operation and real estate management in the PRC. Mr. LIN Yupa is the elder brother of Mr. LIN Yuhao, a non-executive Director of the Company.

Mr. LIN Zhiqun, aged 39, joined the Group in October 2016 and is currently the general manager of the Money Lending Business in the PRC. Mr. LIN Zhiqun graduated from Huazhong University of Science and Technology with a diploma in clinical medicine. He has extensive experience in marketing, management and operation of trade and finance in the PRC.

* For identification purpose only

CORPORATE GOVERNANCE REPORT

The Company is committed to maintaining good corporate governance standard and practices with an emphasis on integrity, transparency and independence. The Board believes that good corporate governance is essential to the success of the Company and the enhancement of shareholders' value.

CORPORATE GOVERNANCE PRACTICES

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). During the Reporting Period, the Company has complied with the Code Provisions and mandatory disclosure requirement as set out in the CG Code, except for the following deviation in respect of which remedial steps for compliance have been taken or considered reasons are given below.

Under the Code Provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to conflicting business schedules, Ms. Zhu Rouxiang and Ms. Li Yang, both being the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 15 June 2018 and special general meeting of the Company on 22 June 2018.

The Company periodically reviews its corporate governance practices to ensure they continue to meet the requirements of the CG Code during the year of 2018. The key corporate governance principles and practices of the Company are summarised in this annual report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the Model Code for Securities Transactions by Directors as set out in Appendix 10 of the Listing Rules (the "Model Code"). Having made specific enquiry with the Directors of the Company, all the Directors confirmed that they had complied with the required standards of the said code during the year ended 31 December 2018.

INTERNAL CONTROL

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

The internal audit department is established to provide independent assurance to the Board and management on the adequacy and effectiveness of internal controls for the Group on a continual basis. The department adopts a risk and control based audit approach. Internal audit reports are communicated to and discussed with the Audit Committee and the Board.

Risk management and internal control

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

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

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

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

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

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

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

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

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

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

The Company engaged World Link Corporate Finance Limited ("World Link") as the internal control consultant, to perform annual independent internal control review to assess the effectiveness of the financial, operational and compliance controls, and risk management functions of the Company and the Group's major subsidiaries on a rotation basis. The Audit Committee and the Board, having discussed with World Link and reviewed the internal control review report for the year ended 31 December 2018 compiled by World Link, were reasonably satisfied that no material deficiencies or inadequacies existed or identified and the Company considers the risk management and internal control systems are effective and adequate for the year ended 31 December 2018.

THE BOARD

Responsibilities and accountabilities

The Board is responsible for overseeing the overall development of the Company's businesses with the objective of enhancing shareholders' value including setting and approving the Company's strategic implementation, considering substantial investments, reviewing the Group's financial performance half-yearly and developing and reviewing the Group's policies and practices on corporate governance while delegating the day-to-day operations of the Company to the executive Directors or the management of every business segment. The Board is committed to making decisions in the best interests of both the Company and its shareholders.

The Board acknowledges its responsibility for preparing the financial statements of the Company and the Group which give a true and fair view of the Group's affairs in accordance with statutory requirements and applicable accounting standards. The statement by the auditor of the Company about its reporting responsibilities for the financial statements of the Company is set out on pages 42 to 48 in the Independent Auditor's Report.

As disclosed in note 2.1 to the financial statements, based on the current financial position of the Group, the Group might have difficulties to fulfill its overdue financial obligations from time to time. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Having taken into account the available financial resources of the Group together with the measures taken including but not limited to taking various cost control measures, renewing or extending certain borrowings, obtaining debt financing and new credit line, the Board have concluded that the Group is able to continue as a going concern and to meet their financial liabilities as and when they fall due for the next twelve months.

All Directors have full and timely access to all relevant information as well as the advice and service of the Company Secretary to ensure Board procedures and all applicable rules and regulations are followed.

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Chairman and Chief Executive Officer

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 officer should be clearly established set out in writing. The Chairman and Chief Executive Officer 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. Mr. Lin Yuhao is the Chairman of the Board. The Chairman provides leaderships 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. Mr. Yau Yik Ming Leao served as the Chief Executive Officer of the Company during the financial year up to his resignation on 21 September 2018. 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. The Code Provision A.2.1 of the CG Code has been complied with.

The Company has no such title as the Chief Executive Officer after the resignation of Mr. Yau Yik Ming Leao as the executive Director and the Chief Executive Officer of the Company on 15 June 2018 and 21 September 2018 respectively and therefore the daily operation and management of the Company has been monitored by the executive Directors as well as the senior management.

With the support from the executive directors and the company secretary, the Chairman ensures that all directors are properly briefed on issues arising from Board meetings and receive adequate, complete and reliable information on a timely manner.

Non-Executive Director and Independent Non-Executive Directors

The service agreements or letters of appointment (as the case may be) of non-executive Director and independent non-executive Directors are renewed for two years and are subject to retirement by rotation and re-election in accordance with the bye-laws of the Company (the "Bye-Laws") and the Listing Rules.

Composition

The Board has in its composition a balance of skills, knowledge, experience and diversity necessary for independent decision making and fulfilling its business needs.

The Board currently comprised six Directors, including two executive Directors, namely Ms. Diao Hong and Ms. Diao Jing; one non-executive Director, namely Mr. Lin Yuhao (Chairman); and three independent non-executive Directors, namely Mr. Li Shaohua, Ms. Zhu Rouxiang and Ms. Li Yang.

Biographical details of the Directors are set out on pages 13 to 14. Other than that Ms. Diao Hong is the sister of Ms. Diao Jing, there are no family or other material relationships among members of the Board.

Under the Code Provision A.6.7, independent non-executive directors and non-executive directors should attend general meetings and develop a balanced understanding of the views of shareholders. Due to conflicting business schedules, Ms. Zhu Rouxiang and Ms. Li Yang, both being the independent non-executive Directors, were unable to attend the annual general meeting of the Company held on 15 June 2018 and special general meeting of the Company on 22 June 2018.

Each executive Director, non-executive Director and independent non-executive Director has entered into a service agreement/ letter of appointment with the Company for a specific term, and his/her term of office is subject to retirement by rotation and re-election in accordance with the Bye-Laws and the Listing Rules.

The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

Board Meetings and General Meetings

Code provision A.1.1 of the CG Code provides that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. During the year under review, the Board held six regular board meetings which satisfy the minimum number of regular board meeting. For the sake of flexibility, the Board held meeting whenever necessary. In addition to these six board meetings, senior management of the Group provided to Directors the information on the activities and developments in the business of the Group from time to time and, when required, several resolutions in writing were passed by the Board. In addition, the Board has established the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee"), the nomination committee (the "Nomination Committee") and the corporate governance committee (the "Corporate Governance Committee") to oversee particular aspects of the Company's affairs. The attendance records of individual Directors are as follows:

During the year ended 31 December 2018, six board meetings and two general meetings were held with details of the Directors' attendance set out below:

	Attendance/Number of meetings	
Directors	**Board meetings**	**General meetings**
Executive Directors		
Ms. Diao Hong	5/6	0/2
Ms. Diao Jing	6/6	2/2
Mr. Xu Bin *(note 1)*	1/1	N/A
Mr. Yau Yik Ming Leao *(Chief Executive Officer) (Note 2)*	3/3	1/2
Non-executive Director		
Mr. Lin Yuhao *(Chairman)*	5/6	2/2
Independent non-executive Directors		
Mr. Li Shaohua	3/6	2/2
Ms. Zhu Rouxiang	3/6	0/2
Ms. Li Yang	2/6	0/2

Notes:

1. Mr. Xu Bin resigned as executive Director on 28 February 2018.

2. Mr. Yau Yik Ming Leao retired as executive Director on 15 June 2018 and resigned as chief executive officer on 21 September 2018.

Directors' Training

The Directors should participate in continuous professional development to develop and refresh their knowledge and skills pursuant to Code provision A6.5. The Company would provide a comprehensive induction package covering the summary of the responsibilities and liabilities of a director of a Hong Kong listed company, the Company's constitutional documents and the Guides on Directors' Duties issued by the Companies Registry to each newly appointed Director to ensure that he/she is sufficiently aware of his/her responsibilities and obligations under the Listing Rules and other regulatory requirements.

The company secretary reports from time to time the latest changes and development of the Listing Rules, corporate governance practices and other regulatory regime to the Directors with written materials, as well as organizes seminars on the professional knowledge and latest development of regulatory requirements related to director's duties and responsibilities.

During the year, the Directors participated in the following trainings:

Directors	Types of Trainings
Executive Directors	
Ms. Diao Hong	R
Ms. Diao Jing	S, R
Mr. Xu Bin	R
Mr. Yau Yik Ming Leao	R
Non-executive Director	
Mr. Lin Yuhao *(Chairman)*	S, R
Independent non-executive Director	
Mr. Li Shaohua	R
Ms. Zhu Rouxiang	R
Ms. Li Yang	R

S: Attending seminars and/or conferences and/or forums relating to directors' duties

R: Reading newspaper, journals and updates relating to the economy, general business or directors' duties, etc.

DELEGATION BY THE BOARD

The Directors are aware of their collective and individual responsibilities to the shareholders for the wellbeing and success of the Company.

To enhance the effectiveness of the management of the Company, the Board has established four committees, namely the Audit Committee, the Corporate Governance Committee, the Remuneration Committee and the Nomination Committee to oversee corresponding aspects of the Company's affairs. All Board committees of the Company have defined written terms of reference.

BOARD COMMITTEES

Audit Committee

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

The Board has adopted a terms of reference of the Audit Committee in compliance with the CG Code, which is available on the websites of the Company and the Stock Exchange.

The main duties of the Audit Committee are to consider the appointment, re-appointment and removal of the external auditor, to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process and to discuss with the external auditor the nature and scope of the audit. It is also responsible for reviewing: (i) the interim and annual financial statements before submission to the Board and (ii) the Company's financial control, internal control and risk management systems and the internal and external audit functions (where appropriate). It also needs to discuss problems and reservations arising from the interim and final audits and to consider the major findings of internal investigations and management's response.

There were four meetings held during the year under review, details of attendance are set out below:

Audit Committee members	**Attendance/ Number of meetings**
Ms. Li Yang *(Chairlady)*	3/4
Mr. Li Shaohua	3/4
Ms. Zhu Rouxiang	4/4

During the year under review, the Audit Committee had considered, reviewed and discussed any areas of concerns during the audit process, the compliance of company policies, risk management and the internal control procedures of the Group and had approved the unaudited interim financial statements for the six months ended 30 June 2018 and the audited annual financial statements for the year ended 31 December 2017, respectively. The Audit Committee also reviewed the appointment and independence of World Link, the new auditors of the Company appointed on 30 November 2018, and made recommendation to the Board during the year.

Corporate Governance Committee

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

The Board has adopted a terms of reference of the Corporate Governance Committee in compliance with the CG Code, which is available on the websites of the Company and the Stock Exchange.

The main duties of the Corporate Governance Committee under Code provision D.3.1 are to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; to review and monitor the training and continuous professional development of Directors and senior management; to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and compliance manual (if any) applicable to the Directors and employees of the Company; to review the Company's compliance with the CG Code and disclosure requirements for the Corporate Governance Report.

The Corporate Governance Committee shall meet at least once per year according to its terms of reference. A Corporate Governance Committee meeting was held during the year under review, details of attendance are set out below:

Corporate Governance Committee members	Attendance/ Number of meetings
Ms. Li Yang *(Chairlady)*	0/1
Mr. Li Shaohua	1/1
Ms. Zhu Rouxiang	1/1

During the year, the Corporate Governance Committee reviewed the Company's policies and practices on corporate governance, the Company's compliance with the CG Code and disclosure requirements for the Corporate Governance Report.

Remuneration Committee

As at the date of this report, the Remuneration Committee comprises four members, three are independent non-executive Directors, namely Ms. Zhu Rouxiang (Chairlady of Committee), Mr. Li Shaohua and Ms. Li Yang and one is an executive Director, namely Ms. Diao Jing.

The Board has adopted a terms of reference of the Remuneration Committee in compliance with the CG Code, which is available on the websites of the Company and the Stock Exchange.

The major responsibilities of the Remuneration Committee are to make recommendation to the Board on the Company's policies and structure for remuneration of the Directors and senior management of the Company and review and approve the management's remuneration proposals with reference to the Board's corporate goal and objective. The Remuneration Committee shall determine, with delegated responsibility, the individual remuneration package of each executive Director (including the Chairman) and senior management including benefits in kind and pension rights (including allocation of share options, annual bonus plans) and compensation payments (including any compensation payable for loss or termination of their office or appointment) subject to the contractual terms, if any. When determining remuneration packages of the executive Directors and senior management of the Company, the Remuneration Committee takes into consideration factors such as market forces and remuneration packages of executive Directors of similar companies in comparable industries in Hong Kong. The Remuneration Committee also ensures that no Director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee shall meet at least once per year according to its terms of reference. A Remuneration Committee meeting was held during the year under review, details of attendance are set out below:

Remuneration Committee members	Attendance/ Number of meetings
Ms. Zhu Rouxiang *(Chairlady of Committee)*	1/1
Mr. Li Shaohua	1/1
Ms. Li Yang	0/1
Ms. Diao Jing	1/1
Mr. Xu Bin *(note 1)*	N/A

Notes:

1. Mr. XU Bin resigned as a member of the Remuneration Committee on 28 February 2018.

During the year, the Remuneration Committee reviewed the existing remuneration policy and structure and assessed the performance of each Director for the year ended 31 December 2018.

The remuneration of Director is determined with reference to the qualification, experience, responsibility and performance of the individual, the performance of the Group and the market practices. Details of the emoluments of Directors during the year ended 31 December 2018 are set out in note 11 to the consolidated financial statements of this report. The emoluments received by senior management during the year ended 31 December 2018 were within the following bands:

	Number of individuals
Up to HK$1,000,000	1
HK$1,000,001 – HK$1,500,000	3

Nomination Committee

As at the date of this report, the Nomination Committee comprises five members, one is non-executive Director, namely Mr. Lin Yuhao; one is executive Director, namely Ms. Diao Hong, and three are independent non-executive Directors, namely Mr. Li Shaohua, Ms. Zhu Rouxiang (Chairlady of Committee) and Ms. Li Yang.

The Board has adopted a terms of reference of the Nomination Committee in compliance with the CG Code, which is available on the websites of the Company and the Stock Exchange.

The main duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board on a regular basis and to identify individuals suitably qualified to become board members. It is also responsible for assessing the independence of independent non-executive Directors and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors.

The Board has adopted a Board Diversity Policy to enhance the quality of its performance. With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The secretary of the Nomination Committee shall convene a meeting, and invite nominations of candidates from Board members, for consideration by the Nomination Committee. The Nomination Committee may also nominate candidates for its consideration. In the context of appointment of any proposed candidate to the Board, the Nomination Committee shall undertake adequate due diligence in respect of such individual and make recommendations for the Board's consideration and approval. In the context of re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting. The Board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at a general meeting.

The Nomination Committee shall meet at least once per year according to its terms of reference. A Nomination Committee meeting was held during the year under review, details of attendance are set out below:

Nomination Committee members	Attendance/ Number of meetings
Ms. Zhu Rouxiang *(Chairlady of Committee) (note 1)*	1/1
Mr. Lin Yuhao *(note 2)*	1/1
Ms. Diao Hong *(note 3)*	N/A
Mr. Li Shaohua	1/1
Ms. Li Yang	0/1
Mr. Xu Bin *(note 4)*	N/A

Notes:

1. Ms. Zhu Rouxiang was appointed as a member of Nomination Committee on 8 May 2017 and redesignated as the Chairlady of Nomination Committee on 3 May 2018.

2. Mr. Lin Yuhao ceased to be the chairman of the Nomination Committee of the Board but remains as a member of the Nomination Committee with effect from 3 May 2018.

3. Ms. Diao Hong was appointed as a member of the Nomination Committee on 3 May 2018.

4. Mr. Xu Bin resigned as a member of Nomination Committee on 28 February 2018.

AUDITOR'S REMUNERATION

The remuneration paid and payable to the external auditor of the Company, World Link CPA Limited, and the nature of services are set out as follows:

Type of services rendered	For the year ended 31 December 2018 (HK$'000)
Audit services	730
Other assurance services	–
Non-assurance services	–

COMPANY SECRETARY

All Directors have access to the advice and services of the Company Secretary. The Company Secretary reports to the Chairman on board governance matters, and is responsible for ensuring that Board procedures are followed and also facilitating communications among Directors as well as with shareholders and management.

During the financial year ended 31 December 2018, Ms. Leung Tsz Kwan has resigned as a company secretary of the Company on 31 July 2018 and Ms. Yeung Man Wah has been appointed as the company secretary of the Company on 31 July 2018. Ms. Yeung is a senior manager of Maks Secretarial Services Limited, an external service provider. The primary contact person of the Company with Ms. Yeung is Diao Hong, the executive Director. Ms. Yeung had complied with the professional training requirements to update her skills and knowledge under Rule 3.29 of the Listing Rules.

DIVIDEND POLICY

The Company has adopted a dividend policy on 31 December 2018 (the "Dividend Policy"). According to the Dividend Policy, it is the policy of the Board, in considering the payment of dividends, to allow shareholders of the Company to participate in the Company's profits whilst preserving the Company's liquidity to capture future growth opportunities.

In deciding whether to propose a dividend and in determining the dividend amount, the Board shall consider the following factors before declaring or recommending dividends:–

(a) the Company's actual and expected financial performance;

(b) retained earnings and distributable reserves of the Company and each of the members of the Group;

(c) the Group's working capital requirements, capital expenditure requirements and future expansion plans;

(d) the Group's liquidity position;

(e) general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(f) other factors that the Board may considered relevant.

The payment of dividend by the Company is also subject to any restrictions under the laws of Bermuda and the Company's Bye-laws. The Board will continually review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

SHAREHOLDERS' RIGHTS

Convening a Special General Meeting by Shareholders

Pursuant to the bye-law 62 of the Bye-Laws, a special general meeting may be convened by the Board upon requisition by any shareholder holding not less than one-tenth of the issued share capital of the Company and the securities being held carrying the right of voting at any general meetings of the Company. The shareholder shall make a written requisition to the Board or the company secretary of the Company at the principal place of business of the Company in Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal regarding any specified transaction/business and its supporting documents.

The Board shall arrange to hold such general meeting within two (2) months after the receipt of such written requisition. Pursuant to the bye-law 63 of the Bye-Laws, the Company shall serve requisite notice of the general meeting, including the time, place of meeting and particulars of resolutions to be considered at the meeting and the general nature of the business.

If within twenty-one (21) days of the receipt of such written requisition, the Board fails to proceed to convene such a special general meeting, the shareholder shall do so pursuant to the provisions of Section 74 (3) of the Companies Act of Bermuda.

Putting Forward Proposals at General Meeting

A shareholder shall make a written requisition to the Board or the company secretary of the Company at the principal place of business of the Company in Hong Kong, specifying the shareholding information of the shareholder, his/her contact details and the proposal he/she intends to put forward at general meeting regarding any specified transaction/business and its supporting documents.

Making Enquiry to the Board

Shareholders may send written enquiries, either by post, by facsimiles or by email, together with his/her contact details, such as postal address, email or fax, addressing to Board of the Company at the following address or facsimile number or via email:

Suite 1510, 15/F, Ocean Centre
Harbour City, 5 Canton Road
Tsim Sha Tsui, Kowloon, Hong Kong
Fax: (852) 3188 3959
Email: ir@cfih.hk

All enquiries shall be collected by the company secretary who shall report to the executive Directors periodically on the enquiries collected. The executive Directors shall review the enquiries and assign different kinds of enquiries to appropriate division head/manager for answering. After receiving the answers of all enquiries from the relevant division head/manager, the Company Secretary will collect the answers for the executive Directors' review and approval. The company secretary shall then be authorised by the executive Directors to reply all enquiries in writing.

Shareholders Communication Policy

The Company adopted a Shareholders Communication Policy on 22 January 2013 which aims to enhance the corporate communication effectively between the shareholders, and the Board and the senior management of the Company through various official channels so that the shareholders can access the Company's public information equally in a timely manner.

Constitutional Documents

During the financial year, there were no changes in any of the Company's constitutional documents.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

REPORTING SCOPE

This annual environment, social and governance (hereafter ESG) report covers the ESG information of the agriculture business and the money lending business of China Finance Investment Holdings Limited (hereafter the Company). Given the fact that agriculture and money lending are the most material business sectors of the Company and accounts for the majority of the revenue, their ESG information is therefore disclosed in this report.

This report covers the period 1 January 2018 to 31 December 2018, and is in line with that of the Annual Report.

This report adheres to the "Comply or Explain" requirements and some of the "Recommended Disclosures" of Appendix 27 of the Main Board Listing Rule, *Environmental, Social and Governance Reporting Guide*.

COMMUNICATION WITH STAKEHOLDERS

The Company treasures any opportunities to engage with our stakeholders and attaches great importance to the effective communication with them. Through various communication channels provided by the Company, stakeholders can conveniently access the Company's public information and provide feedbacks, thus enhancing mutual understanding.

A ENVIRONMENT

Emissions

The Company believes that minimising and mitigating all forms of emissions from operations, to ensure the prosperity of our future generation, is the responsibility of all corporations. In order to ensure effective management, the Company has established management system to govern its field operations to minimize emission.

Prevention is always a more cost-effective approach than treatment, as such, the Company adopts prevention as its fundamental principle to implement numerous environmental-benign practices, which comprise intercropping, crop rotation, and keeping a high standard of field hygiene to avert pest infestation in the agriculture segment. With a lower infestation threat and heathier crops, the demand for pesticide and fertiliser diminishes, and as a result, the consequential residues and runoff can also be reduced. In order to further safeguard the surrounding environment, the Company has also built isolation barriers to surround the farmlands to contain any runoff that might occur.

Responsible waste management is also part of the Company's culture. In the Company's agriculture segment, used pesticide containers are properly and securely stored in warehouses to prevent spillage that may contaminate the environment, and are subsequently recollected by pesticide suppliers for proper handling, treatment and disposal.

Despite money lending segment having comparatively less direct influence on the environment, the Company cannot afford to be complacent with the status quo and still endeavours to adhere to environmental-friendly practices in its everyday operation. Measures include avoidance of non-essential appliances with high energy consumption and prioritisation of energy efficient appliances so as to slash emissions of greenhouse gases from our operations. Moreover, other recognized management approaches to reduce waste generation, such as double-side printing, and recycling waste office paper are also implemented.

Thanks to the management approaches and diligent implementation, the Company ensured runoff was properly contained and both hazardous and non-hazardous wastes were responsibly handled and kept to a minimum level. In particular, the non-hazardous waste showed reduction in both the absolute amount and the per product intensity compared to that of last year; and in this reporting period, the Company also expanded its data collection and reporting scope to cover the quantity of hazardous waste as well. At the same time, the Company's energy consumption, and thus its greenhouse gas emissions, was monitored and also controlled to a reasonable amount.

The Company complies with the relevant environmental laws and regulations, such as the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste and the Water Law of the People's Republic of China, and has no violation in the reporting period.

Total greenhouse gas emissions and intensity

Total greenhouse gas emissions	
Calculation covers electricity consumption, fuel consumption and emission from synthetic fertilizer.	527.28 metric ton CO_2-e
Average greenhouse gas emissions from production of one tonne of product	477 kg CO_2-e/metric ton

Total amount and intensity of hazardous and non-hazardous waste

Total amount of hazardous waste	0.61 metric ton
Average hazardous waste from production of one tonne of product	0.55 kg/metric ton
Total amount of non-hazardous waste	0.40 metric ton
Average non-hazardous waste from production of one tonne of product	0.36 kg/metric ton

Use of Resources

Over the years, resource conservation has risen to be a major global trend, and the Company is delighted to be part of this movement by echoing such need through mindful use of resources and prioritisation of environmentally-benign materials throughout the operation. The Company's agriculture segment considers deploying organic fertilisers as the preferred approach, with conventional fertilisers as supplement if needed. This technique encourages a circular economy which has been progressively advocated and valued internationally. Such a sustainable practice maximises the efficiency of various resources.

In almost every agricultural operations, irrigation is an indispensable process for crops to flourish, the Company's agricultural business is no exception to this necessity. In order to avoid excessive or unnecessary irrigation, the Company regularly checks the moisture level in the soil. Only public water supply is used for irrigation and thus the operation has no direct impact on water bodies. Given the stability of public water supply, the Company has no difficulty in sourcing water that is fit for irrigation. Thanks to these controls measures, water consumption was kept at a sensible level in the period and direct impact to water bodies was avoided.

In the premises of the Company's money lending segment, energy-efficient appliances are given the priority whenever applicable. The Company's employees are prompted and encouraged to use resources sensibly and to reduce the energy consumption. As a result of the Company's energy-saving practices, its energy consumption was controlled to an acceptable amount. Moreover, the Company takes a green office approach to facilitate a paperless system with electronic documentation. In any cases that a hardcopy is indispensable, double-side printing is always preferred and supported so as to reduce consumption of paper, with an aim to conserve forestry resources.

Total amount and intensity of direct and indirect energy consumption

Energy Type	**Energy Consumption**
Electricity	566,833 kWh
Diesel	111,648 kWh
Gasoline	59,449 kWh
Liquified Petroleum Gas	19,054 kWh
Total	756,985 kWh
Average energy consumption of production of one tonne of product	685 kWh/metric ton

Total amount and intensity of water consumption	
Total water consumption	39,599 cubic meter
Average amount of water consumption of production of one tonne of product	36 cubic meter/metric ton

Total amount and unit amount of packaging materials	
Total amount of packaging material used in the finished products	14.147 metric ton
Average packaging materials consumption of production of one tonne of product	13 kg/metric ton

The Environment and Natural Resources

In the Company's agricultural segment, not only does the pesticide management and deployment system govern the procurement of pesticide to ensure compliance with statutory regulations and requirements, the system also safeguards that the deployment of pesticide is within suitable concentration and quantity at appropriate intervals.

These devotions by the Company ensure the dispersion and runoff of pesticide is kept to a minimum, so that the surrounding environment and sensitive receivers are protected from any ecological impacts.

B SOCIAL

Employment

The legitimate rights of employees are much respected in the Company's policy and culture. The Company guarantees a transparent recruitment and employment mechanism. The Company considers and evaluates only the qualification, experience and performance of the candidate or employee relevant to the job function in all the employment decisions, including recruitment, promotion and termination. The Company is proud to be an equal opportunities employer, and fully respects candidates and employees of different genders, ages, marital status, religions, disabilities, etc.

The Company's employees enjoy wages, working hours, holidays, insurance and other benefits at a level no lower than statutory requirements. The remuneration package is regularly reviewed on the ground of the employee's performance, experience, and the prevailing market levels to uphold the competitiveness of the Company in the labour market.

It is of utmost importance for the Company to comply with relevant employment laws and regulations. Therefore, to ensure disputes, if any, between the Company and employees are resolved in a fair manner, the Company will settle the case through arbitration and, if necessary, litigation. During the reporting period, the Company complies with the relevant employment laws and regulations such as the Labour Law of the People's Republic of China, and has no material violation in the reporting period.

Total Work Force as at the end of the reporting period	
Gender	
Male	60
Female	38
Employment Type	
Full-time	94
Part-time	4

Health and Safety

Under no circumstance can occupational health and safety be undermined; the Company strives to safeguard a safe working environment to all its employees. The Company allocates resources to continuously improve the occupational health and safety performance and strives to protect its employees from potential occupational hazards.

In particular, the Company's agricultural segment gives utmost importance to a safe pesticide deployment workflow. Work instructions are provided to employees regarding concentrations and intervals of pesticide deployment. In order to further increase the safety margin, appropriate personal protective equipment is also provided to employees.

The Company complies with the relevant occupational health and safety laws and regulations such as the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, and has no violation in the reporting period.

Total Work-related Fatality and Work Injury

Work-related Fatality	
Total	0
Rate	0%
Lost Man-Day due to Work Injury	
Total	0

Development and Training

The Company treasures talents as a crucial asset and cornerstone of the Company's long-term growth. Suitable training and experience-sharing occasions are frequently provided to employees so that all may advance their technical knowhow and refine their soft skills as well.

To advance junior staff members in their profession, the Company organises experienced mentors to train and guide them in close collaboration so that a sustainable ladder of talents can fuel the progression of the Company.

Labour Standards

The Company strictly forbids child labour and forced labour, and conforms fully to the relevant laws and regulations to avert these immoral practices. The Company's wages and working hours observe legislative requirements to ensure that employees are treated in a lawful and respectful way. In the recruitment process, the Company prudently confirms that candidates are of a legal age through vigorous inspection.

The Company complies with the relevant laws and regulations on child and forced labour, and has no violation in the reporting period.

Supply Chain Management

The Company's agriculture segment recurrently procures seeds, fertilisers and pesticides from suppliers. As laid out by the Company's guiding principle in organic fertilizers and conventional counterparts, organic fertilizers are encouraged as a primary approach and as such procurement of organic fertilisers is prioritised by the Company. In order to ensure the legality of the pesticides deployed, the Company selects only qualified suppliers of pesticides permitted by the authorities.

The Company annually reviews the performance of its suppliers, including their product quality, environmental record as well as legitimacy.

Product Responsibility

The agricultural segment of the Company has been one of the qualified corporations exporting fresh vegetables to Hong Kong, and attaches great importance to its product responsibility and food safety. The Company prudently adheres to the terms of its qualification requirements to assure that the quality of the soil and the irrigation water complies with the statutory standards, and that the farmland's surroundings are free from sources of contamination that may affect food safety. Over the years, the Company has established comprehensive management systems in pesticide, stock and product quality, as well as the capability to test for pesticide residues to meet product safety requirements.

The deployment of pesticide is precisely logged to warrant a safety margin for pesticide to decay before harvesting. Subsequently, crops are sample-tested for pesticide residue two to three days prior to the scheduled harvest. Finally, only if the residue test is passed, the crops can be harvested and shipped.

A system of high level of product traceability is also maintained by the Company. Each batch of product is traceable to the level of plot of production site, date of harvest, quality test result, etc., so as to offer quality assurance to our customers.

Over the years, the Company has been accredited by government authorities, including the Department of Agriculture of Guangdong Province and the Agriculture, Fisheries and Conservation Department of Hong Kong SAR as an Agricultural Export Products Demonstration Base (農產品出口示範基地) and an Accredited Farm (信譽農場) respectively.

Being recognized of its devoted determination and satisfactory outcomes in attaining quality products, the Company has been awarded with many certificates and awards, including a Certificate of Pollution-Free Agricultural Products (無公害農產品證書), a Certificate of Guangdong Province Top Brand Products (廣東省名牌產品證書), a Certificate of Famous Trademarks of Guangzhou City (廣州市著名商標證書), and a Quality Award (質量強區獎狀) from the Agricultural Products Quality and Safety Centre at the Ministry of Agriculture of the People's Republic of China (農業部農產品質量安全中心), the Guangdong Province Top Brand Products (Vegetables) Promotion Committee (廣東省名牌產品(農業菜)推進委員會), the Administration of Industry and Commerce of Guangzhou Municipality (廣州市工商行政管理局) and the People's Government of Conghua District (從化區人民政府) respectively.

The Company's money lending business places the greatest importance on its product responsibility to an extent no less than the agricultural segment. The Company's money lending business possesses a money lender's licence under the Money Lenders Ordinance, Chapter 163 of the Laws of Hong Kong and fully observes the corresponding licensing conditions; whereas the operation in Shenzhen observes the Guidance on Pilot Small Loan Companies (關於小額貸款公司試點的指導意見) issued by Shenzhen Municipal Financial Service Office (深圳市人民政府金融發展服務辦公室).

The Company refrains from leading money to intended borrower who has entered into any third-party agreement with third party in relation to the loan unless the third party identified fulfils specific conditions stipulated in the money lender's licence and the internal management approach required by the authority.

The Company gives explanation to the intending borrower of all the terms of the agreement, in particular, the terms in relation to repayment. Any advertisement in relation to the money lending business issued or published by the Company contains the Company's telephone hotline for handling complaints and a risk warning statement.

The Company also refrains from obtain or collect personal data of any person from another person or use such personal data obtained or collected from another person for the purpose of or in relation to the money lender's business unless the circumstance is not in contravention of the provisions of the Personal Data (Privacy) Ordinance, Cap. 486, Laws of Hong Kong. The Company also takes all feasible steps and measures to confirm that personal data collected in the course of its business is protected against unauthorized or accidental access, processing, erasure or other use by any debt collectors, and at all times complies with the Personal Data (Privacy) Ordinance, Cap 486, Laws of Hong Kong, in the collection, use, holding and processing of such information or personal data.

The Company complies with the relevant product responsibility laws and regulations, and has no violation in the reporting period.

Non-compliance and Complaints	
Total delivered product to recalls for safety and health reasons (tonnes)	0

Anti-corruption

Being a responsible corporate citizen, the integrity of all management personnel and staff is of paramount importance to the Company. The Company has established a code of ethical conduct which has been conveyed to all employees to stipulate the ethical standards and to guide staff to handle conflicts of interest. The code of ethical conduct entails all employees to obey anti-bribery laws and prohibits any employee from accepting any kind of improper payment or loan from external business parties, or the other way around. The Company's policy encourages all employees to report violations or suspected breach of the code or any unethical behaviour by any employee.

In view of the Company's money lending business, the Company attaches importance to compliance with the Anti-money Laundering Ordinance in Hong Kong, the Financial Institutions Anti-money Laundering Regulation（金融機構反洗錢規定）issued by the People's Bank of China（中國人民銀行）and other ordinances which combat money laundering and terrorist financing. The Company established policy and procedures to govern operation process through prudent due diligence to identify and verify the customer and beneficial owner, as well as the purpose and intended nature of the business relationship, ongoing monitoring to identify and report suspicious activities or transactions, comprehensive record keeping and staff awareness training.

The Company complies with the relevant anti-corruption and anti-money laundering laws and regulations, and has no violation in the reporting period.

Total Number of Corrupt Practices	
Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period	0

Community Investment

Productive relationship with the community is the only sustainable way for the Company to gain ground in the market, the Company is therefore committed to handling all opinions and feedbacks from the community in a dynamic, friendly and responsive manner. Resembling many other successful corporations, the Company longs to contribute to the community. Employment opportunities brought by the Company's investment are much welcomed by the locals, and the Company is committed to prioritising locals for employment opportunities whenever appropriate to echo with our mutually-beneficial relationship.

LOOKING AHEAD

The Company will continue to adopt more environmentally friendly and socially responsible measures, including an active response to government policy and participation in events and campaigns organised by relevant organisations.

REPORT OF THE DIRECTORS

The Directors of China Finance Investment Holdings Limited presents their report and the audited consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is as an investment holding company. The principal activities and other particulars of its subsidiaries as at 31 December 2018 are set out in note 40 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2018 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 49 to 143.

DIVIDENDS

The Board does not recommend the payment of any dividend for the year ended 31 December 2018 to the holders of both ordinary shares and preference shares of the Company (2017: Nil).

No arrangement under which a shareholder has waived or agreed to waive any dividends was made by the Company.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, assets and liabilities of the Group for the past five financial years is set out on page 144.

BORROWINGS

Details of borrowings during the year are set out in notes 26, 27, 28 and 29 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 32 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in note 33 to the consolidated financial statements and the consolidated statement of changes in equity on page 53, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company did not have any reserves available for distribution, as computed in accordance with the Companies Act 1981 of Bermuda (2017: Nil). The Company's share premium account of HK$806,341,000 (2017: HK$781,664,000) could be distributed in the form of fully paid bonus shares.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 40 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Bye-Laws of the Company or the laws in Bermuda which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to Shareholders by reason of their holding of the Company's securities.

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

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 16 to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the largest customer and the five largest customers of the Group accounted for approximately 39% and 68%, respectively, of the total turnover of the Group for the year.

The aggregate purchases attributable to the largest supplier and the five largest suppliers of the Group accounted for approximately 11% and 47%, respectively, of the total purchases of the Group for the year.

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had any interest in the five largest customers or suppliers.

BUSINESS REVIEW AND PERFORMANCE

Business Review

The business review and outlook and an analysis of the Group's performance for the Reporting Period is set out in the section headed "Management's Discussion and Analysis" on pages 4 to 12 of this report.

Principal Risks and Uncertainties

A nature disaster, catastrophe or other acts of God, which are beyond our control, could materially adversely affect the environment, infrastructure and livelihood of people in the regions where we operate. The Group's agricultural produce business is, by nature, subject to a high degree of exposure to the risks of natural disasters and adverse weather conditions such as droughts, flood, windstorms, frost and pests.

The financial risk factors are set out in note 4 to the consolidated financial statements.

Compliance with laws and regulations

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. During the financial year under review and up to the date of this annual report, to the best knowledge of the Company, there was no material non-compliance with the laws and regulations that has a significant impact on the business and operations of the Group.

Key Relationships with Employees, Customers and Suppliers

The Group has always paid great attention to and maintained a good working relationship with its suppliers of raw materials, and has been providing quality professional and customer-oriented services for its regional markets and customers. The aforementioned suppliers and customers are good working partners creating value for the Group. The Group also values the knowledge and skills of its employees, and continues to provide favourable career development opportunities for its employees.

CORPORATE GOVERNANCE AND MODEL CODE

The Company has complied with the Code provisions set out in the CG Code contained in Appendix 14 of the Listing Rules throughout the year ended 31 December 2018, except for the deviation disclosed in the Corporate Governance Report of the Company.

The Company has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the Model Code. Having made specific enquiry of all Directors, all Directors confirmed they have complied with the required standard set out in the Model Code and the code of conduct adopted by the Company during the year.

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Details of environmental policies and performance are set out in the "Environmental, Social and Governance Report" in this annual report.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Yau Yik Ming Leao *(Chief Executive Officer)* *(retired on 15 June 2018)*
Ms. Diao Hong
Ms. Diao Jing
Mr. Xu Bin *(resigned on 28 February 2018)*

Non-executive Director

Mr. Lin Yuhao *(Chairman)*

Independent Non-executive Directors

Mr. Li Shaohua
Ms. Zhu Rouxiang
Ms. Li Yang

Biographical details of Directors and senior management of the Company are set out on pages 13 to 14.

RE-ELECTION OF DIRECTORS

Pursuant to bye-law 99 of the Bye-Laws and Appendix 14 of the Listing Rules, Ms. Diao Hong and Mr. Li Shaohua will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

None of the Directors being proposed for re-election at the forthcoming AGM of the Company has a service contract with the Company which is not determinable by the Company within one year without payment of compensations, other than statutory compensation.

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or their respective associates had an interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group during the year.

CONTROLLING SHAREHOLDER'S INTEREST IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which the Group's controlling shareholder had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

No contracts of significance for the provision of services to the Company or any of its subsidiaries by a controlling shareholder or its subsidiaries subsisted at the end of the year or at any time during the year.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at 31 December 2018, 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 were as follows:

Long positions in the shares of the Company:

Name of directors	Capacity	Class of shares	Number of shares held	Percentage of shareholding in class
Lin Yuhao	Interest of controlled corporation	Ordinary shares *(Note 1)*	86,301,750	7.00%
	Beneficial owner	Share Options *(Note 2)*	11,894,658	0.97%
Diao Jing	Beneficial owner	Ordinary shares	11,206,658	0.91%
Diao Hong	Beneficial owner	Ordinary shares	1,598,658	0.13%

Notes:

1. 86,301,750 shares were held by Sino Richest Investment Holdings Limited, which is wholly and beneficially owned by Mr. Lin Yuhao.

2. 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 31 December 2018, 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.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2018, 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
Chen Huifang *(Note 1)*	Interest of controlled corporation and beneficial owner	Ordinary shares	137,256,000	11.14%
Hui Jia Investments Limited *(Note 1)*	Beneficial owner	Ordinary shares	100,000,000	8.11%
Sino Richest Investment Holdings Limited *(Note 2)*	Beneficial owner	Ordinary shares	86,301,750	7.00%
Lin Yuhao *(Note 2)*	Interest of controlled corporation and beneficial owner	Ordinary shares	98,196,408	7.97%

Notes:

1. Hui Jia Investments Limited, which held convertible bonds entitling the holder to convert 100,000,000 shares of the Company, is wholly and beneficially owned by Ms. Chen Huifang. Ms. Chen Huifang also held 37,256,000 shares of the Company. The number of shares held has been adjusted pursuant to capital reorganisation of the Company effective from 25 June 2018. The convertible bonds matured on 7 February 2019.

2. Sino Richest Investment Holdings Limited, which held 86,301,750 shares of the Company, is wholly and beneficially owned by Mr. Lin Yuhao. Mr. Lin also held 11,894,658 share options of the Company entitling the holder to exercise 11,894,658 shares of the Company.

Save as disclosed above, the Company had not been notified 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 31 December 2018.

EQUITY LINKED AGREEMENT

Details of the equity-linked agreement entered into during the year or subsisting at the end of the year are also set out below:

Share Option Scheme

The Company has adopted a share option scheme (the "Scheme") which was effective from 6 June 2013. The Scheme is operated for the purpose of providing incentives and rewards to eligible participants, representing (a) any eligible employee (being full time employee, including any executive director, of the Company, its subsidiaries or associated companies); (b) any non-executive director (including independent non-executive directors) of the Company, any of its subsidiaries or associated companies; (c) any suppliers or customers of goods or services of the Group; (d) any person or entity that provides research, development or other technological support or professional advices to the Group; and (e) any shareholder of any member of the Group or any associated companies or any holder of any securities issued by any member of the Group, who contribute to the success of the Group's operations. Further details of the Scheme are disclosed in the circular of the Company dated 25 April 2013 and note 34 to the financial statements. Share options of 112,178,756 were granted during the year. Share options of 110,580,098 and 411,000,675 were exercised and cancelled/lapsed during the year. There were outstanding share options of 85,795,203 as at 31 December 2018.

Save as above and disclosed in the section headed "DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES" above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and neither the Directors nor the chief executives of the Company, or any of their spouses or children under the age of 18, had any rights to subscribe for the equity or debt securities of the Company, or had exercised any such rights.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business were entered into or existed during the year.

CONNECTED TRANSACTIONS

The Group was not a party to any connected transactions during the year.

CORPORATE GOVERNANCE PRACTICE

A report on the corporate governance practices of the Company is set out on pages 15 to 26 of this report.

PERMITTED INDEMNITY PROVISIONS

At no time during the financial year and up to the date of this report, there was or is, any permitted indemnity provision being in force for the benefit of any of the directors of the Company or an associated company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, the Company has maintained sufficient public float as required under the Listing Rules as at the date of this report.

EVENTS AFTER THE REPORTING DATE

Details of significant events occurring after the reporting date are set out in note 38 to the financial statements.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2014 were audited by Mabel Chan & Co. ("Mabel"). Mabel retired as auditor of the Group with effect from 12 June 2015 and Elite Partners CPA Limited ("Elite Partners") was appointed on 12 June 2015 as the new auditor to fill the causal vacancy.

The consolidated financial statements of the Group for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 were audited by Elite Partners. Elite Partners retired as auditor of the Group with effect from 30 November 2018 and World Link CPA Limited ("World Link") was appointed on 30 November 2018 as the new auditor to fill the causal vacancy. A resolution for the appointment of World Link as the auditor of the Company will be proposed at the forthcoming annual general meeting.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 11 June 2019 to Friday, 14 June 2019, both days inclusive, during the period no transfers of shares of the Company will be registered. In order to qualify for attending and voting at the 2018 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Monday, 10 June 2019.

On behalf of the Board

LIN Yuhao
Chairman
Hong Kong, 28 March 2019

INDEPENDENT AUDITOR'S REPORT

World Link CPA Limited
華普天健(香港)會計師事務所有限公司

TO THE MEMBERS OF CHINA FINANCE INVESTMENT HOLDINGS LIMITED
(incorporated in the Bermuda with limited liability)

QUALIFIED OPINION

We have audited the consolidated financial statements of China Finance Investment Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 49 to 143, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institution of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

In the predecessor auditor's report dated 28 March 2018 in respect of the audit of the consolidated financial statements of the Group for the year ended 31 December 2017 (the "2017 Financial Statements"), the predecessor auditor did not express an opinion on the 2017 Financial Statements. The disclaimer of opinion was resulted from scope limitation arose from lack of fundamental audit evidence of supporting documents for the period from March 2017 to July 2017 of one of the Group's agricultural production base in Ningxia, the People's Republic of China (the "Ningxia Base") due to a fire accident. As resulted by the lack of supporting documents of the Ningxia Base, the predecessor auditor was unable to obtain sufficient appropriate audit evidence to validate the transactions and the resulting movement in the reserves in the 2017 Financial Statements.

Any adjustments that might have been found necessary may have a significant effect on the Group's financial performance, movement in the reserve and elements making up the consolidated cash flows of the Group for the year ended 31 December 2017, and the presentation and disclosure thereof in the consolidated financial statements.

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the consolidated financial statements which reveals that the Group incurred a loss of approximately HK$158,594,000 with net cash outflow from operating activities before working capital changes of approximately HK$38,797,000 for the year ended 31 December 2018 and as at 31 December 2018, the Group had bank balances and cash of approximately HK$4,834,000, in contrast, the Group's bonds and convertible bonds of approximately HK$29,358,000 and HK$41,577,000 respectively were overdue which have become repayable on demand. In addition, the Group's bonds and bank borrowings of approximately HK$11,617,000 and HK$79,822,000 are subject to renewal or to be fully repaid within the next twelve months as disclosed in notes 27 and 29 to the consolidated financial statements respectively. Based on the current liquidity position of the Group, the Group might have difficulties to fulfill its overdue financial obligations from time to time. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends upon the Group will be able to successfully achieve the outcomes as set forth in note 2.1 to the consolidated financial statements to meet its overdue financial obligations from time to time. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are: (i) impairment and recoverability of the Group's loan receivables; and (ii) impairment of goodwill.

Key Audit Matter	How our audit addressed the Key Audit Matter
(i) Impairment and recoverability of the Group's loan receivables	
Refer to the summary of significant accounting policies in note 2.3, critical judgements and key estimates in note 3 and the disclosures of loan receivables in note 23 to the consolidated financial statements. The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment loss of loan receivables by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach. The measurement of ECL requires the application of significant judgement and increased complexity which include the identification of exposures with a significant deterioration in credit quality, and assumptions used in the ECL models (for exposures assessed individually or collectively), such as the expected future cash flows and forward-looking macroeconomic factors. Due to the significant amount of loan receivables (with carrying amount representing 57% of total assets) and the corresponding uncertainty inherent in such estimates, we considered this as a key audit matter.	Our procedures in relation to this matter included: Evaluating the design, implementation and operating effectiveness of key internal controls over credit control, debt collection and estimate of ECL; Assessing the reasonableness of the Group's ECL models by examining the model input used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information including the economic variables and assumptions used in each of the economic scenarios and their probability weightings and assessing whether there was an indication of management bias when recognising loss allowances; Inspected settlements after the financial year end relating to the loan receivables as at 31 December 2018; and We also assessed the disclosures made in the consolidated financial statements in relation to the Group's credit risk explosure.

Key Audit Matter	How our audit addressed the Key Audit Matter
(ii) Impairment of goodwill	
Refer to the summary of significant accounting policies in note 2.3, critical judgements and key estimates in note 3 and the disclosures of goodwill in note 17 to the consolidated financial statements. For the year ended 31 December 2018, the Group had made impairment losses of goodwill attributable to the cash-generating unit of Shenzhen Taihengfeng Technology Company Limited of approximately HK$34,955,000 which were significant to the Group's financial performance due to a higher degree of complexity, and the significance of management's judgements and unobservable inputs involved in the valuations. An impairment assessment is performed by management annually or when there are indicators of impairment by comparing the carrying amount and the recoverable amount of the asset or the cash-generating unit to which the asset relates. The impairment were assessed by the management based on valuation performed by an independent company of professional valuer ("Valuer") engaged by the Group. The impairment assessment is significant to our audit due to the significant judgements and estimates involved in determining the recoverable amount of the cash-generating unit to which the goodwill is allocated, including, amongst others, expected future cash flows and discount rates.	Our procedures in relation to this matter included: We discussed with management about the technological, market, economic and legal environment and economic performance of each cash-generating unit to assess management's identification of impairment indicators; We assessed the key assumptions used in management's cash flow projections for impairment assessment of goodwill, including, amongst others, expected future cash flows and discount rates; In addition, we engaged a valuation specialist to assist us in evaluating the discount rates adopted in the value-in-use calculations using cash flow projections; and We also assessed the adequacy of disclosures in connection with the impairment assessment of goodwill.

OTHER INFORMATION

The directors are responsible for the Other Information. The Other Information comprises all the information included in the Company's annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the Other Information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the Other Information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

World Link CPA Limited
Certified Public Accountants
Lo Ka Ki
Audit Engagement Director
Practising Certificate Number P06633

5/F, Far East Consortium Building,
121 Des Voeux Road Central, Hong Kong

Hong Kong, 28 March 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	**2018 HK$'000**	2017 HK$'000
Continuing operations			
Revenue	*6*	**157,221**	82,669
Cost of sales and services rendered		**(122,435)**	(38,251)
Gross profit		**34,786**	44,418
Other gains	*7*	**8,560**	35,620
Gain/(loss) from fair value change less costs to sell of biological assets		**1,071**	(434)
Selling and distribution expenses		**(28,789)**	(17,578)
Administrative expenses		**(41,339)**	(75,259)
Other operating expenses	*8*	**(64,897)**	(43,403)
Share of result of an associate		**(44,128)**	5,426
Finance costs	*9*	**(22,053)**	(7,902)
Loss before taxation	*10*	**(156,789)**	(59,112)
Income tax expense	*12*	**(4,866)**	(5,308)
Loss for the year from continuing operations		**(161,655)**	(64,420)
Discontinued operations			
Profit/(loss) from discontinued operations, net of tax	*13*	**3,061**	(8,509)
Loss for the year		**(158,594)**	(72,929)
Other comprehensive income, net of tax:			
Item that may be reclassified subsequently to profit or loss:			
– Exchange differences on translating foreign operations		**1,363**	(2,574)
Loss and total comprehensive income for the year attributable to owners of the Company		**(157,231)**	(75,503)

	Note	**2018 HK$'000**	2017 HK$'000
Loss attributable to owners of the Company:			
– from continuing operations		**(161,655)**	(64,420)
– from discontinued operations		**3,061**	(8,509)
		(158,594)	(72,929)
Total comprehensive loss attributable to owners of the Company:			
– from continuing operations		**(160,292)**	(66,992)
– from discontinued operations		**3,061**	(8,511)
		(157,231)	(75,503)
			(Restated)
Loss per share (HK cents)			
Basic	*15*		
– Continuing operations		**(14.46)**	(6.66)
– Discontinued operations		**0.27**	(0.88)
		(14.19)	(7.54)
Diluted	*15*		
– Continuing operations		**(14.46)**	(6.66)
– Discontinued operations		**0.27**	(0.88)
		(14.19)	(7.54)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment	16	**47,299**	43,477
Goodwill	17	**15,777**	50,732
Investment in an associate	18	**–**	46,911
Other non-current assets	19	**–**	1,370
		63,076	142,490
Current assets			
Inventories	20	**12,880**	1,328
Biological assets	21	**–**	1,632
Trade and other receivables	22	**94,346**	14,526
Loan receivables	23	**257,621**	292,971
Bank balances and cash	24	**4,834**	10,247
		369,681	320,704
Assets associated with disposal group held for sale	13	**21,273**	14,759
		390,954	335,463
Current liabilities			
Trade and other payables	25	**54,560**	41,821
Convertible bonds	26	**41,577**	–
Bonds	27	**40,975**	28,204
Promissory notes	28	**–**	24,770
Bank and other borrowings	29	**79,822**	32,260
Finance lease payables	30	**171**	164
Deferred income	31	**1,081**	1,173
Tax payables		**10,455**	6,129
		228,641	134,521
Liabilities associated with disposal group held for sale	13	**11,410**	5,477
		240,051	139,998
Net current assets		**150,903**	195,465
Total assets less current liabilities		**213,979**	337,955

	Note	2018 HK$'000	2017 HK$'000
Capital and reserves			
Share capital	*32*	**12,354**	102,991
Reserves	*33*	**169,971**	229,021
Total equity		**182,325**	332,012
Non-current liabilities			
Promissory notes	*28*	**27,250**	–
Finance lease payables	*30*	**73**	244
Deferred income	*31*	**4,331**	5,699
		31,654	5,943
		213,979	337,955

Approved and authorised for issue by the board of directors on 28 March 2019.

LIN Yuhao
Chairman

DIAO Jing
Director

The notes on pages 56 to 143 form part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company							
	Share capital	**Share premium**	**Contributed surplus**	**Convertible bonds equity reserve**	**Foreign currency translation reserve**	**Share option reserve**	**Accumulated losses**	**Total**
		33(b)(i)	33(b)(ii)	33(b)(iii)	33(b)(iv)	33(b)(v)		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2017	96,120	744,079	59,668	–	9,358	207,467	(760,585)	356,107
Loss and total comprehensive income for the year	–	–	–	–	(2,574)	–	(72,929)	(75,503)
Appropriation to statutory reserve	–	–	1,764	–	–	–	(1,764)	–
Recognition of share-based payment (note 34)	–	–	–	–	–	24,610	–	24,610
Issue of ordinary shares under share option scheme	6,871	37,585	–	–	–	(17,658)	–	26,798
Changes in equity for the year	6,871	37,585	1,764	–	(2,574)	6,952	(74,693)	(24,095)
At 31 December 2017 and 1 January 2018	102,991	781,664	61,432	–	6,784	214,419	(835,278)	332,012
Impact on initial application of HKFRS 9	**–**	**–**	**–**	**–**	**–**	**–**	**(28,967)**	**(28,967)**
Loss and total comprehensive income for the year	**–**	**–**	**–**	**–**	**1,363**	**–**	**(158,594)**	**(157,231)**
Appropriation to statutory reserve	**–**	**–**	**2,654**	**–**	**–**	**–**	**(2,654)**	**–**
Issue of convertible bonds (note 26)	**–**	**–**	**–**	**2,127**	**–**	**–**	**–**	**2,127**
Issue of ordinary shares from conversion of convertible bonds	**9,218**	**11,943**	**–**	**(700)**	**–**	**–**	**–**	**20,461**
Reduction of share capital (note 32)	**(100,961)**	**–**	**100,961**	**–**	**–**	**–**	**–**	**–**
Setting off accumulated loss (note 32)	**–**	**–**	**(100,961)**	**–**	**–**	**–**	**100,961**	**–**
Recognition of share-based payment (note 34)	**–**	**–**	**–**	**–**	**–**	**3,947**	**–**	**3,947**
Lapse of share options (note 34)	**–**	**–**	**–**	**–**	**–**	**(79,333)**	**79,333**	**–**
Issue of ordinary shares under share option scheme (notes 32, 34)	**1,106**	**12,734**	**–**	**–**	**–**	**(3,864)**	**–**	**9,976**
Changes in equity for the year	**(90,637)**	**24,677**	**2,654**	**1,427**	**1,363**	**(79,250)**	**(9,921)**	**(149,687)**
At 31 December 2018	**12,354**	**806,341**	**64,086**	**1,427**	**8,147**	**135,169**	**(845,199)**	**182,325**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Loss before taxation from			
– Continuing operations		**(156,789)**	(59,112)
– Discontinued operations		**3,061**	(8,509)
		(153,728)	(67,621)
Adjustments for:			
Interest income		**(5)**	(21)
Depreciation		**10,029**	10,904
Share-based payment expenses		**3,947**	24,610
Finance costs		**22,053**	7,902
Amortisations of deferred income		**(2,376)**	(5,867)
Impairment losses of goodwill		**34,955**	17,585
Impairment losses of property, plant and equipment		**–**	13,129
Impairment losses of trade receivables		**–**	647
Impairment losses of other receivables		**–**	9,951
Impairment losses of loan receivables		**8,496**	–
Loan receivables written off		**–**	1,561
Gain on disposal of items of property, plant and equipment		**(2,096)**	(4,384)
Non-bank interest income		**(29)**	(323)
Gain on disposal of a subsidiary	*37(a)*	**(100)**	–
(Gain)/loss from fair value change less costs to sell of biological assets		**(1,071)**	434
Loss from fire accident		**–**	2,091
Reversal of impairment of trade receivables		**(1,808)**	–
Reversal of impairment of other receivables		**(1,132)**	–
Reversal of impairment of inventories		**(60)**	–
Share of result of an associate		**44,128**	(5,426)
Operating (loss)/profit before working capital changes		**(38,797)**	5,172
Increase in inventories		**(11,737)**	(1,005)
Decrease/(increase) in biological assets		**2,659**	(1,641)
(Increase)/decrease in trade and other receivables		**(73,810)**	3,188
Decrease/(increase) in loan receivables		**1,081**	(37,564)
(Increase)/decrease in cash held on behalf of brokerage clients		**(7,626)**	747
Increase in trade and other payables		**15,955**	8,447
Cash used in operations		**(112,275)**	(22,656)
Finance lease charges paid		**(14)**	(50)
Income tax paid		**(17)**	(495)
Interest received		**5**	344
Net cash used in operating activities		**(112,301)**	(22,857)

	Note	2018 HK$'000	2017 HK$'000
Cash flows from investing activities			
Purchase of other non-current assets		**–**	(1,379)
Purchase of items of property, plant and equipment		**(16,115)**	(4,480)
Proceeds from disposal of items of property, plant and equipment		**2,629**	–
Proceeds from disposal of a subsidiary		**100**	–
Receipt of government grants		**1,216**	1,157
Net cash used in investing activities		**(12,170)**	(4,702)
Cash flows from financing activities			
Capital element of finance lease payments made		**(164)**	(354)
Proceeds from issue of bonds		**11,310**	31,081
Proceeds from issue of convertible bonds		**61,200**	–
Transaction costs on issue of convertible bonds		**(136)**	–
Proceeds from shares issued from exercise of share options		**9,976**	–
Proceeds from inception of bank and other borrowings		**114,791**	20,577
Proceeds from shares issued on exercise of share options		**–**	26,798
Repayment of bonds		**–**	(5,918)
Repayment of bank and other borrowings		**(76,109)**	(40,090)
Net cash from financing activities		**120,868**	32,094
Net (decrease)/increase in cash and cash equivalents		**(3,603)**	4,535
Cash and cash equivalents at 1 January		**16,380**	18,073
Net effect of foreign exchange rate changes		**(367)**	(6,228)
Cash and cash equivalents at 31 December		**12,410**	16,380
Analysis of cash and cash equivalents			
Cash and bank balances	*24*	**4,834**	10,247
Cash and cash equivalents included in disposal group held for sale	*13*	**7,576**	6,133
		12,410	16,380

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

China Finance Investment Holdings Limited (the "Company") was incorporated in Bermuda as an exempted Company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda. The principal place of business is Suite 1510, 15/F, Ocean Centre, Harbour City, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries are set out in note 40 to the consolidated financial statements.

2.1 BASIS OF PREPARATION

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

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

2.1 BASIS OF PREPARATION (CONTINUED)

Material uncertainty related to going concern

For the year ended 31 December 2018, the Group incurred a loss of approximately HK$158,594,000 with net cash outflow from operating activities before working capital changes of approximately HK$38,797,000 and as at 31 December 2018, the Group had bank balances and cash of approximately HK$4,834,000, in contrast, the Group's bonds and convertible bonds of approximately HK$29,358,000 and HK$41,577,000 respectively were overdue which have become repayable on demand. In addition, the Group's bonds and bank borrowings of approximately HK$11,617,000 and HK$79,822,000 are subject to renewal or to be fully repaid within the next twelve months as disclosed in notes 27 and 29 to the consolidated financial statements. Based on the current liquidity position of the Group, the Group might have difficulties to fulfill its overdue financial obligations from time to time. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. In preparing these consolidated financial statements, the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group.

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

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

- the directors of the Company have been taking various cost control measures to tighten the costs of operations and implementing various strategies to enhance the Group's revenue;
- the completion of the proposed issuance of convertible bonds to raise approximately HK$39,300,000 and HK$18,412,000, details of which are set out in note 38(a) to the consolidated financial statements;
- obtained a new credit line to the extent of RMB150,000,000 (equivalent to approximately HK$170,790,000) from a financial institution to repay the Group's outstanding liabilities as they fall due;
- extension agreements had been entered into between the Company and subscribers of promissory notes to extend the repayment terms of overdue promissory notes as set forth in note 28 to the consolidated financial statements;
- extension agreements had been entered into between the Company and holders of bonds to extend the repayment terms of overdue bonds as set forth in note 27 to the consolidated financial statements; and
- an unsecured, interest-free director's loan of approximately RMB49,500,000 (equivalent to approximately HK$56,361,000) had been obtained by the Group subsequent to the end of reporting period.

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

2.2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Application of new and revised HKFRSs

The HKICPA has issued a number of new and revised HKFRSs that are first effective for annual periods beginning on or after 1 January 2018. Of these, the following developments are relevant to the Group's consolidated financial statements:

(i) HKFRS 9 Financial Instruments; and
(ii) HKFRS 15 Revenue from Contracts with Customers

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

HKFRS 9 Financial instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

The application of HKFRS 9 did not affect the classification and measurement of the Group's loans and receivables as at 1 January 2018 which are continue to be measured at amortised cost after initial application. As permitted by the transitional provisions of HKFRS 9, any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening accumulated losses of the current period.

The adoption of HKFRS 9 resulted in the following changes to the Group's accounting policies.

(a) Classification

From 1 January 2018, the Group classifies its financial assets in those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

2.2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 9 Financial instruments (Continued)

(b) Measurement

At initial recognition, the Group measures financial assets at its fair value plus, in the case of financial assets not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- Fair value through other comprehensive income ("FVTOCI"): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment losses are presented as separate line item in the statement of profit or loss.

- FVTPL: Assets that do not meet the criteria for amortisted cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognsied in profit or loss and presented net within other gains/(losses) in the period in which it arises.

2.2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

(a) Application of new and revised HKFRSs (Continued)

HKFRS 9 Financial instruments (Continued)

(c) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the Group's receivables.

The measurement categories for all financial liabilities of the Group remain the same and the carrying amounts for all financial liabilities of the Group as at 1 January 2018 have not been significantly impacted by the initial application of HKFRS 9.

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

Financial assets	**Classification under HKAS 39**	**Classification under HKFRS 9**	**Carrying amount under HKAS 39** HK$'000	**Recognition of ECL** HK$'000	**Carrying amount under HKFRS 9** HK$'000
Trade and other receivables	Loans and receivables	Amortised cost	14,526	(1,945)	12,581
Loan receivables	Loans and receivables	Amortised cost	292,971	(27,022)	265,949

The balances of trade and other receivables and loan receivables were classified as loans and receivables under HKAS 39 are now classified at amortised cost.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognsied. It replaced HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 January 2018. Any difference, if any, at the date of initial application is recognised in the opening accumulated losses (or other components of equity, as appropriate) and comparative information has not been restated. The initial adoption of HKFRS 15 did not have impact on the Group's opening accumulated losses and how the Group recognises its revenue.

2.2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

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

The Group has not early applied new and revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2018. These new and revised HKFRSs include the following which may be relevant to the Group.

		Effective for accounting periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK(IFRIC) 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to HKFRSs	Annual Improvement to HKFRS Standards 2015–2017 Cycle	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far the Group has identified some aspects of HKFRS 16 which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for HKFRS 16, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2019. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that interim financial report.

HKFRS 16 Leases

HKFRS 16 replaces HKAS 17 Leases and related interpretations. The new standard introduces a single accounting model for lessees. For lessees the distinction between operating and finance leases is removed and lessees will recognise right-of-use assets and lease liabilities for all leases (with optional exemptions for short-term leases and leases of low value assets). HKFRS 16 carries forward the accounting requirements for lessors in HKAS 17 substantially unchanged. Lessors will therefore continue to classify leases as operating or finance leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

2.2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (CONTINUED)

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

HKFRS 16 Leases (Continued)

Based on a preliminary assessment, the standard will affect primarily the accounting for the Group's operating leases. The Group's farmland office property leases are currently classified as operating leases and where applicable the lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term. Under HKFRS 16 the Group may need to recognise and measure a liability at the present value of the future minimum lease payments and recognise a corresponding right-of-use asset for these leases. The interest expense on the lease liability and depreciation on the right-of-use asset will be recognised in profit or loss. The Group's assets and liabilities will increase and the timing of expense recognition will also be impacted as a result.

As disclosed in note 35 to the consolidated financial statements, the Group's future minimum lease payments under non-cancellable operating leases for its offices premises and farmland amounted to approximately HK$67,040,000 as at 31 December 2018. These leases are expected to be recognised as lease liabilities, with corresponding right-of-use assets, once HKFRS 16 is adopted. The amounts will be adjusted for the effects of discounting and the transition reliefs available to the Group.

Other than the recognition of lease liabilities and right-of-use assets, the Group expects that the transition adjustments to be made upon the initial adoption of HKFRS 16 will not be material. However, the expected changes in accounting policies as described above could have a material impact on the Group's consolidated financial statements from 2019 onwards.

HK(IFRIC) 23 Uncertainty over Income Tax Treatments

The interpretation of HKAS 12 Income Taxes sets out how to apply that standard when there is uncertainty about income tax treatments. Entities are required to determine whether uncertain tax treatments should be assessed separately or as a group depending on which approach will better predict the resolution of the uncertainties. Entities will have to assess whether it is probable that a tax authority will accept an uncertain tax treatment. If yes, the accounting treatment will be consistent with the entity's income tax filings. If not, however, entities are required to account for the effects of the uncertainty using either the most likely outcome or expected value method depending on which method is expected to better predict its resolution.

The Group is unable to estimate the impact of the interpretation on the consolidated financial statements until a more detailed assessment has been completed.

2.3 SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies below (e.g. goodwill, intangible assets, disposal group, biological assets and share-based payments that are measured at fair value).

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below:

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated foreign currency translation reserve relating to that subsidiary.

All intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the Company. Non-controlling interests are presented in the consolidated statement of financial position and consolidated statement of changes in equity within equity. Non-controlling interests are presented in the consolidated statement of profit or loss and consolidated statement of profit or loss and other comprehensive income as an allocation of profit or loss and total comprehensive income for the year between the non-controlling shareholders and owners of the Company.

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (Continued)

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling shareholders even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(b) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong Dollars ("HK$"), which is the Company's functional and presentation currency.

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign currency translation (Continued)

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

– Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and

– All resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the foreign currency translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(c) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	Over the term of the lease but not exceeding 20 years
Leasehold land and buildings	Over the term of the lease but not exceeding 20 years
Leasehold improvements	Over the term of the lease but not exceeding 20 years
Office equipment	3 to 5 years
Motor vehicles	3 to 5 years
Plant, machinery and equipment	5 to 10 years
Furniture and fixtures	3 to 10 years
Bearer plants	Over the term of lease

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from continued use of the asset. Any gain or loss on derecognition of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(d) Non-current assets held for sale and discontinued operations

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the asset's or disposal group's previous carrying amount and fair value less costs to sell.

A discontinued operation is a component of the Group (i.e. the operations and cash flows of which can be clearly distinguished from the rest of the Group) that either has been disposed of, or is classified as held for sale, and which represents a separate major line of business or geographical area of operations, or is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations, or is a subsidiary acquired exclusively with a view to resale.

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Non-current assets held for sale and discontinued operations (Continued)

Classification as a discontinued operation occurs upon disposal or when the component meets the criteria to be classified as held for sale in accordance with HKFRS 5, if earlier. It also occurs when the component is abandoned.

When an operation is classified as discontinued, a single amount is presented in the statement of profit or loss, which comprises:

– The post-tax profit or loss of the discontinued operation; and

– The post-tax gain or loss recognised on the measurement to fair value less costs to sell, or on the disposal, of the assets or disposal group constituting the discontinued operation.

(e) Associate

Associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are considered when assessing whether the Group has significant influence. In assessing whether a potential voting right contributes to significant influence, the holder's intention and financial ability to exercise or convert that right is not considered.

Investment in an associate is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the associate in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of the investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of an associate's post-acquisition profits or losses and other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interest in the associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associate (Continued)

The gain or loss on the disposal of an associate that results in a loss of significant influence represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that associate and (ii) the Group's entire carrying amount of that associate (including goodwill) and any related accumulated foreign currency translation reserve. If an investment in an associate becomes an investment in a joint venture, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(f) Intangible assets

Intangible assets acquired are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be whether finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised in the profit or loss in the period of write-down or loss occurs. The amount of any reversal of any write-down of inventories recognised as an increment in the amount of inventories and recognised in the profit or loss in the period in which the reversal occurs.

(h) Biological assets

Biological assets are measured at fair value less costs to sell. Costs to sell include the incremental selling costs, including estimated costs of packing and transport to the market but exclude finance costs.

The blueberry trees, fig trees and Dendrobium officinale Kimura et Migo are bearer plants and are therefore presented and accounted for as property, plant and equipment, see note 16. However, the fresh fruit bunches growing on the trees is accounted for as biological assets until the point of harvest. Harvested fresh fruit bunches are transferred to inventory at fair value less costs to sell when harvested.

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Biological assets (Continued)

Changes in fair value of fresh fruit bunches on trees are recognised in the statement of profit or loss.

Farming costs such as labour costs, fertilisers and transportation charges are capitalised as part of biological assets.

The fair value of growing fresh fruit bunches is determined using a discounted cash flow model based on the expected yield by plantation size, the market price after allowing for harvesting costs, contributory asset charges for the land and trees owned by the entity and other costs yet to be incurred in getting the fruit bunches to maturity.

(i) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method.

– FVTOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Financial assets (Continued)

Policy prior to 1 January 2018

Investments in securities held for trading were classified as financial assets measured at FVTPL. Any attributable transaction costs were recognised in profit or loss as incurred. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in profit or loss.

Dated debt securities that the Group had the positive ability and intention to hold to maturity were classified as held-to-maturity securities. Held-to-maturity securities were stated at amortised cost.

Investments which did not fall into any of the above categories were classified as available-for-sale financial assets. At the end of each reporting period the fair value was remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve (recycling). Dividend income from equity investments and interest income from debt securities calculated using the effective interest method were recognised in profit or loss respectively. Foreign exchange gains and losses arising from debt securities were also recognised in profit or loss. When the investments were derecognised or impaired, the cumulative gain or loss recognised in equity was reclassified to profit or loss.

(k) Trade and other receivables

Trade and other receivables are recognised when the Group has unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade and other receivables are stated at amortised cost using the effective interest method less allowance for credit losses.

(l) Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents. Cash and cash equivalents are assessed for ECL.

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Financial liabilities and equity instruments

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument under HKFRSs. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

(n) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(o) Convertible bonds

Convertible bonds which entitle the holder to convert the loans into a fixed number of equity instruments at a fixed conversion price are regarded as compound instruments consisting of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option for the holder to convert the loans into equity of the Group, is included in equity as convertible bonds equity reserve. The liability component is carried as a liability at amortised cost using the effective interest method until extinguished on conversion or redemption.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on their relative carrying amounts at the date of issue. The portion related to the equity component is charged directly to equity.

(p) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Operating leases

Leases that do not substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as operating leases. Lease payments (net of any incentives received from the lessor) are recognised as an expense on a straight-line basis over the lease term.

(s) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. At the commencement of the lease term, a finance lease is capitalised at the lower of the fair value of the leased asset and the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the statement of financial position as finance lease payable. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Assets under finance leases are depreciated the same as owned assets over the shorter of the lease term and their estimated useful lives.

(t) Revenue recognition

Revenue is recognised when control over a product or service is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sale of agricultural produce is recognised when control of the agricultural produce has transferred, being when the agricultural produce have been dispatched to the customer's specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the agricultural produce, has the primary responsibility when on selling the agricultural produce and bears the risks of obsolescence and loss in relation to the agricultural produce. A receivable is recognised by the Group when the agricultural produce are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenue recognition (Continued)

For all financial instruments measured at amortised cost and interest-bearing financial instruments, interest income is recorded at the effective interest rate, which is the rate that exactly discounts estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. The calculation takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset is adjusted if the Group revises its estimates of receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in the carrying amount is recorded as interest income.

Once the value of a financial asset or a group of similar financial assets had been reduced due to an impairment loss, interest income continues to be recognised using the original effective interest rate applied to the new carrying amount.

Commission and brokerage income, such as the arrangement of the acquisition of shares or other securities, are recognised on completion of the underlying transaction.

Policy prior to 1 January 2018

Revenue from the sale of agricultural produce is recognised when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

Rental income is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset;

Interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

Commission and brokerage income are recognised when the services are provided.

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(v) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Government grants relating to the purchase of assets are recorded as deferred income and recognised in profit or loss on a straight-line basis over the useful lives of the related assets.

(x) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Taxation (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(y) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Impairment of financial assets

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loan receivables and bank balances). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade and other receivables and loan receivables, and measures the lifetime ECL for portfolios of trade and other receivables and loan receivables that share similar economic risk characteristics. The ECL on these assets are estimated using an analysis of assets by risk level of customers and apply a probability-weighted estimate of the credit losses within the relevant risk type. The probability-weighted estimates of the credit losses is determined based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group measures the loss allowance equal to 12-month ECL ("12m ECL"), unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from financial analysts and governmental bodies, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrate otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date.

A financial instrument is determined to have low credit risk if (i) the financial instrument has a low risk of default (i.e. no default history); (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial instrument to have low credit risk when it has internal or external credit rating of "investment grade" as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Impairment of financial assets (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable:

– when there is a breach of financial covenants by the counterparty; or

– information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group also considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– significant financial difficulty of the issuer or the counterparty;

– a breach of contract, such as a default or past due event;

– the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;

– it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

– The disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade and loan receivables, when the amounts are past due over one year, whichever is earlier. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised directly in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the end of each reporting period.

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Impairment of financial assets (Continued)

Measurement and recognition of ECL (Continued)

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Where lifetime ECL is measured to cater for cases where evidence of significant increase in credit risk at the individual instrument level may not yet be available. The financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12m ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in the profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Policy prior to 1 January 2018

At the end of each reporting period, the Group assesses whether its financial assets (other than those at FVTPL) are impaired, based on objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the (group of) financial asset(s) have been affected.

In addition, for trade and loan receivables that are assessed not to be impaired individually, the Group assesses them collectively for impairment, based on the Group's past experience of collecting payments, an increase in the delayed payments in the portfolio, observable changes in economic conditions that correlate with default on receivables, etc.

Only for trade and loan receivables, the carrying amount is reduced through the use of an allowance account and subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Impairment of financial assets (Continued)

Measurement and recognition of ECL (Continued)

Policy prior to 1 January 2018 (Continued)

For all other financial assets, the carrying amount is directly reduced by the impairment loss.

For financial assets measured at amortised cost, if the amount of the impairment loss decreases in a subsequent period and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed (either directly or by adjusting the allowance account for trade and loan receivables) through profit or loss. However, the reversal must not result in a carrying amount that exceeds what the amortised cost of the financial asset would have been had the impairment not been recognised at the date the impairment is reversed.

(aa) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

(ab) Related parties

A related party is a person or entity that is related to the Group.

(A) A person or a close member of that person's family is related to the Group if that person:

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Company or of a parent of the Company.

(B) An entity is related to the Group if any of the following conditions applies:

- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) Both entities are joint ventures of the same third party;
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

2.3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) Related parties (Continued)

(B) (Continued)

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (A);

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to a parent of the Company.

(ac) Share-based payments

The Group issues equity-settled share-based payments to certain directors, employees and consultants.

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Equity-settled share-based payments to consultants are measured at the fair value of the services rendered or, if the fair value of the services rendered cannot be reliably measured, at the fair value of the equity instruments granted. The fair value is measured at the date the Group receives the services and is recognised as an expense.

(ad) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

3. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

(a) Going concern basis

These financial statements have been prepared on a going concern basis, the validity of which is dependent upon the successful outcomes of the Group as set forth in note 2.1 to the consolidated financial statements to (i) attain profitable and positive cash flows from operations; and (ii) renew or extend the existing borrowings, complete debt financing or obtain new credit line in the immediate and longer term, at a level sufficient to finance the working capital requirements and financial obligations of the Group. Details are explained in note 2.1 to the consolidated financial statements.

(b) Significant increase in credit risk

As explained in note 2.3(z), ECL are measured as an allowance equal to 12m ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Income taxes

The Group is subject to Hong Kong Profits Tax and Enterprise Income Tax ("EIT") of the PRC. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

During the year, income tax expense of approximately HK$4,866,000 (2017: HK$5,308,000) was charged to profit or loss based on the estimated profit from operations.

(b) Property, plant and equipment and depreciation

The Group determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Group will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned.

As at 31 December 2018, the carrying amount of property, plant and equipment was approximately HK$47,299,000 (2017: HK$43,477,000).

3. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (Continued)

(c) Impairment of trade and loan receivables

Prior to the adoption of HKFRS 9 on 1 January 2018, the management of the Group assesses at the end of each reporting period whether there is any objective evidence that trade and loan receivables are impaired. The provision policy for bad and doubtful debts of the Group is based on the evaluation of collectability and aging analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of trade and loan receivables including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowance may be required.

As at 31 December 2017, the carrying amount of trade and loan receivables was approximately HK$296,745,000.

Since the adoption of HKFRS 9 on 1 January 2018, the management of the Group estimates the amount of impairment loss for ECL on trade and loan receivables based on the credit risk of trade and loan receivables. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2018, the carrying amount of trade and loan receivables was approximately HK$307,538,000.

(d) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value-in-use of the cash-generating unit to which goodwill has been allocated. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The carrying amount of goodwill at the end of the reporting period was approximately HK$15,777,000 and an impairment loss of approximately HK$34,955,000 (2017: HK$17,585,000) was recognised during the year. Details of the impairment loss calculation are provided in note 17 to the consolidated financial statements.

4. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: foreign exchange risk, credit risk, interest rate risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The board of directors review and agree policies for managing each of these risks and they are summarised below.

(a) Foreign exchange risk

The Group has minimal exposure to foreign currency risk as most of the business transactions, assets and liabilities of the Group's entities are principally denominated in their respective functional currencies.

The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade and loan receivables) and from its financing activities, including deposits with banks and financial institutions. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

The Group does not provide any financial guarantees which would expose the Group to credit risk.

The carrying amount of trade and other receivables, loan receivables and bank balances included in the statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

In order to minimise credit risk, the Group has delegated its finance team to develop and maintain the Group's credit risk grading to categories exposures according to their degree of risk of default. The finance team uses publicly available financial information and the Group's own historical repayment records to rate its major debtors. The Group's exposure and the credit rating of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis of recognising ECL
Performing	The counterparty has a low risk of default and does not have any part-due amounts	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL not credit impaired
In default	There is evidence indicating the asset is credit impaired	Lifetime ECL credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off

For other receivables and deposits, the directors of the Company make periodic collectively assessments as well as individual assessment on the recoverability of other receivables and deposits. The Group has assessed that the ECL of other receivables and deposits was approximately HK$9,036,000 and HK$28,250,000 respectively as at 31 December 2018 under 12m ECL model.

The Group measures loss allowances for trade and loan receivables at an amount equal to lifetime ECLs. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different debtors, the loss allowance based on past due status is not further distinguished between the Group's different debtors.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade and loan receivables as at 31 December 2018:

	Expected loss rate	Gross carrying amount	Loss allowance
	%	HK$'000	HK$'000
Trade receivables			
Current (not past due)	–	27,858	–
Less than 60 days past due	–	11,878	–
Over 60 days past due	11.20%	11,465	1,284
		51,201	1,284
Loan receivables			
Current (not past due)	0.93%	122,056	1,132
Less than 60 days past due	19.64%	158,207	31,076
Over 60 days past due	25.71%	12,876	3,310
		293,139	35,518

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (Continued)

Movements in the loss allowance account in respect of trade and other receivables, deposits and loan receivables during the year are as follows:

	2018 HK$'000	2017 HK$'000
At 31 December under HKAS 39	**39,808**	29,111
Impact on initial application of HKFRS 9 (note 2.2)	**28,967**	–
Adjusted balance at 1 January	**68,775**	29,111
Reversals	**(2,940)**	–
Impairment losses recognised for the year	**8,496**	10,598
Exchange realignment	**(243)**	99
At 31 December	**74,088**	39,808

Expected loss rates are based on actual loss experience over the past two years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

(c) Interest rate risk

The Group's loan receivables, convertible bonds, bonds, promissory notes and bank and other borrowings bear interests at fixed interest rates and therefore are not subject to interest rate risks.

The Group's exposure to interest-rate risk arises from its bank deposits. These bank deposits bear interests at floating rates varied with the then prevailing market condition.

Except as stated above, the Group does not have other significant interest-bearing assets and liabilities at the end of reporting period, its income and operating cash flows are substantially independent of changes in market interest rates.

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis based on contractual undiscounted cash flows of the Group's non-derivative financial liabilities is as follows:

	On demand and less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
At 31 December 2018				
Trade and other payables	54,560	–	–	–
Convertible bonds	61,200	–	–	–
Bonds	40,975	–	–	–
Promissory notes	–	32,336	–	–
Bank and other borrowings	79,822	–	–	–
Finance lease payables	171	73	–	–
	236,728	32,409	–	–

4. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (Continued)

	On demand and less than 1 year HK$'000	**Between 1 and 2 years** HK$'000	**Between 2 and 5 years** HK$'000	**Over 5 years** HK$'000
At 31 December 2017				
Trade and other payables	41,821	–	–	–
Bonds	28,204	–	–	–
Promissory notes	27,250	–	–	–
Bank and other borrowings	32,260	–	–	–
Finance lease payables	178	178	73	–
	129,713	178	73	–

(e) Categories of financial instruments at 31 December

	2018 **HK$'000**	2017 HK$'000
Financial assets:		
Financial assets at amortised cost	**326,496**	–
Loans and receivables	**–**	316,614
Financial liabilities:		
Financial liabilities at amortised cost	**244,428**	127,463

(f) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated statement of financial position approximate their respective fair values.

5. SEGMENT INFORMATION

The accounting policies of the operating segments are the same as those described in note 2.3 to the consolidated financial statements.

Operating segment information

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

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

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

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

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

(i) Information about profit or loss

	2018					
	Continuing operations				Discontinued operations	
	Agricultural produce HK$'000	Money lending HK$'000	Unallocated HK$'000	Subtotal HK$'000	Securities broking HK$'000	Total HK$'000
Revenue						
Reportable segment revenue	118,079	39,142	–	157,221	18,977	176,198
Elimination of inter-segment revenue	–	–	–	–	–	–
Consolidated revenue	118,079	39,142	–	157,221	18,977	176,198
Loss						
Reportable segment (loss)/profit (adjusted (LBITDA)/EBITDA)	(35,637)	32,651	–	(2,986)	3,061	75
Depreciation	(7,493)	(108)	(2,428)	(10,029)	–	(10,029)
Finance costs	(13,501)	–	(8,552)	(22,053)	–	(22,053)
Government grants	2,376	–	–	2,376	–	2,376
Gain on disposal of a subsidiary	–	–	100	100	–	100
Impairment losses of goodwill	–	(34,955)	–	(34,955)	–	(34,955)
Impairment losses of loan receivables	–	(8,496)	–	(8,496)	–	(8,496)
Interest income	3	2	29	34	–	34
Reversal of impairment losses on trade receivables	1,808	–	–	1,808	–	1,808
Reversal of impairment on other receivables	1,132	–	–	1,132	–	1,132
Reversal of impairment on inventories	60	–	–	60	–	60
Share-based payment transactions	(1,241)	(2,458)	(248)	(3,947)	–	(3,947)
Share of result and impairment losses of an associate	–	–	(44,128)	(44,128)	–	(44,128)
Unallocated head office and corporated income	–	–	461	461	–	461
Unallocated head office and corporate expenses	–	–	(36,166)	(36,166)	–	(36,166)
Consolidated (loss)/profit before taxation	(52,493)	(13,364)	(90,932)	(156,789)	3,061	(153,728)

5. SEGMENT INFORMATION (CONTINUED)

(i) Information about profit or loss (Continued)

	2017					
	Continuing operations				Discontinued operations	
	Agricultural produce HK$'000	Money lending HK$'000	Unallocated HK$'000	Subtotal HK$'000	Securities broking HK$'000	Total HK$'000
Revenue						
Reportable segment revenue	45,521	37,148	–	82,669	1,174	83,843
Elimination of inter-segment revenue	–	–	–	–	–	–
Consolidated revenue	45,521	37,148	–	82,669	1,174	83,843
Loss						
Reportable segment (loss)/profit (adjusted (LBITDA)/EBITDA)	(9,567)	24,904	–	15,337	(7,515)	7,822
Depreciation	(6,113)	(185)	(3,612)	(9,910)	(994)	(10,904)
Finance costs	(2,297)	–	(5,605)	(7,902)	–	(7,902)
Government grants	5,867	–	–	5,867	–	5,867
Impairment losses of goodwill	–	(17,585)	–	(17,585)	–	(17,585)
Impairment losses of other receivables	(1,935)	(16)	(8,000)	(9,951)	–	(9,951)
Impairment losses of property, plant and equipment	(13,129)	–	–	(13,129)	–	(13,129)
Impairment losses of trade receivables	(647)	–	–	(647)	–	(647)
Interest income	5	16	323	344	–	344
Loss incurred from fire accident	(2,091)	–	–	(2,091)	–	(2,091)
Share-based payment transactions	(4,975)	(4,801)	(14,834)	(24,610)	–	(24,610)
Share of profit of an associate	–	–	5,426	5,426	–	5,426
Unallocated head office and corporated income	–	–	23,514	23,514	–	23,514
Unallocated head office and corporate expenses	–	–	(23,775)	(23,775)	–	(23,775)
Consolidated (loss)/profit before taxation	(34,882)	2,333	(26,563)	(59,112)	(8,509)	(67,621)

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

5. SEGMENT INFORMATION (CONTINUED)

(ii) Reconciliations of reportable segment assets and liabilities

	2018					
	Continuing operations				Discontinued operations	
	Agricultural produce HK$'000	Money lending HK$'000	Unallocated HK$'000	Subtotal HK$'000	Securities broking HK$'000	Total HK$'000
Assets						
Reportable segment assets	149,755	262,604	–	412,359	21,273	433,632
Goodwill	–	15,777	–	15,777	–	15,777
Unallocated head office and corporate assets	–	–	4,621	4,621	–	4,621
Consolidated total assets	149,755	278,381	4,621	432,757	21,273	454,030
Liabilities						
Reportable segment liabilities	110,889	12,725	–	123,614	11,410	135,024
Convertible bonds	–	–	41,577	41,577	–	41,577
Bonds	–	–	40,975	40,975	–	40,975
Promissory notes	–	–	27,250	27,250	–	27,250
Unallocated head office and corporate liabilities	–	–	26,879	26,879	–	26,879
Consolidated total liabilities	110,889	12,725	136,681	260,295	11,410	271,705
Other segment information						
Capital expenditure *(Note)*	15,896	190	–	16,086	29	16,115
Income tax expense	–	4,849	17	4,866	–	4,866

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

5. SEGMENT INFORMATION (CONTINUED)

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

	2017					
	Continuing operations				Discontinued operations	
	Agricultural produce HK$'000	Money lending HK$'000	Unallocated HK$'000	Subtotal HK$'000	Securities broking HK$'000	Total HK$'000
Assets						
Reportable segment assets	56,308	304,530	–	360,838	14,759	375,597
Goodwill	–	50,732	–	50,732	–	50,732
Interest in an associate	–	–	46,911	46,911	–	46,911
Unallocated head office and corporate assets	–	–	4,713	4,713	–	4,713
Consolidated total assets	56,308	355,262	51,624	463,194	14,759	477,953
Liabilities						
Reportable segment liabilities	54,832	7,086	–	61,918	5,477	67,395
Bonds	–	–	28,204	28,204	–	28,204
Promissory notes	–	–	24,770	24,770	–	24,770
Unallocated head office and corporate liabilities	–	–	25,572	25,572	–	25,572
Consolidated total liabilities	54,832	7,086	78,546	140,464	5,477	145,941
Other segment information						
Capital expenditure *(Note)*	3,135	9	3	3,147	–	3,147
Income tax (credit)/expense	(20)	5,328	–	5,308	–	5,308

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

5. SEGMENT INFORMATION (CONTINUED)

(iii) Geographical information

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

	2018 **HK$'000**	2017 HK$'000
Continuing operations		
Revenue		
– Hong Kong	**83**	3,775
– the PRC	**157,138**	78,894
	157,221	82,669

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

	2018 **HK$'000**	2017 HK$'000
Continuing operations		
Non-current assets		
– Hong Kong	**81**	2,312
– the PRC	**62,995**	140,178
	63,076	142,490

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

(iv) Information about major customers

The Group's customer base included two (2017: Nil) customers with whom transactions have exceed 10% of its revenue during the years is set out below:

	2018 **HK$'000**	2017 HK$'000
Continuing operations		
Customer A – Agricultural produce	**61,134**	N/A
Customer B – Agricultural produce	**30,310**	N/A

These customers did not contribute over 10% of the total turnover of the Group for the year ended 31 December 2017.

6. REVENUE

An analysis of revenue is as follows:

	2018 HK$'000	2017 HK$'000
Continuing operations		
Sale of agricultural produce	**118,079**	45,521
Money lending interest income	**39,142**	37,148
	157,221	82,669

7. OTHER GAINS

	2018 HK$'000	2017 HK$'000
Continuing operations		
Amortisation of government grants	**2,376**	5,867
Bank interest income	**5**	21
Other interest income	**29**	323
Foreign exchange gains, net	**–**	23,356
Gain on disposal of items of property, plant and equipment	**2,096**	4,384
Gain on disposal of a subsidiary	**100**	–
Rental income	**212**	1,135
Reversal of impairment of trade receivables	**1,808**	–
Reversal of impairment of other receivables	**1,132**	–
Reversal of impairment of inventories	**60**	–
Sundry income	**742**	534
	8,560	35,620

8. OTHER OPERATING EXPENSES

	2018 HK$'000	2017 HK$'000
Continuing operations		
Foreign exchange losses, net	**21,443**	–
Impairment losses of property, plant and equipment	**–**	13,129
Impairment losses of goodwill	**34,955**	17,585
Impairment losses of trade and other receivables	**–**	10,598
Impairment losses of loan receivables	**8,496**	–
Loss incurred from fire accident	**–**	2,091
Others	**3**	–
	64,897	43,403

9. FINANCE COSTS

	2018 HK$'000	2017 HK$'000
Continuing operations		
Interest expenses on bonds	**2,794**	1,821
Imputed interest expenses on convertible bonds	**3,101**	–
Imputed interest expenses on promissory notes	**2,480**	3,039
Interest on bank and other borrowings	**13,664**	2,992
Finance lease charges	**14**	50
	22,053	7,902

10. LOSS BEFORE TAXATION

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

	2018 HK$'000	2017 HK$'000
Continuing operations		
Staff costs (including directors' emoluments)		
Salaries and allowances	**26,358**	43,580
Retirement benefit costs	**999**	962
Equity-settled share-based payment	**3,947**	24,610
Total staff costs	**31,304**	69,152
Auditor's remuneration	**730**	800
Cost of inventories recognised as an expense	**110,397**	35,465
Depreciation:		
– on owned assets	**9,724**	9,544
– on leased assets	**305**	366
Impairment losses of goodwill	**34,955**	17,585
Impairment losses of trade and other receivables	**–**	10,598
Reversal of impairment losses of trade and other receivables	**(2,940)**	–
Impairment losses of loan receivables	**8,496**	–
(Gain)/loss arising from fair value change less costs to sell of biological assets	**(1,071)**	434
Minimum lease payments under operating leases	**12,731**	11,193
Equity-settled share-based payment		
Directors	**246**	12,657
Employees	**3,701**	11,953
Total equity-settled share-based payment	**3,947**	24,610

During the year, no director has waived any emoluments (2017: nil).

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Details of directors' emoluments are as follows:

For the year ended 31 December 2018

	Fee HK$'000	Salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Share-based payment expenses HK$'000	Total HK$'000
Executive directors					
Mr. YAU Yik Ming Leao[1]	–	1,144	8	–	1,152
Ms. DIAO Hong[2]	–	1,018	18	82	1,118
Ms. DIAO Jing[3]	–	1,018	18	82	1,118
Mr. XU Bin[4]	–	260	5	–	265
Non-executive director					
Mr. LIN Yuhao[5]	–	1,365	18	82	1,465
Independent non-executive directors					
Mr. LI Shaohua	160	–	–	–	160
Ms. ZHU Rouxiang[6]	160	–	–	–	160
Ms. LI Yang[7]	160	–	–	–	160
	480	4,805	67	246	5,598

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Details of directors' emoluments are as follows: (Continued)

For the year ended 31 December 2017

	Fee HK$'000	Salaries and allowances HK$'000	Retirement benefits scheme contributions HK$'000	Share-based payment expenses HK$'000	Total HK$'000
Executive directors					
Mr. YAU Yik Ming Leao[1]	–	3,459	18	2,532	6,009
Ms. DIAO Hong[2]	–	717	12	2,531	3,260
Ms. DIAO Jing[3]	–	335	6	2,531	2,872
Mr. XU Bin[4]	–	1,632	26	2,531	4,189
Mr. LIN Yuhao[5]	–	344	3	–	347
Mr. TSANG King Sun[8]	–	2,764	12	–	2,776
Non-executive director					
Mr. LIN Yuhao[5]	–	1,231	15	2,532	3,778
Independent non-executive directors					
Mr. LI Shaohua	216	–	–	–	216
Ms. DIAO Hong[2]	76	–	–	–	76
Ms. ZHU Rouxiang[6]	140	–	–	–	140
Ms. LI Yang[7]	107	–	–	–	107
Ms. TANG Shui Man[9]	105	–	–	–	105
	644	10,482	92	12,657	23,875

Notes:

1. Mr. YAU Yik Ming Leao resigned as deputy chairman on 7 July 2017 and executive director on 15 June 2018.
2. Ms. DIAO Hong was re-designated as executive director on 8 May 2017.
3. Ms. DIAO Jing was appointed as executive director on 5 September 2017.
4. Mr. XU Bin was appointed as deputy chairman and executive director on 8 May 2017 and resigned as deputy chairman and executive director on 28 February 2018.
5. Mr. LIN Yuhao was re-designated as non-executive director on 10 March 2017.
6. Ms. ZHU Rouxiang was appointed as independent non-executive director on 8 May 2017.

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(a) Details of directors' emoluments are as follows: (Continued)

Notes:

7. Ms. LI Yang was appointed as independent non-executive director on 3 July 2017.

8. Mr. TSANG King Sun resigned as executive director on 3 July 2017.

9. Ms. TSANG Shui Man resigned as independent non-executive director on 16 June 2017.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2017: four) directors whose emoluments were disclosed above. The emoluments of the remaining two (2017: one) individuals during the year are as follows:

	2018 HK$'000	2017 HK$'000
Basis salaries and allowances	**2,418**	1,289
Share-based payments	**93**	2,114
Retirement benefits scheme contributions	**114**	37
	2,625	3,440

The emoluments of the two (2017: one) individuals with highest emoluments are within the following bands:

	2018 Number of individuals	2017 Number of individuals
HK$1,000,000 – HK$1,500,000	**2**	–
HK$3,000,001 – HK$3,500,000	**–**	1

During both years ended 31 December 2018 and 2017, no emoluments were paid by the Group to the five highest paid individuals, including directors, as an inducement to join or upon joining the Group or as compensation for loss of office.

11. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (CONTINUED)

(c) Senior management's emoluments

Senior management represents the executive directors. The emoluments paid or payable to senior management during the year are as follows:

	2018 **HK$'000**	2017 HK$'000
Directors' fees	**–**	–
Salaries and allowances	**3,440**	9,251
Retirement benefits scheme contribution	**49**	77
Share-based payment expenses	**164**	10,125
	3,653	19,453

The emoluments of the four (2017: six) individuals are within the following bands:

	2018 **Number of individuals**	2017 Number of individuals
Nil – HK$1,000,000	**1**	1
HK$1,000,000 – HK$1,500,000	**3**	–
HK$2,500,000 – HK$3,000,000	**–**	2
HK$3,000,000 – HK$3,500,000	**–**	1
HK$4,000,000 – HK$4,500,000	**–**	1
HK$6,000,000 – HK$6,500,000	**–**	1

(d) Directors' material interests in transaction, arrangement or contract

No significant transaction, arrangement and contract in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

12. INCOME TAX EXPENSE

	2018 **HK$'000**	2017 HK$'000
Continuing operations		
Hong Kong Profits Tax		
Over-provision in respect of prior years	**–**	(20)
EIT in the PRC		
Provision for the year	**4,866**	5,328
	4,866	5,308

The tax rate applicable to the Group's Hong Kong subsidiaries were 16.5% (2017: 16.5%) during the year ended 31 December 2018.

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

No provision for Hong Kong Profits Tax is required as the Group's Hong Kong subsidiaries did not have assessable profit during the year ended 31 December 2018 (2017: Nil).

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

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

12. INCOME TAX EXPENSE (CONTINUED)

Reconciliation between income tax expense and the product of the Group's loss before tax at applicable tax rate is set out below:

	2018 HK$'000	2017 HK$'000
Loss before taxation (from continuing operations)	**(156,789)**	(59,112)
Tax at the domestic tax rate of 16.5% (2017: 16.5%)	**(25,870)**	(9,753)
Tax effect of non-deductible expenses	**15,545**	3,889
Tax effect of non-taxable income	**(3,159)**	(2,579)
Net tax effect of unrecognised tax losses	**285**	428
Net tax effect of temporary difference not recognised	**38**	63
Over provision in prior years	**–**	(20)
Effect of different tax rates of subsidiaries	**18,027**	13,280
Income tax expense for the year	**4,866**	5,308

At the end of the reporting period, the Group has unused tax losses of approximately HK$35,171,000 (2017: HK$33,441,000). No deferred tax asset in respect of tax losses have been recognised as at 31 December 2018 and 2017, as management consider it is unlikely that future taxable profits against which the losses can be utilised will be available in the foreseeable future with certainty in the relevant tax jurisdiction and entity. Unrecognised tax losses may be carried forward indefinitely.

Under the PRC tax law on EIT, a withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards.

As at 31 December 2018 and 2017, deferred taxation has not been provided in the financial statements in respect of temporary difference attributable to profits earned by the Group's PRC subsidiaries since 1 January 2008 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

13. DISCONTINUED OPERATIONS

On 25 May 2017, the Group entered into the agreement with Ace Jumbo Ventures Limited ("Ace Jumbo"), an independent third party, pursuant to which the Company has conditionally agreed to sell 100% of the issued share capital of Golden Rich Securities Limited, a wholly owned subsidiary of the Company, at a cash consideration of HK$12,000,000 plus net asset value at the date of the sale and purchase agreement ("Disposal Arrangement"). Accordingly, all assets and liabilities attributable to Golden Rich Securities Limited and its subsidiary ("Disposal Group") have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position as at 31 December 2018. The Disposal Group has been presented as a discontinued operations in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018.

Since 20 October 2017, the Company has entered into several supplemental deeds with Ace Jumbo to extend the completion date of the Disposal Arrangement to 24 April 2019.

The combined results of the discontinued operations included in the loss for the year are set as follows:

	2018 **HK$'000**	2017 HK$'000
Revenue	**18,977**	1,174
Other gains	**100**	106
Administrative and other operating expenses	**(16,016)**	(9,789)
Profit/(loss) before taxation	**3,061**	(8,509)
Income tax	**–**	–
Profit/(loss) after taxation	**3,061**	(8,509)
Profit/(loss) for the year from discontinued operations attributable to owners of the Company	**3,061**	(8,509)

Analysis of expenses of discontinued operations is as follows:

	2018 **HK$'000**	2017 HK$'000
Depreciation of property, plant and equipment	**–**	994

13. DISCONTINUED OPERATIONS (CONTINUED)

Cash flows from discontinued operations

	2018 HK$'000	2017 HK$'000
Net cash inflows/(outflows) from operating activities	**1,472**	(3,225)
Net cash outflows from investing activities	**(29)**	(25)
Net cash inflows from financing activities	**–**	2,000
Net cash inflows/(outflows)	**1,443**	(1,250)

The value of the identifiable assets and liabilities of the Disposal Group are set as follow:

	2018 HK$'000	2017 HK$'000
Property, plant and equipment	**1,256**	1,227
Intangible asset	**500**	500
Other non-current assets	**230**	230
Trade and other receivables	**929**	3,513
Cash held on behalf of brokerage clients *(note)*	**10,782**	3,156
Bank balances and cash	**7,576**	6,133
Total assets classified as held for sale	**21,273**	14,759
Trade and other payables	**11,410**	5,477
Total liabilities classified as held for sale	**11,410**	5,477

Note: 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 consolidated statement of financial position and recognised the corresponding accounts payable 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.

The balance of "Cash held on behalf of brokerage clients" is reclassified to "Assets associated with disposal group held for sales".

14. DIVIDENDS

The Board does not recommend the payment of any dividend for the years ended 31 December 2018 and 2017.

15. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to the owners of the Company of approximately HK$158,594,000 (2017: HK$72,929,000) and the weighted average number of 1,117,310,542 (2017 restated: 967,049,638) ordinary shares in issue during the year.

The computation of diluted loss per share for the years ended 31 December 2018 and 2017 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 continuing operations

The calculation of basic loss per share is based on the Group's loss for the year attributable to the owners of the Company of approximately HK$161,655,000 (2017: HK$64,420,000) and the weighted average number of 1,117,310,542 (2017 restated: 967,049,638) ordinary shares in issue during the year.

The computation of diluted loss per share for the years ended 31 December 2018 and 2017 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 operations

The calculation of basic earning/(loss) per share is based on the Group's profit attributable to the owners of the Company of approximately HK$3,061,000 (2017: loss of HK$8,509,000) and the weighted average number of 1,117,310,542 (2017 restated: 967,049,638) ordinary shares in issue during the year.

The computation of diluted earning/(loss) per share for the year ended 31 December 2018 and 2017 does not assume the conversion of the Company's preference shares and convertible bonds, and the exercise of the Company's share options since their assumed conversion and exercise are anti-dilutive. Therefore, the basic and diluted earning/(loss) per share are the same.

For the years ended 31 December 2018 and 2017, the weighted average number of ordinary shares for the purpose of basic and diluted earning/(loss) per share has been adjusted to take into effect of the share reorganisation on 25 June 2018 as set out in note 32 to the consolidated financial statements as if it had been effective on 1 January 2017.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Plant, machinery and equipment HK$'000	Furniture and fixtures HK$'000	Bearer plants HK$'000	Total HK$'000
Cost									
At 1 January 2017	21,723	9,804	6,154	4,292	10,619	145,145	1,347	–	199,084
Additions	–	–	–	108	400	1,158	25	1,456	3,147
Transferred from construction in progress	558	–	–	–	–	1,025	–	–	1,583
Disposal	(9,990)	–	–	(224)	(18)	(20,817)	(1)	–	(31,050)
Transfer to assets held for sale	–	–	(1,838)	(1,158)	–	–	(401)	–	(3,397)
Exchange realignment	1,485	773	240	150	205	11,162	49	17	14,081
At 31 December 2017 and 1 January 2018	13,776	10,577	4,556	3,168	11,206	137,673	1,019	1,473	183,448
Additions	**610**	**–**	**5,064**	**636**	**6**	**1,803**	**7**	**7,989**	**16,115**
Transfer to assets held for sale	**–**	**–**	**–**	**(22)**	**–**	**–**	**(7)**	**–**	**(29)**
Transferred from other non-current asset (note 19)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,390**	**1,390**
Disposals	**–**	**–**	**(82)**	**(34)**	**(6,380)**	**(463)**	**(31)**	**(485)**	**(7,475)**
Exchange realignment	**(725)**	**(532)**	**(573)**	**(148)**	**(157)**	**(7,038)**	**(35)**	**(754)**	**(9,962)**
At 31 December 2018	**13,661**	**10,045**	**8,965**	**3,600**	**4,675**	**131,975**	**953**	**9,613**	**183,487**

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Buildings HK$'000	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Office equipment HK$'000	Motor vehicles HK$'000	Plant, machinery and equipment HK$'000	Furniture and fixtures HK$'000	Bearer plants HK$'000	Total HK$'000
Accumulated depreciation and impairment									
At 1 January 2017	14,996	3,594	2,107	2,352	6,136	106,665	828	–	136,678
Charge for the year	719	452	1,217	955	2,748	4,870	312	–	11,273
Impairment	2,562	936	1,087	90	37	8,398	19	–	13,129
Disposal	(8,650)	–	–	(196)	(18)	(20,297)	(1)	–	(29,162)
Transfer to assets held for sale	–	–	(1,172)	(742)	–	–	(256)	–	(2,170)
Exchange realignment	1,056	313	83	131	195	8,399	46	–	10,223
At 31 December 2017 and 1 January 2018	10,683	5,295	3,322	2,590	9,098	108,035	948	–	139,971
Charge for the year	**984**	**1,045**	**856**	**520**	**1,799**	**4,780**	**45**	**–**	**10,029**
Disposals	**–**	**–**	**(52)**	**(27)**	**(6,380)**	**(463)**	**(20)**	**–**	**(6,942)**
Exchange realignment	**(557)**	**(309)**	**(134)**	**(97)**	**(140)**	**(5,599)**	**(34)**	**–**	**(6,870)**
At 31 December 2018	**11,110**	**6,031**	**3,992**	**2,986**	**4,377**	**106,753**	**939**	**–**	**136,188**
Carrying amount									
At 31 December 2018	**2,551**	**4,014**	**4,973**	**614**	**298**	**25,222**	**14**	**9,613**	**47,299**
At 31 December 2017	3,093	5,282	1,234	578	2,108	29,638	71	1,473	43,477

In the opinion of the directors, the lease payments cannot be allocated reliably between the land and buildings elements. Accordingly, the entire lease is treated as a finance lease and classified as property, plant and equipment.

Leasehold land and buildings with carrying amount of approximately HK$4,014,000 (2017: HK$5,282,000) are held in the PRC on medium lease. During the year, the leasehold land and buildings were pledged to secure banking facilities granted to the Group as disclosed in note 29 to the consolidated financial statement.

During the year, no depreciation has been provided for the bearer plants, as the bearer plants are still at the early stage of cultivation and yet to produce any fresh fruit bunches.

As at 31 December 2018, the motor vehicles held under a finance lease was fully depreciated (2017: HK$305,000).

Impairment losses recognised in the current year

During the year, the Group had appointed an independent professional valuer, Valtech Valuation Advisory Limited, to assess the recoverable amounts of the Group's property, plant and equipment, in particular of those employed in the agricultural produce segment, and no impairment loss (2017: HK$13,129,000) was recognised. The recoverable amount has been determined based on a value-in-use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to cash flow projections is 15.07% (2017: 17.19%) per annum. The growth rate used to extrapolate the cash flows of the group of cash-generating units beyond the five-year period is 3% (2017: 3%) per annum which based on past performance and its expectations in relation to market development. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and gross margin, such estimation is based on the past performance. Senior management believed that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount to exceed the aggregate recoverable amount.

17. GOODWILL

	HK$'000
Cost	
At 1 January 2017, 31 December 2017, 1 January 2018 and 31 December 2018	**83,010**
Impairment	
At 1 January 2017	14,693
Impairment during the year	17,585
At 31 December 2017 and 1 January 2018	32,278
Impairment during the year	**34,955**
31 December 2018	**67,233**
Carrying amount	
At 31 December 2018	**15,777**
At 31 December 2017	50,732

17. GOODWILL (CONTINUED)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit ("CGU") that is expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated to Modern Excellence Limited ("Modern Excellence") and Shenzhen Taihengfeng Technology Company Limited ("Taihengfeng"), subsidiaries of the Company, which are considered to be two individual CGUs.

	2018 **HK$'000**	2017 HK$'000
Modern Excellence	**–**	–
Taihengfeng	**15,777**	50,732
	15,777	50,732

Modern Excellence

Impairment on goodwill in related to the acquisition of Modern Excellence, amounted to approximately HK$2,098,000 was fully provided in the consolidated financial statements for the year ended 31 December 2013.

Taihengfeng

During the year ended 31 December 2018, the Group recognised an impairment loss of approximately HK$34,955,000 (2017: HK$17,585,000) in relation to goodwill arising on acquisition of Taihengfeng.

The recoverable amount of this CGU has been determined on the basis of their value-in-use using discounted cash flow method. The key assumptions for the discounted cash flow method are those regarding the discount rates, growth rates and budgeted gross margin and turnover during the period. The Group estimates discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to this CGU. The growth rate is based on long-term average economic growth rate of the geographical area in which the business of this CGU operates. Budgeted gross margin and turnover are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with the residual period using the growth rate of 3% (2017: 3%). This rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows from this CGU is 12.42% (2017: 10.98%).

At 31 December 2018, before impairment testing, goodwill of approximately HK$50,732,000 was allocated to Taihengfeng. Due to regulatory and industry reform over the micro finance market in the PRC after a series of collapse of industry peers, the Group has revised its cash flow forecasts for this CGU. The CGU has been reduced to its recoverable value of HK$15,777,000 and an impairment loss of approximately HK$34,955,000 had been recognised during the year.

18. INVESTMENT IN AN ASSOCIATE

	2018 **HK$'000**	2016 HK$'000
At 1 January	**46,911**	38,000
Share of total comprehensive income for the year	**(46,911)**	8,911
At 31 December	**–**	46,911

Investment in an associate represents investment in unlisted equity securities, details of Group's associate at 31 December 2018 are as follows:

Name	**Place of establishment**	**Registered/ paid up capital**	**Percentage of ownership**	**Principal activities and place of operation**
GLQH	PRC	RMB100,000,000/ RMB100,000,000	Direct 25%	Internet financing service/PRC

The following table shows information on the associate that is material to the Group. This associate is accounted for in the consolidated financial statements using the equity method. The summarised financial information presented is based on local management financial statements of the associate, and adjusted to comply with HKFRSs for the purpose of equity accounting.

	2018
Principal place of business/country of incorporation	PRC/PRC
Principal activities	Internet financing business
% of ownership interests/voting rights held by the Group	25%/25%

18. INVESTMENT IN AN ASSOCIATE (CONTINUED)

	2018 HK$'000	2017 HK$'000
At 31 December:		
Non-current assets	**532**	115,110
Current assets	**32,142**	118,176
Current liabilities	**(881)**	(11,351)
Net assets	**31,793**	221,935
Year ended 31 December:		
Revenue	**2,936**	41,072
(Loss)/profit for the year	**(179,018)**	21,702
Other comprehensive income, net of tax:		
– Exchange differences on translating foreign operation	**(11,126)**	13,937
(Loss)/profit and total comprehensive income for the year	**(190,144)**	35,639
The Group's share of total comprehensive income of an associate	**(46,911)**	8,911

On 19 December 2018, Office of the Leading Group for the Special Remediation of Internet Finance Risks*（互聯網金融風險專項整治工作領導小組辦公室）and Office of the Leading Group for the Special Remediation of P2P Internet Lending Risks*（P2P網貸風險專項整治工作領導小組辦公室）jointly issued "Remediation Officer Letter [2018] No.175" regarding "Opinions in Categorised Actions and Risk Prevention of Internet Lending Organisations"*（關於做好網貸機構分類處置和風險防範工作的意見）("Letter No. 175"). In Letter No. 175, the two offices represent the People's Bank of China and China Banking and Insurance Regulatory Commission to further clarify the actions in risk prevention for categorised P2P internet lending companies in internet finance industry. On 1 March 2019, Shenzhen Internet Finance Association issued a notice for consultation of guidelines for exit of internet finance industry by categorised P2P internet lending companies.

During the year ended 31 December 2018, the Group shared the loss and total comprehensive income of an associate of approximately HK$46,911,000. The Group has not recognised loss for the year amounting to approximately HK$625,000 (2017: Nil) for the associate. The accumulated losses not recognised were approximately HK$625,000 (2017: Nil).

* For identification purpose only

19. OTHER NON-CURRENT ASSETS

	Statutory deposit with exchanges and clearing houses HK$'000	Deposit for acquiring bearer plant HK$'000	Total HK$'000
At 1 January 2017	205	–	205
Additions	25	1,354	1,379
Reclassified to assets held for sale	(230)	–	(230)
Exchange realignment	–	16	16
At 31 December 2017 and 1 January 2018	**–**	**1,370**	**1,370**
Reclassified to property, plant and equipment (note 16)	**–**	**(1,390)**	**(1,390)**
Exchange realignment	**–**	**20**	**20**
At 31 December 2018	**–**	**–**	**–**

20. INVENTORIES

	2018 HK$'000	2017 HK$'000
Agricultural materials *(note)*	**1,607**	860
Consumables	**409**	442
Merchandise	**10,864**	26
	12,880	1,328

At the end of reporting period, the Group's inventories were stated at cost.

During the year ended 31 December 2018, allowance made in prior years against the inventories of approximately HK$60,000 (2017: Nil) was reversed as result of sales of obsolete inventories.

Note:

Agricultural materials mainly include seeds, fertilisers, pesticides and processing materials not yet utilised at the end of the reporting period.

21. BIOLOGICAL ASSETS

	2018	2017
	HK$'000	HK$'000
At 1 January	**1,632**	51
Increase due to plantation	**16,736**	39,178
Decrease due to harvest	**(19,518)**	(37,165)
Gain/(loss) from fair value change less costs to sell	**1,071**	(434)
Exchange realignment	**79**	2
At 31 December	**–**	1,632

Biological assets were vegetables stated at fair value less estimated costs to sell as at the reporting dates. The fair value was determined by the management with reference to market-determined prices, cultivation areas, species, growing conditions, cost incurred and expected yield of crops.

22. TRADE AND OTHER RECEIVABLES

	Notes	2018 HK$'000	2017 HK$'000
Trade receivables arising from trading of agricultural produce		**51,201**	5,147
Less: impairment		**(1,284)**	(1,373)
Total trade receivables	*(a)*	**49,917**	3,774
Accounts receivable arising from dealing in securities			
– Cash clients		**–**	–
– Margin clients		**–**	–
– Clearing houses		**–**	–
Total accounts receivable	*(b)*	**–**	–
Other receivables		**15,367**	16,268
Less: impairment	*(c)*	**(9,036)**	(10,185)
Total other receivables		**6,331**	6,083
Deposits and prepayments		**66,348**	32,919
Less: impairment		**(28,250)**	(28,250)
Total deposits and prepayments	*(d)*	**38,098**	4,669
		94,346	14,526

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

	2018 HK$'000	2017 HK$'000
0 – 60 days	**27,858**	1,217
61 – 120 days	**11,878**	6
Over 120 days	**10,181**	2,551
	49,917	3,774

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) (Continued)

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

	2018 **HK$'000**	2017 HK$'000
Less than 60 days past due	**11,878**	6
Over 60 days past due	**10,181**	2,551
	22,059	2,557

The movements in impairment of trade receivables are as follows:

	2018 **HK$'000**	2017 HK$'000
At 1 January	**1,373**	666
Recognition of ECL as at 1 January 2018	**1,945**	–
Impairment loss recognised	**–**	647
Reversal of impairment loss	**(1,808)**	–
Exchange realignment	**(226)**	60
At 31 December	**1,284**	1,373

Included in the above, no trade receivables (2017: HK$647,000) are individually impaired which have been considered not recoverable. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

22. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

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

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

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

The balance of accounts receivable is reclassified to "Assets associated with disposal group held for sale".

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

	2018 **HK$'000**	2017 HK$'000
At 1 January	**10,185**	195
Impairment loss recognised	**–**	9,951
Reversal of impairment loss	**(1,132)**	–
Exchange realignment	**(17)**	39
At 31 December	**9,036**	10,185

(d) The amounts included approximately HK$28,250,000 for deposit of acquiring properties from Elite One International Holdings Limited which has been fully impaired. The rest are rental deposit and prepayments.

During the year there is no movement in impairment of deposits and prepayments.

23. LOAN RECEIVABLES

The Group's loan receivables arose from the money lending business. Loan receivables bear interest at rates range from 7.2% to 48% (2017: 7.2% to 48%), and with credit periods, mutually agreed between the contracting parties. Each customer has a credit limit. Overdue balances are reviewed regularly and handled closely by senior management.

	2018 **HK$'000**	2017 HK$'000
Carrying amount of receivables based on scheduled repayment dates set out in the loan agreements		
Within one year	**257,621**	292,971
Repayment on demand clause (shown under current assets)	**–**	–
	257,621	292,971
Less: current portion	**(257,621)**	(292,971)
Non-current portion	**–**	–

23. LOAN RECEIVABLES (CONTINUED)

The Group's loan receivables, which arise from money lending business of providing property mortgage loans and personal loans in Hong Kong and in the PRC, are denominated in HK$ with amount approximately HK$6,916,000 (2017: HK$6,979,000) and in RMB with amount of approximately HK$286,223,000 (2017: HK$285,992,000), respectively.

Except for loan receivables of approximately HK$286,241,000 before impairment (2017: HK$286,073,000 before impairment) as at 31 December 2018 which are unsecured, interest-bearing and are repayable with fixed terms agreed with customers, all loan receivables are secured by collaterals provided by customers, interest-bearing and are repayable with fixed terms agreed with the customers. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the loan receivables mentioned above.

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

	2018 **HK$'000**	2017 HK$'000
Receivable:		
Within 3 months	**144,843**	24,796
3 months to 1 year	**112,778**	268,175
	257,621	292,971

The movements in impairment of loan receivables are as follows:

	2018 **HK$'000**	2017 HK$'000
At 1 January	**–**	–
Recognition of ECL as at 1 January 2018	**27,022**	–
Impairment loss recognised	**8,496**	–
As 31 December	**35,518**	–

24. BANK BALANCES AND CASH

	2018 **HK$'000**	2017 HK$'000
Bank balances	**4,782**	10,174
Cash on hand	**52**	73
	4,834	10,247

At the end of reporting period, the bank balances and cash of the Group are denominated in the following currencies:

	2018 **HK$'000**	2017 HK$'000
HK$	**2,329**	1,045
RMB	**2,505**	9,202
	4,834	10,247

Conversion of RMB into foreign currencies is subject to the PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations.

* For identification purpose only

25. TRADE AND OTHER PAYABLES

	Notes	2018 HK$'000	2017 HK$'000
Trade payables arising from trading of agricultural produce	(a)	**11,096**	17,312
Accounts payable arising from dealing in securities			
– Cash clients		**–**	–
– Clearing houses		**–**	–
Total accounts payable	(b)	**–**	–
Accruals and other payables		**43,464**	23,910
Amounts due to directors of subsidiaries in the PRC		**–**	599
		54,560	41,821

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

	2018 HK$'000	2017 HK$'000
0 – 60 days	**2,134**	801
61 – 120 days	**783**	3,780
Over 120 days	**8,179**	12,731
	11,096	17,312

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

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

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

Accounts payable to clients also include those payables placed in trust accounts with authorised institutions of approximately HK$10,782,000 (2017: HK$3,156,000).

The balance of accounts payable is reclassified to "Liabilities associated with disposal group held for sale".

26. CONVERTIBLE BONDS

CB1

On 7 February 2018, the Company issued convertible bonds with aggregate principal amount of HK$40,000,000 ("CB1") with conversion price of HK$0.40 (adjusted from HK$0.04 to HK$0.40 per share as a result of the capital reorganisation effected on 25 June 2018) per share to an independent third party.

CB1 are denominated in HK$ and carry an interest rate of 5% per annum. The holder of CB1 is entitled to convert CB1 into 100,000,000 ordinary shares (adjusted from 1,000,000,000 ordinary shares to 100,000,000 ordinary shares as a result of the capital reorganisation effected on 25 June 2018) of the Company at any time from the date of issue to 6 February 2019. If the amount has not been converted up to 6 February 2019, the holder can request the Company to redeem the outstanding bonds at principal amount.

CB1 contain two components, liability component and equity component. At initial recognition, the fair value of liability of approximately HK$38,505,000 was recognised with the residual value of approximately HK$1,425,000, representing equity component, presented in equity heading "convertible bonds equity reserve".

Transaction costs relating to the liability component of approximately HK$70,000 are included in the carrying amount of the liability portion. The effective interest rate of the liability component is 8.89% per annum.

CB1 matured on 7 February 2019. As of the approval date of these consolidated financial statements, the outstanding amount of CB1 had yet been settled.

CB2

On 5 June 2018, the Company issued convertible bonds with aggregate principal amount of HK$21,200,000 ("CB2") with conversion price of HK$0.023 per share to two independent third parties.

CB2 are denominated in HK$ and carry an interest rate of 5% per annum. The holders of CB2 are entitled to convert CB2 into 921,739,130 ordinary shares of the Company at any time from the date of issue to 4 June 2019.

CB2 contain two components, liability component and equity component. At initial recognition, the fair value of liability of approximately HK$20,432,000 was recognised with the residual value of approximately HK$702,000, representing equity component, presented in equity heading "convertible bonds equity reserve".

Transaction costs relating to the liability component of approximately HK$66,000 are included in the carrying amount of the liability portion. The effective interest rate of the liability component is 8.6% per annum.

On 11 June 2018, CB2 with principal amount of HK$21,200,000 had been converted into 921,739,130 ordinary shares of the Company.

26. CONVERTIBLE BONDS (CONTINUED)

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

	CB1 HK$'000	CB2 HK$'000	**2018 HK$'000**
Principal amount of CBs issued	40,000	21,200	**61,200**
Transaction costs	(70)	(66)	**(136)**
Equity component	(1,425)	(702)	**(2,127)**
Liability component at date of issue	38,505	20,432	**58,937**
Imputed interest charged	3,072	29	**3,101**
Converted into ordinary shares of the Company	–	(20,461)	**(20,461)**
Liability component at 31 December	41,577	–	**41,577**

The fair value of liability components of CB1 and CB2 as of their respective issue dates were determined by Access Partner Consultancy & Appraisals Limited, an independent company of professional valuer appointed by the Company.

27. BONDS

Bond 1

On 4 May 2017, the Company issued unsecured bond ("Bond 1") with principal value of RMB13,548,000 (approximately HK$15,538,000) to an independent third party ("Subscriber 1"). Bond 1 bears interest at 10% per annum and is repayable on 31 December 2017.

On 31 December 2017, principal value of RMB4,500,000 (approximately HK$5,161,000) has been repaid to Subscriber 1.

Bond 2

On 5 May 2017, the Company issued unsecured bond ("Bond 2") with principal value of RMB13,552,000 (approximately HK$15,543,000) to an independent third party ("Subscriber 2"). Bond 2 bears interest at 10% per annum and is repayable on 31 December 2017.

Bond 3

On 19 October 2018, the Company issued unsecured bond ("Bond 3") with principal value of RMB10,000,000 (approximately HK$11,310,000) to an independent third party ("Subscriber 3"). Bond 3 bears interest at 10% per annum and is repayable on 18 October 2019.

The movements of bonds are as follows:

	Bond 1 HK$'000	Bond 2 HK$'000	Bond 3 HK$'000	Total HK$'000
As at 1 January 2017	–	–	–	–
Issue during the year	15,538	15,543	–	31,081
Interest charged	779	1,042	–	1,821
Less: Early redemption of Bond 1	(5,161)	–	–	(5,161)
Repayment during the year	(353)	(404)	–	(757)
Exchange realignment	490	730	–	1,220
As at 31 December 2017 and 1 January 2018	11,293	16,911	–	28,204
Issue during the year	**–**	**–**	**11,310**	**11,310**
Interest charged	**1,027**	**1,538**	**229**	**2,794**
Exchange realignment	**(565)**	**(846)**	**78**	**(1,333)**
As at 31 December 2018	**11,755**	**17,603**	**11,617**	**40,975**

Bond 1, Bond 2 and Bond 3 are subsequently measured at amortised cost, using effective interest rates of 10%, 10% and 10% respectively. As of the approval date of these consolidated financial statements, the outstanding amounts of bonds had yet been settled.

Subsequent to the end of the reporting period, the Company and the holders of Bond 1 and Bond 2 entered into extension agreements, to extend the maturity date of Bond 1 and Bond 2 to 31 January 2020.

28. PROMISSORY NOTES

On 24 September 2015, the Company issued unsecured promissory notes ("PN") with principal value of HK$100,000,000. The PN bears interest at 3% per annum and matured on 23 September 2018. The fair value of the PN at the date of issuance was approximately HK$73,599,000.

On 31 March 2016, the Company early redeemed the principal amount of HK$75,000,000 by way of issuing 719,696,958 ordinary shares of the Company at the subscription price of HK$0.099 per share and all interest accrued were agreed to be waived. The fair value of the relevant ordinary shares was approximately HK$88,522,000 and the amortised cost of the said promissory note was approximately HK$59,080,000. As such, loss on early redemption of PN of approximately HK$29,442,000 was recognised during the year ended 31 December 2016.

On 23 September 2018, the Company entered two extension agreements with subscribers of PN, to extend the maturity date of PN from 23 September 2018 to 31 January 2020.

The PN is subsequently measured at amortised cost, using effective interest rate of 14%. As at 31 December 2018, the carrying amount of the PN was approximately HK$27,250,000 (2017: HK$24,770,000).

The movements of PN are as follows:

	2018 **HK$'000**	2017 HK$'000
At 1 January	**24,770**	21,731
Imputed interest charged	**2,480**	3,039
At 31 December	**27,250**	24,770
Less: current portion	**–**	(24,770)
Non-current portion	**27,250**	–

29. BANK AND OTHER BORROWINGS

	2018 **HK$'000**	2017 HK$'000
Bank loans *(Note a)*	**15,940**	8,992
Other loans *(Note b)*	**63,882**	23,268
	79,822	32,260
Secured	**15,940**	–
Unsecured *(Note c)*	**63,882**	32,260
Carrying amount	**79,822**	32,260
Repayable:		
Within one year	**79,822**	32,260

Notes:

(a) The bank loans amounted to approximately HK$15,940,000 are secured by the Group's leasehold land and buildings as disclosed in note 16 to the consolidated financial statements. The bank loans bear interest at 9% per annum and repayable within one year.

(b) Other loans are unsecured, bear interest ranged from 14.4% to 32.85% (2017: 10%) and repayable within three months to one year.

(c) Subsequent to the end of reporting period, unsecured other loans of approximately HK$63,882,000 was fully settled.

During the year, the movements of the bank and other borrowings are as follows:

	2018 **HK$'000**	2017 HK$'000
At 1 January	**32,260**	48,434
Addition during the year	**114,791**	20,577
Interest expenses	**13,664**	1,809
Repayment during the year	**(76,109)**	(40,090)
Exchange realignment	**(4,784)**	1,530
At 31 December	**79,822**	32,260

30. FINANCE LEASE PAYABLES

The total future minimum lease payments under a finance lease together with the present value of the net minimum lease payments are as follows:

	Minimum lease payments		Present value of minimum lease payments	
	2018	2017	**2018**	2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
Finance lease payables:				
Within one year	**178**	178	**171**	164
In the second year	**73**	178	**73**	171
In the third to fifth years, inclusive	**–**	73	**–**	73
Total minimum finance lease payments	**251**	429	**244**	408
Future finance charges	**(7)**	(21)		
Total net finance lease payables	**244**	408		
Portion classified as current liabilities	**(171)**	(164)		
Non-current portion	**73**	244		

The Group leased a motor vehicle under a finance lease. The lease term is 3 years (2017: 3 years). Interest rate underlying the obligations under a finance lease is fixed at respective contract date at 2.2% (2017: 2.2%) per annum.

The Group's obligations under a finance lease are secured by charge over the leased asset.

During the year, the movements of the finance lease payables are as follows:

	2018	2017
	HK$'000	HK$'000
At 1 January	**408**	762
Repayment during the year	**(164)**	(354)
At 31 December	**244**	408

31. DEFERRED INCOME

	2018 HK$'000	2017 HK$'000
At 1 January	**6,872**	10,849
Addition	**1,216**	1,157
Amortisation	**(2,376)**	(5,867)
Exchange realignment	**(300)**	733
At 31 December	**5,412**	6,872
Less: within one year	**(1,081)**	(1,173)
Non-current liabilities	**4,331**	5,699

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

32. SHARE CAPITAL

	Notes	2018 HK$'000	2017 HK$'000
Authorised:			
150,000,000,000 (2017: 150,000,000,000) ordinary shares of HK$0.01 each		**1,500,000**	1,500,000
10,000,000,000 (2017: 10,000,000,000) preference shares of HK$0.01 each		**100,000**	100,000
Issued and fully paid:			
1,232,367,732 (2017: 10,296,137,217) ordinary shares of HK$0.01 each		**12,324**	102,961
3,030,000 (2017: 3,030,000) preference shares of HK$0.01 each	*(a)*	**30**	30
Total amount		**12,354**	102,991

32. SHARE CAPITAL (CONTINUED)

		No of shares	Amount HK$'000
At 1 January 2017		9,609,015,652	96,090
Issue of ordinary shares under share option scheme	*(b)*	413,881,565	4,139
Issue of ordinary shares under share option scheme	*(c)*	177,160,000	1,771
Issue of ordinary shares under share option scheme	*(d)*	96,080,000	961
At 31 December 2017 and 1 January 2018		10,296,137,217	102,961
Conversion of convertible bonds to ordinary shares	*(e)*	**921,739,130**	**9,218**
Capital reorganisation	*(f)*	**(10,096,088,713)**	**(100,961)**
Issue of ordinary shares under share option scheme	*(g)*	**8,412,658**	**84**
Issue of ordinary shares under share option scheme	*(h)*	**102,167,440**	**1,022**
At 31 December 2018		**1,232,367,732**	**12,324**

Notes:

(a) The preference shares are non-redeemable with par value of HK$0.01 each credited as fully paid up are issued and allotted to vendors as part of the considerations for the acquisitions occurred in 2012. According to the terms of the preference share policy, one preference share is eligible to convert into one new ordinary share any time no earlier than one year from the date of issue.

(b) On 22 November 2017, 413,881,565 share options were exercised to subscribe for 413,881,565 ordinary shares of the Company at the consideration of approximately HK$16,142,000 of which approximately HK$4,139,000 was credited to share capital and the balance of approximately HK$12,003,000 was credited to the share premium account. Amount of approximately HK$10,511,000 has been transferred from share options reserve to the share premium account in accordance with the accounting policy adopted by the Company.

(c) On 8 December 2017, 177,160,000 share options were exercised to subscribe for 177,160,000 ordinary shares of the Company at the consideration of approximately HK$6,909,000 of which approximately HK$1,771,000 was credited to share capital and the balance of approximately HK$5,138,000 was credited to the share premium account. Amount of approximately HK$4,616,000 has been transferred from share options reserve to the share premium account in accordance with the accounting policy adopted by the Company.

(d) On 15 December 2017, 96,080,000 share options were exercised to subscribe for 96,080,000 ordinary shares of the Company at the consideration of approximately HK$3,747,000 of which approximately HK$961,000 was credited to share capital and the balance of approximately HK$2,786,000 was credited to the share premium account. Amount of approximately HK$2,531,000 has been transferred from share options reserve to the share premium account in accordance with the accounting policy adopted by the Company.

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

32. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

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

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

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

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

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

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

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

The Group reviews the capital structure on a regular basis. As a part of this review, the Group monitors capital on the basis of net debt to adjusted equity ratio, the ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "adjusted equity", as shown in the consolidated statement of financial position, plus net debt. The Group considers the cost of capital and the risks associated with issued share capital and may adjust the ratio through dividend payments, issuing new shares, raising new debt financing or selling assets to reduce existing debts. The net debt to adjusted equity ratio as at 31 December 2018 is 0.51 (2017: 0.2).

The only externally imposed capital requirement is that for the Group to maintain its listing on the Stock Exchange it has to have a public float of at least 25% of the shares. The Group receives a report from the share registrars monthly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit from the date of the Listing. As of 31 December 2018, approximately 91.96% (2017: 88.77%) of the shares were in public hands.

33. RESERVES

(a) Group

The amounts of the Group's reserves and movements therein are presented in the consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity.

(b) Nature and purpose of reserves

(i) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premiums payable on the repurchase of shares. The application of the share premium account is governed by the Companies Act 1981 of Bermuda.

(ii) Contributed surplus

(a) The contributed surplus of the Group represents the difference between the aggregate of the nominal value of (i) the shares of the subsidiaries acquired pursuant to the Group reorganisation completed on 5 June 1998 (the "Group Reorganisation"); (ii) debt of approximately HK$17,039,000 (the "Debt") due by the then shareholders, Mr. Kwok Man Yu and his spouse, Ms. Lam Yuk Ang, to Corasia International (BVI) Limited, the former holding company of the Group, and assumed by the Company under the Group Reorganisation, over the nominal value of the shares of the Company issued in exchange thereof; and (iii) the credit arising from the capital reductions of approximately HK$112,950,000.

The contributed surplus of the Company arose as a result of the Group Reorganisation and represented the excess of the then combined net assets of the subsidiaries acquired, as reduced by the balance of the debt assumed by the Company pursuant to the capital reorganisation, over the nominal value of the shares of the Company issued in exchange thereof; and the credit arising from the capital reduction of approximately HK$112,950,000.

(b) The subsidiaries of the Group established in the PRC are required to transfer 10% of its profits after income tax determined in accordance with the accounting regulations in the PRC to the surplus reserve until the reserve balance reaches 50% of the respective registered capital of the PRC subsidiaries. Such reserve may be used to reduce any losses incurred or for capitalisation as paid-up capital of the PRC subsidiaries.

(iii) Convertible bonds equity reserve

The convertible bonds equity reserve represents the value of the unexercised equity component of convertible bonds issued by the Company recognised in accordance with the accounting policy adopted for convertible bonds in note 2.3(o) to the consolidated financial statements.

33. RESERVES (CONTINUED)

(b) Nature and purpose of reserves (Continued)

(iv) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2.3(b)(iii) to the consolidated financial statements.

(v) Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to employees and consultants of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 2.3(ac) to the consolidated financial statements.

34. SHARE-BASED PAYMENTS

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 for the primary purpose of providing incentives or rewards to eligible 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 the 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.

Pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 15 June 2018, 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 112,178,763 shares after adjustment of Capital Reorganisation.

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.

34. SHARE-BASED PAYMENTS (CONTINUED)

Details of specific categories of options are as follows:

Date of grant	**Exercise period**	**Exercise price** HK$	Notes
3/7/2015	3/7/2015 – 2/7/2025	4.95	(a)
10/9/2015	10/9/2015 – 9/9/2025	3.49	(b)
22/7/2016	22/7/2016 – 21/7/2026	1.98	(c)
20/9/2017	20/9/2017 – 19/9/2027	0.39	(d)
9/7/2018	9/7/2018 – 8/7/2028	0.0902	

Notes:

As a result of the Capital Reorganisation, adjustments were made to the number of ordinary shares to be allotted and issued upon exercise of the subscription rights attaching to all these share options then outstanding granted under the Scheme by the decrease of:

(a) 517,295,504 ordinary shares to 51,729,550 ordinary shares and the exercise prices of the outstanding options were adjusted from HK$0.495 per ordinary share to HK$4.95 per ordinary share, effective from 25 June 2018;

(b) 515,000 ordinary shares to 51,500 ordinary shares and the exercise prices of the outstanding options were adjusted from HK$0.349 per ordinary share to HK$3.49 per ordinary share, effective from 25 June 2018;

(c) 675,659,762 ordinary shares to 67,565,976 ordinary shares and the exercise prices of the outstanding options were adjusted from HK$0.198 per ordinary share to HK$1.98 per ordinary share, effective from 25 June 2018; and

(d) 273,780,000 ordinary shares to 27,378,000 ordinary shares and the exercise prices of the outstanding options were adjusted from HK$0.039 per ordinary share to HK$0.39 per ordinary share, effective from 25 June 2018.

34. SHARE-BASED PAYMENTS (CONTINUED)

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

Name of category/ participant	Number of share options: At 1 January 2018	Granted during the year	Exercised during the year	Lapsed during the year	Adjustment for Capital Reorganisation during the year	At 31 December 2018	Date of granted	Exercise period	Exercise price HK$
Directors									
Lin Yuhao	6,880,000	–	–	–	(6,192,000)	**688,000**	22/7/2016	22/7/2016 – 21/7/2026	1.98 (restated)
	96,080,000	–	–	–	(86,472,000)	**9,608,000**	20/9/2017	20/9/2017 – 19/9/2027	0.39 (restated)
	–	1,598,658	–	–	–	**1,598,658**	9/7/2018	9/7/2018 – 8/7/2028	0.0902
Diao Hong	–	1,598,658	(1,598,658)	–	–	**–**	9/7/2018	9/7/2018 – 8/7/2028	0.0902
Diao Jing	–	1,598,658	(1,598,658)	–	–	**–**	9/7/2018	9/7/2018 – 8/7/2028	0.0902
Yau Yik Ming Leao	10,913,479	–	–	(1,091,348)	(9,822,131)	**–**	3/7/2015	3/7/2015 – 2/7/2025	4.95 (restated)
	68,800,000	–	–	(6,880,000)	(61,920,000)	**–**	22/7/2016	22/7/2016 – 21/7/2026	1.98 (restated)
Xu Bin	14,137,848	–	–	(14,137,848)	–	**–**	3/7/2015	3/7/2015 – 2/7/2025	4.95 (restated)
	68,800,000	–	–	(68,800,000)	–	**–**	22/7/2016	22/7/2016 – 21/7/2026	1.98 (restated)
Tsang King Sun	33,913,479	–	–	(33,913,479)	–	**–**	3/7/2015	3/7/2015 – 2/7/2025	4.95 (restated)
	68,800,000	–	–	(68,800,000)	–	**–**	22/7/2016	22/7/2016 – 21/7/2026	1.98 (restated)
	368,324,806	4,795,974	(3,197,316)	(193,622,675)	(164,406,131)	**11,894,658**			
Employees									
In aggregate	102,601,025	–	–	(38,300,000)	(59,940,923)	**4,360,102**	3/7/2015	3/7/2015 – 2/7/2025	4.95 (restated)
In aggregate	515,000	–	–	–	(463,500)	**51,500**	10/9/2015	10/9/2015 – 9/9/2025	3.49 (restated)
In aggregate	462,379,762	–	–	(150,328,000)	(291,491,786)	**20,559,976**	22/7/2016	22/7/2016 – 21/7/2026	1.98 (restated)
In aggregate	177,700,000	–	–	(28,750,000)	(135,630,000)	**13,320,000**	20/9/2017	20/9/2017 – 19/9/2027	0.39 (restated)
In aggregate	–	107,382,782	(107,382,782)	–	–	**–**	9/7/2018	9/7/2018 – 8/7/2028	0.0902
	743,195,787	107,382,782	(107,382,782)	(217,378,000)	(487,526,209)	**38,291,578**			

34. SHARE-BASED PAYMENTS (CONTINUED)

Name of category/ participant	Number of share options						Date of granted	Exercise period	Exercise price
	At 1 January 2018	Granted during the year	Exercised during the year	Lapsed during the year	Adjustment for Capital Reorganisation during the year	At 31 December 2018			HK$
Consultants									
In aggregate	355,729,673	–	–	–	(320,156,706)	**35,572,967**	3/7/2015	3/7/2015 – 2/7/2025	4.95 (restated)
	355,729,673	–	–	–	(320,156,706)	**35,572,967**			
	1,467,250,266	112,178,756 *(Note 1)*	(110,580,098) *(Note 2)*	(411,000,675)	(972,089,046)	**85,759,203**			

Note 1: The closing price of the shares immediately before the date on which the options were granted were HK$0.087.

Note 2: The weighted average closing price of the shares immediately before the date on which the options were exercise were HK$0.079.

The options outstanding at 31 December 2018 had an exercise price ranging from HK$0.092 to HK$4.95 (2017 (restated): HK$0.39 to HK$4.95) and a weighted average remaining contractual life of 7.35 years (2017: 8.4 years).

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:

	6 July 2018	20 September 2017	22 July 2016	10 September 2015	3 July 2015	13 April 2015
Fair value at measurement date	HK$3,946,770	HK$24,609,958	HK$72,732,958	HK$87,497	HK$135,904,419	HK$11,252,776
Share price	HK$0.092	HK$0.039	HK$0.198	HK$0.325	HK$0.465	HK$0.104
Exercise price	HK$0.092	HK$0.039	HK$0.198	HK$0.349	HK$0.495	HK$0.104
Expected volatility (expressed as weighted average Volatility used in the modeling under the Binominal Option Pricing Model)	71%	62%	59%	65%	65%	65%
Option life (expressed as weighted average life used in the modeling under the Binominal Option Pricing Model)	10 years	10 years	10 years	10 years	10 years	10 years
Expected dividends	0%	0%	0%	0%	0%	0%
Risk-free interest rate (based on exchange fund notes)	2.1%	1.5%	1.01%	1.53%	1.87%	1.49%

34. SHARE-BASED PAYMENTS (CONTINUED)

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

The equity-settled share-based payments charged to the profit or loss was approximately HK$3,947,000 (2017: HK$24,610,000) for the year ended 31 December 2018.

At the end of the reporting period, the Company has 85,759,203 (2017 (restated): 146,725,027) share options outstanding. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 85,759,203 additional ordinary shares of the Company and additional share capital of approximately HK$858,000.

35. OPERATING LEASE COMMITMENTS

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

	2018 **HK$'000**	2017 HK$'000
Within one year	**13,911**	13,387
In the second to fifth years	**34,647**	40,367
Over five years	**18,482**	26,104
	67,040	79,858

During the year, operating lease payments represent rentals payable by the Group for certain of its offices premises and farmland. For the year ended 31 December 2018, leases are negotiated for an average term of 1 to 26 years (2017: 1 to 26 years) and rentals are fixed over the lease terms and do not include contingent rentals.

36. CAPITAL COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments for acquisition of property, plant and equipment:

	2018 **HK$'000**	2017 HK$'000
Contracted but not provided for:		
Purchase/construction of property, plant and equipment	**803**	1,459

37. MAJOR NON-CASH TRANSACTIONS

(a) Disposal of a subsidiary

On 11 June 2018, the Group disposed of its entire interests in a wholly-owned subsidiary, namely, Golden Credit Service Limited ("GCS"), which was dormant, to Ace Jumbo at a consideration of HK$100,000 (the "Disposal").

Pursuant to the sales and purchase agreement entered into between the Group and Ace Jumbo dated 11 June 2018, the Group has conditionally agreed to sell the entire interests in GCS under which the amounts due to the Company and other fellow subsidiaries to GCS amounted to approximately HK$52,000 would be waived. The Disposal was completed on 22 June 2018.

Net liabilties of GCS at the date of the Disposal were as follows:

	HK$'000
Amount due to the Company	(1)
Amounts due to fellow subsidiaries	(51)
	(52)

	HK$'000
Net liabilities of GCS disposed of	52
Wavier of amount due to the Company	(1)
Wavier of amounts due to fellow subsidiaries	(51)
Gain on disposal of a subsidiary	100
Cash consideration	100

(b) Reconciliation of liabilities arising from financing activities

The table set forth below is the detail changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	1 January 2018	**Cash flows**	**Interest expense/ finance lease charges**	**Conversion to ordinary share**	**Exchange realignment**	**31 December 2018**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Convertible bonds						
– liability component *(Note 26)*	–	58,937	3,101	(20,461)	–	41,577
Bonds *(Note 27)*	28,204	11,310	2,794	–	(1,333)	40,975
Promissory notes *(Note 28)*	24,770	–	2,480	–	–	27,250
Interest-bearing bank and other borrowings *(Note 29)*	32,260	38,682	13,664	–	4,784	79,822
Finance lease payables *(Note 30)*	408	(178)	14	–	–	244
	85,642	108,751	22,053	(20,461)	(6,117)	189,868

37. MAJOR NON-CASH TRANSACTIONS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	1 January 2017 HK$'000	Cash flows HK$'000	Interest expense/ finance lease charges HK$'000	Early redemptions of bond HK$'000	Exchange realignment HK$'000	31 December 2017 HK$'000
Bonds *(Note 27)*	–	30,324	1,821	–	1,220	28,204
Promissory notes *(Note 28)*	21,731	–	3,039	(5,161)	–	24,770
Interest-bearing bank and other borrowings *(Note 29)*	48,434	19,513	1,809	–	1,530	32,260
Finance lease payables *(Note 30)*	762	(404)	50	–	–	408
	70,927	10,407	6,719	(5,161)	2,750	85,642

38. EVENTS AFTER THE REPORTING PERIOD

(a) Issuance of convertible bonds

(i) On 18 July 2018, the Company entered into five subscription agreements with five subscribers in relation to the issue of convertible bonds in an aggregate principal amount of HK$39,500,000. The gross and net proceeds from the issuance of convertible bonds to be approximately HK$39,500,000 and HK$39,300,000 respectively. The Group intends to use the net proceeds of approximately HK$39,300,000 for repayment of the outstanding liabilities of the Group. The issuance of convertible bonds was completed on 14 February 2019. Details of the above are set out in the Company's announcements dated 18 July 2018, 8 January 2019 and 14 February 2019.

(ii) On 4 March 2019, the Company entered into four subscription agreements with four subscribers in relation to the issue of convertible bonds in an aggregate principal amount of approximately HK$18,592,000. The gross and net proceeds from the issuance of convertible bonds were approximately HK$18,592,000 and HK$18,412,000 respectively. The net proceeds of approximately HK$18,592,000 were used for repayment of the outstanding liabilities of the Group. The issuance of convertible bonds was completed on 25 March 2019. Details of the above are set out in the Company's announcements dated 4 March 2019 and 25 March 2019.

(b) Expiry of convertible bonds

On 20 February 2019, the Company received a repayment demand letter from the subscriber of CB1, requesting the Company to repay the outstanding principal amount and the interest accrued in a total sum of approximately HK$42,000,000. Up to the approval date of these consolidated financial statements, the Company is still in the process of negotiating the terms of repayment with the subscriber of CB1. Since the Group has already recorded these payables in the consolidated financial statements, the directors are of the view that the above matter will not have any significant financial impact to the Group.

Details of the above are set out in the Company's announcements dated 22 February 2019.

38. EVENTS AFTER THE REPORTING PERIOD (CONTINUED)

(c) Capital reorganisation

On 18 March 2019, the Company proposed to implement a capital reorganisation which will involve the following:

(i) Capital reduction – the par value of each of the issued existing ordinary shares ("Existing Shares") of the Company to be reduced from HK$0.01 to HK$0.0005 per issued ordinary share by the cancellation of the paid up share capital of the Company to the extent of HK$0.0095 per issued ordinary share by way of a reduction of capital, such that the par value of the issued Existing Shares will be reduced to HK$0.0005 ("Reduced Shares") each; and

(ii) Shares consolidation – consolidation of the shares on the basis that every 20 issued Reduced Shares of HK$0.0005 each will be consolidated into one consolidated share of HK$0.01 each.

The capital reorganisation is not yet effective as at approval date of these consolidated financial statements. Details of the above are set out in the Company's announcements dated 18 March 2019.

(d) Director's loan

On 28 March 2019, a director of the Company has advanced an unsecured, interest-free loan of RMB49,500,000 (equivalent to HK$56,361,000).

(e) New credit line

On 26 March 2019, the Company obtained a new credit line to the extent of RMB150,000,000 (equivalent HK$170,790,000) from a financial institution.

39. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The changes included the reclassification of other loans previously classified under other payables. The new classification of the accounting items was considered to provide a more appropriate presentation of the state of affairs of the Group.

40. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Details of the Group's principal subsidiaries at the end of the reporting period are set out as follows:

Name of company	Place of incorporation/ principal place of business	Particular of paid-up capital/ registered capital	Percentage of ownership interest held by the Company Directly	Indirectly	Principal activities
Jiangxi Anyi Congyu Agricultural Development Company Limited* #	PRC/PRC	RMB30,000,000	–	100	Growing, processing and selling vegetables
Guangdong Cypress Jade Agricultural Group Company Limited* Δ	PRC/PRC	RMB30,000,000	–	100	Processing and selling vegetables
Ningxia Cypress Jade Agricultural Development Company Limited* Δ	PRC/PRC	RMB10,000,000	–	100	Growing, processing and selling vegetables
Guangzhou Luyuan Agricultural Development Company Limited* Δ	PRC/PRC	RMB10,000,000	–	100	Growing, processing and selling vegetables
Shenzhen Cypress Jade Food Trading Company Limited* #	PRC/PRC	RMB1,000,000	–	100	Processing and selling vegetables
Viva State Limited	BVI/Hong Kong	US$1	–	100	Management services
Golden Rich (HK) Limited	Hong Kong/Hong Kong	HK$10,000	–	100	Investment holding
Golden Rich International Financial Group Limited	Hong Kong/Hong Kong	HK$1	–	100	Investment holding
Golden Rich Finance Limited	Hong Kong/Hong Kong	HK$25,000,000	–	100	Money lending business
Golden Rich Securities Limited	Hong Kong/Hong Kong	HK$28,000,000	–	100	Securities brokerage service
Shenzhen Taihengfeng Technology Company Limited Δ	PRC/PRC	RMB1,000,000	–	100	Investment holding
Shenzhen Shenglianfeng Electronics Company Limited* Δ	PRC/PRC	RMB100,000,000	–	100	Investment holding
Shenzhen Shenglianfeng Micro Finance Company Limited* Δ	PRC/PRC	RMB150,000,000	–	100	Money lending business

* For identification purpose only

Registered as wholly-foreign-owned enterprises under the PRC law.

Δ Registered as limited liability companies under the PRC law.

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2018 HK$'000	2017 HK$'000
Non-current assets		
Property, plant and equipment	**78**	515
Investments in subsidiaries	**202,578**	310,068
	202,656	310,583
Current assets		
Other receivables	**2,016**	1,529
Bank balances and cash	**1,583**	131
	3,599	1,660
Current liabilities		
Other payables	**6,631**	5,010
Convertible bonds	**41,577**	–
Bonds	**40,975**	28,204
Promissory notes	**–**	24,770
Other borrowings	**–**	11,989
	89,183	69,973
Net current liabilities	**(85,584)**	(68,313)
Total assets less current liabilities	**117,072**	242,270
Capital and reserves		
Share capital	**12,354**	102,991
Reserves	**77,468**	139,279
Total equity	**89,822**	242,270
Non-current liabilities		
Promissory notes	**27,250**	–
	117,072	242,270

Approved and authorised for issue by the board of directors on 28 March 2019.

LIN Yuhao
Chairman

DIAO Jing
Director

41. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Movements in Company's reserves

	Share capital HK$'000	Share premium HK$'000	Contributed surplus HK$'000	Convertible bonds reserve HK$'000	Share option reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2017	96,120	744,079	85,146	–	207,467	(820,361)	312,451
Loss and total comprehensive income for the year	–	–	–	–	–	(121,589)	(121,589)
Equity-settled share-based payment transaction	–	–	–	–	24,610	–	24,610
Issue of ordinary shares under share option scheme	6,871	37,585	–	–	(17,658)	–	26,798
At 31 December 2017 and 1 January 2018	**102,991**	**781,664**	**85,146**	**–**	**214,419**	**(941,950)**	**242,270**
Loss and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(188,959)**	**(188,959)**
Issue of convertible bonds	**–**	**–**	**–**	**2,127**	**–**	**–**	**2,127**
Issue of ordinary share from conversion of convertible bonds	**9,218**	**11,943**	**–**	**(700)**	**–**	**–**	**20,461**
Reduction of share capital	**(100,961)**	**–**	**100,961**	**–**	**–**	**–**	**–**
Setting off accumulated loss	**–**	**–**	**(100,961)**	**–**	**–**	**100,961**	**–**
Recognition of share-based payments	**–**	**–**	**–**	**–**	**3,947**	**–**	**3,947**
Lapse of share options	**–**	**–**	**–**	**–**	**(79,333)**	**79,333**	**–**
Issue of shares under share option scheme	**1,106**	**12,734**	**–**	**–**	**(3,864)**	**–**	**9,976**
Changes in equity for the year	**(90,637)**	**24,677**	**–**	**1,427**	**(79,250)**	**(8,665)**	**(152,448)**
At 31 December 2018	**12,354**	**806,341**	**85,146**	**1,427**	**135,169**	**(950,615)**	**89,822**

FIVE YEAR SUMMARY

A summary of the published results and assets and liabilities of the Group for the latest five years, as extracted from the audited financial statements and reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

	2018	2017	2016	2015	2014
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
			(Represented)		(Represented)
Turnover	**157,221**	82,669	92,572	101,241	103,809
Loss for the year	**(158,594)**	(72,929)	(520,683)	(42,397)	(164,169)
Attributable to:					
Equity shareholders of the Company	**(158,594)**	(72,929)	(520,683)	(42,397)	(164,169)
Total assets	**454,030**	477,953	480,142	520,954	174,448
Total liabilities	**(271,705)**	(145,941)	(124,035)	(182,012)	(154,365)
Net assets	**182,325**	332,012	356,107	338,942	20,083