CHINA FINANCE INVESTMENT HOLDINGS LIMITED
中國金控投資集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 875)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "**Board**") of directors (the "**Directors**") of China Finance Investment Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2019 (the "**Corresponding Period**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Revenue	3	**328,690**	311,422
Cost of sales and services rendered		**(283,561)**	(299,863)
Gross profit		**45,129**	11,559
Other gains	5	**11,260**	37,832
Selling and distribution expenses		**(2,777)**	(2,214)
Administrative expenses		**(35,121)**	(47,909)
Allowance for expected credit loss ("**ECL**") on:			
— loan receivables		**(26,942)**	—
— trade receivables		**(12,444)**	(4,964)
— other receivables		**(47)**	(46)
Allowance for inventories		**—**	(410)
Impairment losses on goodwill		**—**	(15,777)
Other operating expenses	6	**(1,234)**	(11,588)
Share-based payment expenses		**(33,232)**	(6,759)
Finance costs	7	**(8,081)**	(15,089)
Loss before taxation	8	**(63,489)**	(55,365)
Income tax expense	9	**(4,633)**	(4,219)
Loss for the year		**(68,122)**	(59,584)
Other comprehensive income, net of tax:			
Item that may be reclassified subsequently to profit or loss:			
— Exchange differences on translating foreign operations		**28,812**	2,323
Loss and total comprehensive expense for the year attributable to owners of the Company		**(39,310)**	(57,261)
Loss attributable to owners of the Company:			
Owners of the Company		**(68,089)**	(59,582)
Non-controlling interests		**(33)**	(2)
		(68,122)	(59,584)

	Note	**2020** *HK$'000*	2019 *HK$'000*
Total comprehensive expense attributable to owners of the Company:			
Owners of the Company		**(39,277)**	(57,259)
Non-controlling interests		**(33)**	(2)
		(39,310)	(57,261)
Loss per share (HK$)			
Basic	*10*	**(0.29)**	(0.73)
Diluted	*10*	**(0.29)**	(0.73)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**41,100**	44,651
Right-of-use assets		**29,063**	33,149
Goodwill		**1,457**	–
Investment in an associate		**–**	–
Other non-current assets		**730**	730
		72,350	78,530
Current assets			
Inventories		**110,700**	12,265
Trade and other receivables	*11*	**353,740**	288,596
Loan receivables	*12*	**242,401**	222,001
Bank balances and cash		**64,597**	37,267
		771,438	560,129
Current liabilities			
Trade and other payables	*13*	**198,865**	139,484
Convertible bonds		**–**	40,712
Bonds		**36,119**	31,340
Promissory notes		**27,250**	27,250
Bank and other borrowings		**192,562**	145,837
Lease liabilities		**9,905**	9,916
Deferred income		**1,041**	1,033
Tax payables		**19,800**	13,982
		485,542	409,554
Net current assets		**285,896**	150,575
Total assets less current liabilities		**358,246**	229,105

	Note	**2020**	2019
		HK$'000	*HK$'000*
Capital and reserves			
Share capital	*14*	**3,051**	1,030
Reserves		**306,318**	182,027
Equity attributable to owners of the Company		**309,369**	183,057
Non-controlling interests		**(1,004)**	568
Total equity		**308,365**	183,625
Non-current liabilities			
Bank and other borrowings		**16,091**	6,705
Lease liabilities		**31,399**	35,557
Deferred income		**2,391**	3,218
		49,881	45,480
		358,246	229,105

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL INFORMATION

China Finance Investment Holdings Limited (the "**Company**") was incorporated in Bermuda as an exempted Company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda. The principal place of business in Hong Kong is Room 1502, 15/F., Tower 1, Silvercord, 30 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company is an investment holding company. The principal activities of the Group are assets and investment holding; growing, processing and trading of agricultural produce and trading of meat produce; money lending and securities brokerage businesses respectively.

2.1 BASIS OF PREPARATION

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

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

2.2 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2020 as mentioned below. HKFRSs comprise HKFRS, HKASs, and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years. In addition, the Group has early applied the amendment(s) to HKFRS 16, COVID-19-Related Rent Concessions, which is effective for annual periods beginning on or after 1 June 2020.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

New and amendments to HKFRSs issued but not yet effective

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. These new and revised HKFRSs include the following which may be relevant to the Group other than the amendments to HKFRS 16, COVID-19 Related Rent Concessions. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

Amendments to HKFRS 3	Reference to Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020) [1]
Amendments to HKAS 16	Property, plant and Equipment: Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendment to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle[2]

1. Effective for annual periods beginning on or after 1 January 2023.
2. Effective for annual periods beginning on or after 1 January 2022.
3. Effective for annual periods beginning on or after a date to be determined.
4. Effective for annual periods beginning on or after 1 January 2021.
5. As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023.

3. REVENUE

An analysis of revenue is as follows:

	2020	2019
	HK$'000	*HK$'000*
Recognised at point in time:		
Sale of agricultural and meat produce	**302,000**	284,244
Securities brokerage services income	**6,092**	1,446
Recognised over time:		
Money lending interest income	**20,598**	25,732
	328,690	311,422

4. SEGMENT INFORMATION

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

Operating segment information

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

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

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

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

(i) Information about profit or loss

	2020				
	Agricultural and meat business *HK$'000*	**Money lending business** *HK$'000*	**Securities brokerage business** *HK$'000*	**Unallocated** *HK$'000*	**Total** *HK$'000*
Revenue					
Reportable segment revenue	**302,000**	**20,598**	**6,092**	**—**	**328,690**
(Loss)/profit					
Reportable segment (loss)/profit (adjusted (LBITDA)/EBITDA)	**21,255**	**17,722**	**(1,801)**	**—**	**37,176**
Depreciation	**(7,009)**	**(17)**	**(10)**	**—**	**(7,036)**
Right-of-use asset depreciation	**(5,825)**	**(81)**	**(1,755)**	**(1,608)**	**(9,269)**
Impairment losses on trade receivables	**(12,444)**	**—**	**—**	**—**	**(12,444)**
Impairment losses on other receivables	**(47)**	**—**	**—**	**—**	**(47)**
Finance costs	**(5,283)**	**(10)**	**(119)**	**(2,669)**	**(8,081)**
Government grants	**1,244**	**—**	**50**	**432**	**1,726**
Gain on deregistration of a subsidiary	**997**	**—**	**—**	**—**	**997**
Interest income	**243**	**2**	**—**	**—**	**245**
Impairment losses on loan receivables	**—**	**(26,942)**	**—**	**—**	**(26,942)**
Share-based payment transactions	**—**	**—**	**—**	**(33,232)**	**(33,232)**
Bad debt recovery	**—**	**7**	**—**	**—**	**7**
Unallocated head office and corporate income	**—**	**—**	**—**	**6,399**	**6,399**
Unallocated head office and corporate expenses	**—**	**—**	**—**	**(12,988)**	**(12,988)**
Consolidated (loss)/profit before taxation	**(6,869)**	**(9,319)**	**(3,635)**	**(43,666)**	**(63,489)**

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

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 on property, plant and equipment, other financial asset, inventories, goodwill", share-based payment expenses where "interest" is regarded as not including interest income from money lending business. To arrive at adjusted EBITDA/(LBITDA), the Group's loss is further adjusted for items not specifically attributed to individual segments, such as share of result of an associate, directors' and auditor's remuneration and other head office or corporate administration costs.

(ii) Reconciliations of reportable segment assets and liabilities

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

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

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

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

(iii) Geographical information

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

	2020	2019
	HK$'000	*HK$'000*
Revenue		
— Hong Kong	**29,042**	3,536
— the PRC	**299,648**	307,886
	328,690	311,422

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

	2020	2019
	HK$'000	*HK$'000*
Non-current assets		
— Hong Kong	**4,377**	4,114
— the PRC	**67,973**	74,416
	72,350	78,530

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 (2019: five) customers with whom transactions have exceed 10% of its revenue during the years is set out below:

	2020	2019
	HK$'000	*HK$'000*
Customer A — Agricultural and meat produce	**N/A***	49,224
Customer B — Agricultural and meat produce	**N/A***	32,536
Customer C — Agricultural and meat produce	**N/A***	32,295
Customer D — Agricultural and meat produce	**N/A***	31,278
Customer E — Agricultural and meat produce	**N/A***	30,881
Customer F — Agricultural and meat produce	**56,822**	N/A*
Customer G — Agricultural and meat produce	**45,511**	N/A*

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

5. OTHER GAINS

	2020	2019
	HK$'000	*HK$'000*
Amortisation of government grants	**1,726**	1,501
Bank interest income	**245**	11
Other interest income	**–**	11
Gain on deregistration of a subsidiary	**997**	1,065
Rental income	**216**	191
Services income	**1,015**	—
Bad debt recovered	**7**	—
Gain on redemption of convertible bonds at discount	**5,712**	—
Reversal of impairment on trade receivables	**—**	342
Reversal of impairment on other receivables	**—**	930
Reversal of impairment on loan receivable	**—**	32,265
Sundry income	**1,342**	1,516
	11,260	37,832

6. OTHER OPERATING EXPENSES

	2020 *HK$'000*	2019 *HK$'000*
Foreign exchange losses, net	**1,234**	11,588
	1,234	11,588

7. FINANCE COSTS

	2020 *HK$'000*	2019 *HK$'000*
Interest expenses on lease liabilities	**4,166**	4,920
Interest expenses on bonds	**2,542**	3,470
Interest expenses on convertible bonds	**–**	3,782
Interest expenses on bank and other borrowings	**1,373**	2,917
	8,081	15,089

8. LOSS BEFORE TAXATION

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

	2020	2019
	HK$'000	*HK$'000*
Staff costs (including directors' emoluments)		
Salaries and allowances	**16,633**	17,943
Retirement benefit costs	**977**	1,016
Discretionary bonus	**–**	23
Equity-settled share-based payment	**33,232**	6,759
Total staff costs	**50,842**	25,741
Auditor's remuneration	**750**	750
Cost of inventories recognised as an expense	**274,417**	299,072
Depreciation:		
— on owned assets	**7,036**	7,883
— on right-of-use assets	**9,269**	8,335
Impairment losses on goodwill	**—**	15,777
Impairment losses on trade receivables	**12,444**	4,964
Impairment losses on other receivables	**47**	46
Reversal of Impairment losses on trade receivables	**—**	(342)
Reversal of Impairment losses on other receivables	**—**	(930)
Impairment losses on loan receivables	**26,942**	—
Reversal of Impairment losses on loan receivables	**—**	(32,265)
Allowance for inventories	**—**	410
Gain on deregistration of a subsidiary	**(997)**	(1,065)
Equity-settled share-based payment		
Directors	**9,615**	2,028
Employees	**23,617**	4,731
Total equity-settled share-based payment	**33,232**	6,759

For both years, no director has waived any emoluments.

9. INCOME TAX EXPENSE

	2020	2019
	HK$'000	*HK$'000*
EIT in the PRC		
Provision for the year	**4,633**	4,219
	4,633	4,219

The tax rate applicable to the Group's Hong Kong subsidiaries was 16.5% (2019: 16.5%) during the Reporting Period.

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

No provision for Hong Kong profits tax was provided as the Group's subsidiaries in Hong Kong did not have any assessable profit arising from Hong Kong during the Reporting Period (2019: Nil).

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

According to the PRC tax law and its interpretation rules (the "**PRC tax law**"), enterprises 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 thus entitled to full exemption of EIT.

10. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to the owners of the Company of approximately HK$68,089,000 (2019: HK$59,582,000) and the weighted average number of 237,726,733 (2019: 82,073,423) ordinary shares in issue during the Reporting Period.

The computation of diluted loss per share for the Reporting Period and the Corresponding Period did not assume the conversion of the Company's preference shares and convertible bonds, and the exercise of the Company's share options since their assumed conversion and exercise would result in a decrease in loss per share. Therefore, the basic and diluted loss per share are the same.

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

11. TRADE AND OTHER RECEIVABLES

	Notes	2020 HK$'000	2019 HK$'000
Trade receivables arising from trading of agricultural and meat produce		**339,873**	285,065
Less: impairment		**(18,473)**	(5,883)
Total trade receivables	*(a)*	**321,400**	279,182
Accounts receivable arising from dealing in securities — Margin clients and broker receivables		**—**	1,850
Total accounts receivable	*(b)*	**—**	1,850
Other receivables		**9,600**	9,202
Less: impairment	*(c)*	**(8,200)**	(8,145)
Total other receivables		**1,400**	1,057
Deposits and prepayments	*(d)*	**59,190**	34,757
Less: impairment		**(28,250)**	(28,250)
Total deposits and prepayments		**30,940**	6,507
		353,740	288,596

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

	2020 HK$'000	2019 HK$'000
0 – 60 days	**69,726**	35,362
61 – 120 days	**62,202**	16,737
Over 120 days	**189,472**	227,083
	321,400	279,182

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

	2020	2019
	HK$'000	*HK$'000*
Less than 60 days past due	**62,202**	16,737
Over 60 days past due	**189,472**	227,083
	251,674	243,820

The movements in impairment on trade receivables are as follows:

	2020	2019
	HK$'000	*HK$'000*
At 1 January	**5,883**	1,284
Impairment loss recognised	**12,444**	4,964
Reversal of impairment loss	**—**	(342)
Exchange realignment	**146**	(23)
At 31 December	**18,473**	5,883

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

	Current	**1 to 60 days per due**	**Over 60 days per due**	**Total**
At 31 December 2020				
Weight average expected loss rate	**0.52%**	**0.86%**	**8.48%**	
Receivable amount *(HK$'000)*	**70,093**	**62,742**	**207,038**	**339,873**
Loss allowance *(HK$'000)*	**367**	**540**	**17,566**	**18,473**
At 31 December 2019				
Weight average expected loss rate	0.17%	0.72%	2.45%	
Receivable amount *(HK$'000)*	35,421	16,859	232,785	285,065
Loss allowance *(HK$'000)*	59	122	5,702	5,883

As shown above, no trade receivables (2019: HK$Nil) are individually impaired which have been considered not recoverable. The impairment recognised represents the difference between the carrying amount of these trade receivables and the present value of the expected liquidation proceeds. The Group does not hold any collateral over these balances.

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

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

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

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

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

	2020	2019
	HK$'000	*HK$'000*
At 1 January	**8,145**	9,036
Impairment loss recognised	**47**	46
Reversal of impairment loss	**—**	(930)
Exchange realignment	**8**	(7)
At 31 December	**8,200**	8,145

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

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

12. LOAN RECEIVABLES

The Group's loan receivables (including interest receivables) arose from the money lending business. Loan receivables beared interest at rates range from 7.2% to 12% (2019: 7.2% to 48.0%), 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.

	2020	2019
	HK$'000	*HK$'000*
Carrying amount of receivables based on scheduled repayment dates set out in the loan agreements		
Within one year	**205,860**	165,454
Repayment on demand clause (shown under current assets)	**36,541**	56,547
	242,401	222,001
Less: current portion	**(242,401)**	(222,001)
Non-current portion	**–**	–

The Group's loan receivables, which arise from money lending business (i.e. providing property mortgage loans and personal loans in Hong Kong and in the PRC), are denominated in Hong Kong dollar with gross amount of approximately HK$18,000 (2019: HK$1,178,000) and in Renminbi ("**RMB**") with gross amount of approximately HK$272,578,000 (2019: HK$224,076,000), respectively.

No loan receivables (2019: HK$1,160,000) were secured by collaterals provided by customers, interest-bearing and are repayable with fixed terms agreed with the customers. The maximum exposure to credit risk at each of the reporting dates is the carrying value of the loan receivables mentioned above.

A maturity profile of the loan receivables at the end of the Reporting Period and the Corresponding Period, based on the maturity date, net of impairment losses, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Receivable:		
Within 3 months	**63,836**	38,007
3 months to 1 year	**142,024**	127,447
Over 1 year (with repayment on demand clause)	**36,541**	56,547
	242,401	222,001

The movements in impairment on loan receivables are as follows:

	2020	2019
	HK$'000	*HK$'000*
At 1 January	**3,253**	35,518
Reversal of impairment loss	**—**	(32,265)
Impairment loss recognised	**26,942**	—
As 31 December	**30,195**	3,253

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

	Within 3 months	**3 months to 1 year**	**Over 1 year**	**Total**
At 31 December 2020				
Weight average expected loss rate	**—**	**—**	**45.25%**	
Receivable amount *(HK$'000)*	**63,836**	**142,024**	**66,736**	**272,596**
Loss allowance *(HK$'000)*	**—**	**—**	**30,195**	**30,195**
At 31 December 2019				
Weight average expected loss rate	—	—	5.44%	
Receivable amount *(HK$'000)*	38,007	127,447	59,800	225,254
Loss allowance *(HK$'000)*	—	—	3,253	3,253

13. TRADE AND OTHER PAYABLES

		2020	2019
	Notes	***HK$'000***	*HK$'000*
Trade payables arising from trading of agricultural and meat produce	*(a)*	**101,866**	81,358
Accounts payable arising from dealing in securities			
— Cash clients		**6**	6
— Clearing houses		**13,719**	10,567
Total accounts payable	*(b)*	**13,725**	10,573
Accruals and other payables		**83,274**	47,553
		198,865	139,484

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

	2020	2019
	HK$'000	*HK$'000*
0–60 days	**65,713**	16,858
61–120 days	**14,187**	16,154
Over 120 days	**21,966**	48,346
	101,866	81,358

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

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

It is the Group's practice to satisfy all the requests for payments immediately within the credit period. All accounts payable are non-interest bearing.

Accounts payable to clients also include those payables placed in trust accounts with authorised institutions of approximately HK$13,725,000 (2019: HK$10,573,000).

14. SHARE CAPITAL

	Notes	2020 HK$'000	2019 HK$'000
Authorised:			
150,000,000,000 (2019: 150,000,000,000) ordinary shares of HK$0.01 each		**1,500,000**	1,500,000
10,000,000,000 (2019: 10,000,000,000) preference shares of HK$0.01 each		**100,000**	100,000
Issued and fully paid:			
302,083,407 (2019: 100,022,838) ordinary shares of HK$0.01 each		**3,021**	1,000
3,030,000 (2019: 3,030,000) preference shares of HK$0.01 each	*(a)*	**30**	30
Total amount		**3,051**	1,030

		Number of shares	Amount HK$'000
1 January 2020		**100,022,838**	**1,000**
Issue of ordinary share under specific mandate subscription	*(b)*	**200,000,000**	**2,000**
Issue of ordinary share under share option scheme	*(c)*	**2,060,569**	**21**
At 31 December 2020		**302,083,407**	**3,021**

Notes:

(a) The preference shares, which are non-redeemable with par value of HK$0.01 each credited as fully paid up, were issued and allotted to vendors as part of the considerations for the acquisitions occurred during the year ended 31 December 2012. According to the terms of the preference share policy, one preference share is eligible to convert into one new ordinary share (adjusted from 3,030,000 ordinary shares to 15,150 ordinary shares as a result of capital reorganisation effective on 25 June 2018 and 15 April 2019) any time no earlier than one year from the date of issue.

(b) The Company issued new shares (the "**Subscription**") to Sino Richest Investment Holdings Limited (the "**Subscriber**"), which is wholly owned by Mr. Lin Yuhao, a non-executive Director, and a controlling shareholder of the Company under specific mandate which was granted by the shareholders of the Company (the "**Shareholders**") on 15 April 2020. The Subscription took place and completed on 27 April 2020 under which 200,000,000 ordinary shares were duly allotted and issued as fully-paid by the Company to the Subscriber at the subscription price of HK$0.65 per subscription share. Details of the above were set out in the Company's announcements dated 6 February 2020, 27 February 2020, 19 March 2020, 20 March 2020, 8 April 2020, 15 April 2020 and 27 April 2020, and the Company's circular dated 20 March 2020.

(c) On 16 March 2020, 2,060,569 ordinary shares were issued by the Company upon exercise of 2,060,569 share options at an exercise price of HK$1.144 each.

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

The Group reviews the capital structure on a regular basis. As a part of this review, the Group monitors capital on the basis of net debt to adjusted equity ratio, the ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as "adjusted equity", as shown in the consolidated statement of financial position, plus net debt. The Group considers the cost of capital and the risks associated with issued share capital and may adjust the ratio through dividend payments, issuing new shares, raising new debt financing or selling assets to reduce existing debts. The net debt to adjusted equity ratio as at 31 December 2020 was 0.40 (2019: 0.54).

The only capital requirement imposed on the Group externally is that the Group must have a minimum public float of 25% of the total issued share capital of the Company in order to maintain its listing on the Stock Exchange. The Group receives monthly report from the share registrars on substantial share interests showing the non-public float, and such monthly report demonstrates the Group's continuous compliance with the 25% public float requirement from the date of its listing. As of 31 December 2020, approximately 32.33% (2019: 95.13%) of the shares were held by the public.

15. EVENTS AFTER THE REPORTING PERIOD

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

On 20 January 2021, the Company and the Subscriber, whose entire issued share capital is wholly-owned by Mr. Lin Yuhao, a non-executive Director and controlling Shareholder of the Company, entered into a subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for an aggregate of 60,416,000 shares of the Company under a general mandate as granted by the Shareholders on 15 June 2020 (the "**2021 Subscription**"). As the 2021 Subscription constituted a connected transaction, it is subject to the Shareholders' approval at the Company's general meeting scheduled on 8 April 2021. For details, please refer to the announcement of the Company dated 20 January 2021 and the circular of the Company dated 19 March 2021.

As at the date of this announcement, the 2021 Subscription has yet been completed.

(b) On 24 February 2021, the Group entered into twenty-fifth supplemental deed whereby the parties agreed to extend the date for fulfilment of the conditions precedent set out in the sales and purchase agreement dated 25 May 2017 (the "**Agreement**") with an independent third party to dispose of the security brokerage business to a date falling on the expiration of 51 months from the date of the Agreement.

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

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

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract from the report issued by McMillan Woods (Hong Kong) CPA Limited, the Company's auditor, on the consolidated financial statements of the Group for the year ended 31 December 2020:

OPINION

We have audited the consolidated financial statements of China Finance Investment Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), which comprise the consolidated statement of financial position as at 31 December 2020, 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, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, 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 Companies Ordinance.

PRELIMINARY ANNOUNCEMENT OF THE RESULTS AGREED BY AUDITORS

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

FINAL DIVIDEND

The Board does not recommend the payment of final dividend for the Reporting Period (2019: Nil) to the holders of both ordinary shares and preference shares of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Agricultural and Meat Business

Due to the COVID-19 outbreak, the Group's Agricultural and Meat Business was adversely affected thus preventing the Group from operating as usual during the first half of year 2020. As a result, during the first half of year 2020, the turnover of the Agricultural and Meat Business segment decreased by approximately 57.1%, from approximately HK$167.8 million for the six months ended 30 June 2019 to approximately HK$71.9 million for the six months ended 30 June 2020. Nevertheless, the Group has started to pick up gradually since the second half of year 2020 by trading of meat products, the turnover during the Reporting Period was slightly higher than that of the Corresponding Period. As a result, during the Reporting Period, the turnover of the Agricultural and Meat Business segment increased by approximately 6.3% to approximately HK$302.0 million from approximately HK$284.2 million for the Corresponding Period. There was a rise in gross profit margin mainly attributable to sales of products with higher profit margin. During the Reporting Period, the Agricultural and Meat Business recorded a gross profit of approximately HK$20.1 million (31 December 2019: gross loss HK$14.2 million).

The Group is currently conducting research and development for the growing of medicinal value crops i.e. Kimura et Migo* (鐵皮石斛) together with Guangdong Academy of Agricultural Sciences* (廣東省農業科學院作物研究所). The cultivation of Kimura et Migo is still under experimental stage within the Group's test plots located in Conghua* (從化) of Guangdong Province. Based on the research conducted by the Company, the normal growing cycle of Kimura et Migo requires approximately three to five years of growth to reach maturity, before it can be effectively harvested and used. Due to its rarity, the economic value of Kimura et Migo will become higher when it grows older. In order to achieve its highest economic value, the Group does not plan to crop the experimental Kimura et Migo at this stage. The Group has to first understand its growth pattern before the Group can decide to promote mass cultivation of Kimura et Migo and the agricultural experiment normally takes time. In addition, the Group needs to evaluate cultivation costs associated and harvest yield, and whether it will provide satisfactory return on investment after taking into account of market demand and competition for similar products.

After years of cultivation, soil quality of the Group's farmlands in Ningxia Hui Autonomous Region has been in serious decline because of the previous cultivation methods and the use of chemical fertilisers, which prevents the lands from regenerating. The restoration of the soil condition could not be easily achieved by human intervention and it normally takes years for the soil condition to recover. Although the production capacity of leased farmlands in Ningxia Hui Autonomous Region is in a declining trend which is demonstrated by the declining procurement (equivalent to total production minus wastage) from those leased farmlands in the three previous financial years, the declining cultivation condition did not bring material adverse impact on the Group's operation and financial performance because the Group decisively adjusted its strategies by minimising agricultural produce inventory level, promoting sales at competitive prices and increasing liquidity.

The Group has been planning to expand the production base in Guangdong Province, a desirable location as the climate is comparatively moderate, which allows for year-round cultivation of agricultural produce. The Group has entered into lease agreement for the lease of two farmlands (the "**Shanwei Farmlands**") of approximately 67 hectares in total both located in Shanwei* (汕尾) of Guangdong Province. The Shanwei Farmlands have already been equipped with infrastructures of water and sewage system, plastic greenhouse and warehouse and other fundamental facilities such as building office and staff quarter.

The Group started consolidating agricultural products from various labourhood farms and agricultural companies to process, package and sell to customers. In 2019, the Group entered into long term co-operation agreements with certain agricultural companies in other provinces of the PRC to broaden its agricultural bases and source/subcontract the agricultural produce of the Group. The Group is going to maintain this strategy to stay competitive.

Looking ahead, the Group will continue to control its costs, utilise its existing resources and collaborate with research institutes in the PRC to further strengthen the cultivation and trading of agricultural and meat products with high potential for development, or pursue acquisitions when opportunities arise.

Money Lending Business

Following the completion of the acquisition of Shenzhen Taihengfeng Technology Company Limited* (深圳市泰恒豐科技有限公司) and its subsidiaries in November 2016, the Group expanded into the micro finance business sector in Shenzhen, the PRC, through provision of personal loans and corporate loans services. On 1 March 2019, Shenzhen Internet Finance Association issued a notice for the consultation of guidelines for the exit of the internet finance industry under the category of Peer to Peer ("**P2P**") internet lending companies which drove P2P platforms to shrink dramatically after such regulatory and industry reform. Apparently, such crackdown of the P2P platforms means a reduction in financing channels for small and medium-sized enterprises (SMEs), which led to a restructuring of the money lending industry in the PRC. The Group has responded by narrowing its target customers to borrowers with better risk profiles. The Company has thus been able to lower its interest rates with a view to establish long-term business relationships with customers since 2018. As a result, average interest rate charged to the borrowers declined to 11.3% during the Reporting Period, as compared to that of 12.5% in the Corresponding Period.

During the Reporting Period, loan interest income and gross profit under Money Lending Business amounted to approximately HK$20.6 million (2019: HK$25.7 million) and HK$20.6 million (2019: HK$25.7 million) respectively. Such decrease in loan interest income and gross profit was attributable to the tightening of policy in the PRC and deterioration of economic environment. Outstanding loan principal and interest receivables amounted to approximately HK$272.6 million (2019: HK$225.3 million). No material default event occurred as at 31 December 2020, an impairment loss provision of approximately HK$30.2 million on loan receivables was considered by the Group at the end of the Reporting Period (2019: HK$3.3 million).

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

Securities Brokerage Business

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

As such, on 25 May 2017, the Group entered into a sale and purchase agreement (the "**Agreement**") with an independent third party, pursuant to which the Group has conditionally agreed to sell the Securities Brokerage Business at the consideration of net asset value of the Securities Brokerage Business as at the date of the Agreement plus HK$12.0 million (the "**Disposal**"). Subsequently, the Group entered into supplemental deeds, whereby the parties have agreed to extend the date of fulfillment of the conditions precedent as set out in the Agreement. The latest supplemental deed was entered into on 24 February 2021, which further extends the date of fulfillment on the expiration of 51 months from the date of the Agreement.

Further details of the above were made in the announcements of the Company dated 25 May 2017, 31 May 2017, 20 October 2017, 22 February 2018, 24 April 2018, 25 May 2018, 24 July 2018, 24 September 2018, 23 November 2018, 24 December 2018, 25 February 2019, 25 March 2019, 25 April 2019, 24 May 2019, 24 June 2019, 24 July 2019, 23 August 2019, 24 September 2019, 24 October 2019, 25 November 2019, 24 December 2019, 23 January 2020, 24 February 2020, 22 May 2020, 24 August 2020, 24 November 2020 and 24 February 2021.

During the Reporting Period, the Securities Brokerage Business generated revenue of approximately HK$6.1 million (2019: HK$1.4 million) and loss before taxation of approximately HK$3.6 million (2019: HK$11.0 million) respectively. The increase in revenue was mainly due to commission earned from placing exercises conducted by the Group during the Reporting Period. The Disposal is still in process, and the delay in completion is mainly due to the fact that additional time is required by the purchaser to prepare necessary information for effecting the Disposal to comply with relevant regulatory requirements in Hong Kong. The Group and purchaser will continue to use their best endeavours to complete the Disposal as soon as practicable. As at the end of the Reporting Period, the Company is expected to record a gain on the Disposal in the amount of approximately HK$8.0 million.

Investment in Internet Finance Business in Mainland China

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

During the Reporting Period, such internet finance business recorded revenue of approximately HK$200 (2019: HK$60,000) and a net loss of approximately HK$0.4 million (2019: HK$2.5 million), respectively.

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

FINANCIAL REVIEW

During the Reporting Period, the Group recorded a turnover of approximately HK$328.7 million, representing an increase of approximately 5.6% from approximately HK$311.4 million for the Corresponding Period. Gross profit of the Group during the Reporting Period was approximately HK$45.1 million representing an increase of approximately HK$33.5 million or 288.8%, as compared with approximately HK$11.6 million for the Corresponding Period. The increase in turnover was mainly due to increase in revenue from Agriculture and Meat Business during the Reporting Period. There was a rise in gross profit mainly attributable to sales of products with higher profit margin in the Agricultural and Meat Business. The interest income and gross profit under Money Lending Business decreased from approximately HK$25.7 million and HK$25.7 million for the Corresponding Period to approximately HK$20.6 million and HK$20.6 million for the Reporting Period respectively.

During the Reporting Period, the Securities Brokerage Business generated revenue of approximately HK$6.1 million and loss before taxation of approximately HK$3.6 million, as compared to approximately HK$1.4 million and HK$11.0 million for the Corresponding Period.

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

The Group recorded other gains in the net amount of approximately HK$11.3 million during the Reporting Period, representing a decrease of approximately HK$26.5 million or 70.1%, as compared to approximately HK$37.8 million for the Corresponding Period. Such decrease was mainly attributable to the fact that no reversal of impairment on loan receivables was recognised during the Reporting Period, compared to the reversal of impairment recognised during the Corresponding Period.

During the Reporting Period, selling and distribution expenses increased by approximately HK$0.6 million or 27.3% to approximately HK$2.8 million from approximately HK$2.2 million for the Corresponding Period. Such increase was mainly attributable to the inflation of RMB during the Reporting Period.

Share-based payment increased by approximately HK$26.4 million from approximately HK$6.8 million for the Corresponding Period to HK$33.2 million for the Reporting Period.

Administrative expenses decreased by approximately HK$12.8 million or 26.7% to approximately HK$35.1 million during the Reporting Period from approximately HK$47.9 million for the Corresponding Period. Such decrease was mainly attributable to the decrease in repair and maintenance expenses by approximately HK$11.1 million.

Other operating expenses decreased from approximately HK$11.6 million to approximately HK$1.2 million. Such significant decrease in the other operating expenses was mainly attributable to the decrease in foreign exchange loss during the Reporting Period.

In light of the prolonged settlement of some of the Group's customers during the Reporting Period, the uncertainty of economy recovery from COVID-19 and with reference to the comparable market data in respect of impairment provisions, the management of the Group took a prudent approach and made a provision for impairment loss on trade receivables of approximately HK$12.4 million (2019: HK$5.0 million) for the Reporting Period and a provision for impairment loss on loan receivables of approximately HK$26.9 million (2019: nil) for the Reporting Period respectively.

No impairment losses on goodwill and allowance for inventories were made during the Reporting Period (2019: HK$15.8 million and HK$0.4 million respectively).

The net loss of the Group for the Reporting Period was approximately HK$68.1 million, compared to a net loss of approximately HK$59.6 million for the Corresponding Period. Such increase in loss for the Reporting Period was mainly attributable to (i) an increase in equity-settled share-based payment by approximately HK$26.4 million; (ii) an increase in impairment losses on loan receivables from the Group's Money Lending Business by approximately HK$26.9 million; and (iii) an increase in impairment losses on trade receivables from the Group's Agricultural and Meat Business by approximately HK$13.5 million due to the adverse impact of the COVID-19 outbreak during the Reporting Period.

Liquidity and Financial Resources

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

As at the end of the Reporting Period, the Group had bank balances and cash of approximately HK$64.6 million (2019: HK$37.3 million). The Group's quick ratio (measured as total current assets less inventories, deposits and prepayments divided by total current liabilities) was approximately 1.3 times (2019: 1.3 times).

As at the end of the Reporting Period, the total borrowings of the Group, which comprised of unsecured bonds, promissory notes, bank and other borrowings denominated in Hong Kong dollar and RMB amounted to approximately HK$272.0 million (2019: HK$251.9 million) of which, approximately HK$16.1 million (2019: HK$15.8 million) were secured by certain buildings, plant and machineries of the Group. As at 31 December 2020, borrowings of approximately HK$255.9 million (2019: HK$245.2 million) were repayable within one year. As at 31 December 2020, borrowings of approximately HK$59.0 million (2019: HK$75.0 million) and HK$213.0 million (2019: HK$176.9 million) were denominated in Hong Kong dollar and RMB respectively. Borrowings of approximately HK$52.8 million (2019: HK$87.1 million) were charged at fixed interest rates as at 31 December 2020.

As at the end of the Reporting Period, the Group had capital expenditure commitments of approximately HK$0.8 million (2019: HK$0.8 million) which comprised of acquisition of property, plant and equipment. The Group had commitments for future minimum lease payments under non-cancellable operating leases of approximately HK$55.2 million for the Reporting Period. Operating lease payments represent rental payable by the Group for office premises and farmlands. Leases were negotiated for fixed terms ranging from 1 to 26 years.

The Group will continue to adopt a positive but prudent approach in managing its financial resources.

CAPITAL STRUCTURE AND GEARING RATIO

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

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

On 17 January 2020, the Company, the Subscriber, wholly-owned by Mr. Lin Yuhao, a non-executive Director and a controlling Shareholder, and Mr. Lin Yuhao entered into the subscription agreement (as amended and supplemented by the supplemental agreement), pursuant to which the Company had conditionally agreed to allot and issue and the Subscriber had conditionally agreed to subscribe for 200,000,000 ordinary shares of the Company at an issue price of HK$0.65 per share. The net proceeds from the Subscription was approximately HK$128.0 million, and it was expected that (i) as to approximately HK$40.9 million be used for repayment of outstanding convertible bonds (including the outstanding principal and the accrued interest) issued by the Company on 7 February 2018; (ii) as to approximately

HK$56.0 million be used for repayment of the indebtedness of the Group due to Mr. Lin Yuhao; (iii) as to approximately HK$20.0 million for expanding the existing Agricultural and Meat Business of the Group; and (iv) as to approximately HK$11.1 million be used as the general working capital of the Group. The reason for the Subscription was to repay significant amount of outstanding indebtedness of the Group, and the Directors considered it essential to recapitalise the Company and restore its financial health so as to allow the Group to embark on new opportunities which may create more value to the Shareholders. The Subscription was completed on 27 April 2020. Details of the Subscription were set out in the Company's announcements dated 6 February 2020, 27 February 2020, 19 March 2020, 20 March 2020, 8 April 2020, 15 April 2020 and 27 April 2020 and the Company's circular dated 20 March 2020.

As at 31 December 2020, the net proceeds from the Subscription had been utilised as follows:

Date of announcement	Event	Net proceeds raised	Intended use of net proceeds	Actual use of proceeds
6 February 2020 (completed on 27 April 2020)	Subscription for 200,000,000 ordinary shares of the Company at an issue price of HK$0.65 per share	Approximately HK$128,000,000	(i) Repayment of approximately HK$40.9 million (including the outstanding principal and the accrued interests as at 31 January 2020) outstanding convertible bonds issued by the Company on 7 February 2018	(i) Approximately HK$35.0 million was used to settle the outstanding convertible bonds *(note 1)*
			(ii) Approximately HK$56.0 million for repayment of the indebtedness due to Mr. Lin Yuhao	(ii) Approximately HK$56.0 million was used to settle the indebtedness due to Mr. Lin Yuhao
			(iii) Approximately HK$20.0 million for expanding the Agricultural and Meat Business	(iii) Approximately HK$5.5 million was used for payment of annual rental for the existing farmlands, the remaining balance of approximately HK$14.5 million was applied to the lease of Shanwei Farmlands *(note 2)*
			(iv) Approximately HK$11.1 million as general working capital of the Group	(iv) Approximately HK$17.0 million was used as working capital of the Group *(note 3)*

Notes:

1. On 23 January 2018, the Company entered into a subscription agreement with Hui Jia Investments Limited ("**Hui Jia**") pursuant to which the Company had conditionally agreed to issue and Hui Jia has conditionally agreed to subscribe for the convertible bonds in the principal amount of HK$40 million with an interest rate of 5% per annum. In around April 2020, the Group approached Hui Jia to negotiate for a discounted repayment amount and Hui Jia agreed to grant a waiver of approximately HK$5.9 million in exchange of the Group's quick settlement. The difference between the intended use and the actual use of the net proceeds for repayment of the outstanding convertible bonds was arising from the waiver of approximately HK$5.9 million (including the outstanding principle and the accrued interests) by Hui Jia. The Company repaid the outstanding principal and accrued interests (in the aggregate amount of HK$35.0 million after deduction of the waived HK$5.9 million) by instalments, namely, (i) HK$25.0 million on 29 April 2020; (ii) HK$3.0 million on 5 May 2020; and (iii) remaining HK$7.0 million on 8 May 2020. A discharge agreement was then entered into by the Company and Hui Jia on 8 May 2020.

2. As at the date of this announcement, the remaining balance of approximately HK$14.5 million was used for the lease of Shanwei Farmlands in Guangdong province with a term of six years commencing from 1 March 2021 at the annual rent of approximately RMB2.0 million. The lump sum rental payment of approximately RMB12.0 million was made upfront to acquire the lease. Shanwei Farmlands have already been equipped with infrastructures of water and sewage system, plastic greenhouse and warehouse and other fundamental facilities such as building office and staff quarter. Since the cultivation of the farmlands will be outsourced to farmers and the Group is mainly responsible for general management and monitoring of the cultivation process, only staff such as accountant, cashier and heads of plant bases (who are responsible for the general management and sale of produces) are required to be hired additionally, the associated labour costs are therefore immaterial. It is expected that no additional costs will be incurred for the development of Shanwei Farmlands.

3. The additional amount of net proceeds (being approximately HK$5.9 million as at 31 January 2020 saving from the repayment of the outstanding convertible bonds) was reallocated to strengthen the general working capital base of the Group.

During the Reporting Period, the Company issued and allotted a total of 2,060,569 ordinary shares of HK$0.01 each upon the exercise of a total of 2,060,569 share options granted by the Company.

In light of the above, during the Reporting Period, the Company issued and allotted a total of 202,060,569 ordinary shares of HK$0.01 each with aggregate nominal value of HK$2,020,605, resulting in a total number of 302,083,407 issued ordinary shares as at 31 December 2020.

As at 31 December 2020, the net debt to adjusted equity ratio was 0.40 (2019: 0.54). The Group's gearing ratio as at 31 December 2020 was 0.88 (2019: 1.37), which was measured as total debt to total shareholders' equity. The increase of the Group's gearing ratio was mainly due to the increase in bank and other borrowings during the Reporting Period.

Certain Directors, namely, Mr. Lin Yuhao, Mr. Lin Yupa and Ms. Diao Jing, have advanced unsecured interest-free loans to the Group, the outstanding balances due to Mr. Lin Yuhao, Mr. Lin Yupa and Ms. Diao Jing as at 31 December 2020 were approximately HK$140.2 million, HK$49.1 million and HK$1.5 million respectively. As at 31 December 2020, the outstanding balances of unsecured promissory notes issued by the Company to Mr. Lin Yuhao, a non-executive Director and Mr. Lin Yupa, an executive Director, were HK$16.3 million and HK$10.9 million respectively.

SIGNIFICANT INVESTMENTS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND ASSOCIATED COMPANIES

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

CHARGES ON GROUP'S ASSETS

As at 31 December 2020, certain buildings, plants and machineries and motor vehicles were pledged to secure bank loans of the Group of approximately HK$16.1 million (2019: HK$15.8 million).

FOREIGN EXCHANGE EXPOSURE

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

CONTINGENT LIABILITIES

As at 31 December 2020, the Group did not have any material contingent liabilities.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have other plan for material investments or acquisition of material capital assets as at 31 December 2020.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2020, the Group had a total of 70 (2019: 71) full-time employees in Hong Kong and Mainland China. Total staff costs (including directors' remuneration) for the Reporting Period amounted to HK$50.8 million (2019: HK$25.7 million). The employees are remunerated with reference to each individual's qualification, experience, responsibility and performance, the performance of the Group and market practices. Apart from the basic remuneration package, staff benefits offered by the Group to its employees include contribution to discretionary bonus, the mandatory provident fund scheme 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.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the Reporting Period are set out in note 15 to the consolidated financial statements.

PROSPECTS

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

To diversify its income streams and counter balance the cyclical nature of the Group's Agricultural and Meat Business, the Company has been actively developing its trading of meat business since 2020.

In order to expand the Agricultural and Meat 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 entered into long term co-operation agreements with certain agricultural companies in other provinces in the PRC to broaden its agricultural bases and source/subcontract the agricultural produce of the Group.

After the Reporting Period and up to the date of this announcement, the Group has entered into lease agreements for the lease of Shanwei Farmlands in order to expand the production base in Guangdong Province, which is a desirable location for expansion of its production base as the climate is comparatively moderate and it allows year-round cultivation for agricultural produces.

As the precautionary and lockdown measures implemented across the PRC have been uplifted, business of the Group and Group's customers have started to pick up gradually since the second half of year 2020. The management will keep actively monitoring the performance of the Group and implement fitting strategy in a timely manner.

On 12 June 2020, the Group entered into an agreement with third parties for the acquisition of 100% interests of Shenzhen Cypress Jade Cross-border E-commerce Co. Ltd* (深圳市從玉跨境電商有限公司) (formerly known as Shenzhen Mckrypton Technology Company Limited* (深圳市麥氪科技有限公司) ("**Mckrypton Technology**")). Mckrypton Technology was established in the PRC and principally engaged in online sale business in Shenzhen, PRC. As a result of the acquisition, the Group is expected to have a prime opportunity to enter into online sale business in Shenzhen, PRC, and thus diversify the revenue stream of the Group.

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

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

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

CORPORATE GOVERNANCE PRACTICES

The 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.

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 to the Listing Rules. During the Reporting Period, the Company has complied with the Code Provisions and mandatory disclosure requirements as set out in the CG Code.

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

INTERNAL CONTROL

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

Risk management and internal control

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

The audit committee of the Board ("**Audit Committee**") reviews the risk management and internal controls that are significant to the Group on an on-going basis. The Audit Committee would consider the adequacy of resource, qualifications, experience and training of staff and external advisors of the Group's accounting and financial reporting departments.

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

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

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

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

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

– Risk sharing and diversification: diversify the effect of risk or allocate to different locations or products or markets;

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

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

The Company engages an external internal control consultant to perform internal credit function to review the effectiveness of the financial, operational and compliance controls, internal control system, and risk management functions of the Company and the Group's major subsidiaries on a rotation basis annually. The Audit Committee and the Board, having reviewed the internal control review report for the Reporting Period, were reasonably satisfied that no material deficiencies or inadequacies existed or identified and the Company considers the risk management and internal control systems are effective and adequate for the Reporting Period. The Company has complied with the requirements under Code Provisions C.2.1 to C.2.5 and C.3.3 of the CG Code relating to risk management and internal control.

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

AUDIT COMMITTEE

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

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 17 June 2021 to Tuesday, 22 June 2021, 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 2021 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 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration by no later than 4:30 p.m. on Wednesday, 16 June 2021.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Company (www.cfih.hk) and the Stock Exchange (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2020 will be despatched to the Shareholders and will be available at the above websites in due course.

By order of the Board
China Finance Investment Holdings Limited
LIN Yuhao
Chairman

Hong Kong, 23 March 2021

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

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

* *For identification purpose only*