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China Soft Power Technology Holdings Limited

中國軟實力科技集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 139)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board of directors (the “Board”) of China Soft Power Technology Holdings Limited (the “Company”) announces the unaudited results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2018 (the “Period”) together with comparative figures for the six months ended 30 September 2017 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	For the six months ended 30 June 2018 (Unaudited) HK\$'000	For the six months ended 30 September 2017 (Unaudited) HK\$'000
<i>Notes</i>		
REVENUE		
Electronic and accessory products	–	505
Financial investments and services	3,125	164,954
Brokerage and commission income	55,215	5,843
Property investments	3,950	2,250
	62,290	173,552
Cost of electronic and accessory products sold	–	(500)
Brokerage and commission expenses	(2,592)	(1,748)
	(2,592)	(2,248)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

		For the six months ended 30 June 2018 (Unaudited) HK\$'000	For the six months ended 30 September 2017 (Unaudited) HK\$'000
Gross profit		59,698	171,304
Other income and gains	3	2,300	236
Gains on bargain purchase		–	10,961
Loss on disposal of an associate		–	(382)
Administrative expenses		(80,772)	(19,089)
Other operating expenses		(2,747)	(4,430)
Finance costs	5	(36,036)	(29,107)
Unrealised fair value gains on equity investments at fair value through profit or loss		–	254,669
Gain on disposal of an available-for-sale equity investment		–	18,192
Gain on disposal of a subsidiary		80,793	–
Share of profits of associates		–	7,271
		<hr/>	<hr/>
Profit before tax	4	23,236	409,625
Income tax expense	6	(5,143)	–
		<hr/>	<hr/>
PROFIT FOR THE PERIOD		18,093	409,625
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Owners of the parent		18,093	409,625
		<hr/>	<hr/>
		18,093	409,625
		<hr/> <hr/>	<hr/> <hr/>
DIVIDEND	7	–	–
		<hr/>	<hr/>
PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
	8		
Basic		HK0.14 cent	HK3.96 cents
		<hr/> <hr/>	<hr/> <hr/>
Diluted		HK0.14 cent	HK3.96 cents
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended 30 June 2018 (Unaudited) HK\$'000	For the six months ended 30 September 2017 (Unaudited) HK\$'000
PROFIT FOR THE PERIOD	<u>18,093</u>	<u>409,625</u>
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Available-for sale equity investments:		
Equity investments:		
Change in fair value	–	768,785
Release upon disposal of available-for-sale equity investments	–	(266)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Equity investments at fair value through other comprehensive income:		
Equity investments:		
Change in fair value	<u>(556,045)</u>	<u>–</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(556,045)</u>	<u>768,519</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u><u>(537,952)</u></u>	<u><u>1,178,144</u></u>
Attributable to:		
Owners of the parent	<u>(537,952)</u>	<u>1,178,144</u>
	<u><u>(537,952)</u></u>	<u><u>1,178,144</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		At 30 June 2018 (Unaudited) <i>HK\$'000</i>	At 31 December 2017 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		4,112	5,006
Investment property		430,000	430,000
Intangible assets		500	500
Equity investments at fair value through other comprehensive income	9	2,104,471	–
Available-for-sale equity investments	9	–	1,710,695
Deposits		13,639	9,915
		2,552,722	2,156,116
CURRENT ASSETS			
Loan receivables	10	311,160	476,765
Trade receivables	11	534,701	391,219
Prepayments, deposits and other receivables		47,427	30,060
Equity investments at fair value through profit or loss	12	21	560,368
Cash and bank balances		43,543	123,387
Bank balances held on behalf of clients		85,445	90,624
		1,022,297	1,672,423
Assets of a disposal group classified as held for sale		–	400,109
		1,022,297	2,072,532
CURRENT LIABILITIES			
Trade payables	13	93,824	208,078
Other payables and accruals	14	30,966	22,378
Shareholder loan		–	122,000
Other borrowings	15	445,470	525,930
Bank borrowings	15	209,745	167,763
Bank overdraft	15	105,365	59,494
Tax payable		12,648	9,023
		898,018	1,114,666
Liabilities directly associated with the assets classified as held for sale		–	139,314
		898,018	1,253,980
NET CURRENT ASSETS		124,279	818,552

		At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,677,001</u>	<u>2,974,668</u>
NON-CURRENT LIABILITIES			
Notes payable		86,574	86,574
Bank borrowings	15	160,235	164,056
Deferred tax liabilities		<u>79</u>	<u>134</u>
Total non-current liabilities		<u>246,888</u>	<u>250,764</u>
Net assets		<u><u>2,430,113</u></u>	<u><u>2,723,904</u></u>
EQUITY			
Equity attributable to owners of the parent			
Share capital	16	147,167	127,167
Reserves		<u>2,282,946</u>	<u>2,596,737</u>
Total equity		<u><u>2,430,113</u></u>	<u><u>2,723,904</u></u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION AND ACCOUNTING POLICIES

These interim condensed consolidated financial statements have not been audited by the Company's auditors but have been reviewed by the Company's Audit Committee (the "Audit Committee").

The unaudited interim condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The accounting policies and basis of preparation used in the preparation of these unaudited interim condensed consolidated financial statements are consistent with those used in the preparation of the Company's audited consolidated financial statements for the year ended 31 December 2017 except for the adoption of the new standards and interpretations as noted below.

1.1 Changes In Accounting Policies and Disclosures

The Group has adopted the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's unaudited interim condensed consolidated financial information.

Amendments to HKFRS 2	<i>Classification and Measurement of Share-based Payment Transactions</i>
Amendments to HKFRS 4	<i>Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts</i>
HKFRS 9	<i>Financial Instruments</i>
HKFRS 15	<i>Revenue from Contracts with Customers</i>
Amendments to HKFRS 15	<i>Clarifications to HKFRS 15 Revenue from Contracts with Customers</i>
Amendments to HKAS 40	<i>Transfer of Investment Property</i>
HK(IFRIC)-Int 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Annual Improvements 2014–2016 Cycle	<i>Amendments to HKFRS 1 and HKAS 28</i>

Other than as further explained below regarding the impact of HKFRS 9, the adoption of the new and revised HKFRSs has had no material impact on the unaudited interim financial information of the Group. The principal effects for adopting HKFRS 9 are as follows:

HKFRS 9 brings together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9 for annual periods on or after 1 January 2018. The Group has not restated comparative information for 2017 for financial instruments in the scope of HKFRS 9. Therefore, the comparative information for 2017 is reported under HKAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of HKFRS 9 have been recognised directly in retained profits as of 1 January 2018.

Classification and measurement

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss ("FVPL"), amortised cost, or fair value through other comprehensive income ("FVOCI"). The classification is based on two criteria: the Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the "SPPI criterion").

The new classification and measurement of the Group's debt financial assets is, as follows:

- Debt instruments at amortised cost for financial assets that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion.

Other financial assets are classified and subsequently measured, as follows:

- Equity instruments at FVOCI, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition.

The assessment of the Group's business models was made as of the date of initial application, 1 January 2018, and applied to those financial assets that were not derecognised before 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39. Similar to the requirements of HKAS 39, HKFRS 9 requires contingent consideration liabilities to be treated as financial instruments measured at fair value, with the changes in fair value recognised in profit or loss.

Under HKFRS 9, embedded derivatives are no longer separated from a host financial asset. Instead, financial assets are classified based on their contractual terms and the Group's business model.

The accounting for derivatives embedded in financial liabilities and in non-financial host contracts has not changed from that required by HKAS 39.

Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("ECL") approach.

Other receivables are assessed for impairment based on 12-month expected credit losses: 12-month ECLs are the portion of lifetime ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the asset is less than 12 months). However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL.

The adoption of the ECL requirements of HKFRS 9 resulted in increases in impairment allowances of the Group's debt financial assets. The increase in allowance resulted in an adjustment to the Group's retained profits as at 1 January 2018.

The following summaries the changes for the Group's financial assets and financial liabilities on 1 January 2018, the Group's date of initial application of HKFRS 9:

	Original Classification	New Classification	31 December 2017 HK\$'000	Reclassification HK\$'000	Provision/ Impairment allowances HK\$'000	1 January 2018 HK\$'000
Financial assets						
Available for-sale equity investments	Available-for-sale equity investments	N/A	1,710,695	(1,710,695)	–	–
Equity investment at fair value through other comprehensive income	N/A	FVOCI	–	2,263,056	–	2,263,056
Deposits	Amortised cost	Amortised cost	9,915	–	–	9,915
Loan receivables	Amortised cost	Amortised cost	476,765	–	(477)	476,288
Trade receivables	Amortised cost	Amortised cost	391,219	–	(335)	390,884
Prepayments, deposits and other receivables	Amortised cost	Amortised cost	30,060	–	–	30,060
Equity investments at fair value through profit or loss	FVPL	FVOCI	560,368	(552,361)	–	8,007
Cash and bank balances	Amortised cost	Amortised cost	123,387	–	–	123,387
Bank balances held on behalf of clients	Amortised cost	Amortised cost	90,624	–	–	90,624
			<u>3,393,033</u>	<u>–</u>	<u>(812)</u>	<u>3,392,221</u>
Financial liabilities						
Trade payables	Amortised cost	Amortised cost	208,078	–	–	208,078
Other payables and accruals	Amortised cost	Amortised cost	22,378	–	–	22,378
Shareholder loan	Amortised cost	Amortised cost	122,000	–	–	122,000
Other borrowing	Amortised cost	Amortised cost	525,930	–	–	525,930
Bank borrowings	Amortised cost	Amortised cost	331,819	–	–	331,819
Bank overdrafts	Amortised cost	Amortised cost	59,494	–	–	59,494
Notes payable	Amortised cost	Amortised cost	86,574	–	–	86,574
			<u>1,356,273</u>	<u>–</u>	<u>–</u>	<u>1,356,273</u>

The impact of the Group's reserves and non-controlling interests due to the reclassification and remeasurement of financial instruments as at 1 January 2018, the Group's date of initial application of HKFRS 9, is as follows:

		Available- for-sale investment revaluation reserve	Equity investments at fair value through other comprehensive income reserve	Accumulated losses	Total equity
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At 1 January 2018 (originally stated)		1,026,030	–	(3,661,367)	2,723,904
Provision/impairment allowances upon initial application of HKFRS 9, net of tax	<i>(i)</i>	–	–	(757)	(757)
Reclassification upon initial application of HKFRS9	<i>(ii)</i>	(1,026,030)	1,026,030	–	–
At 1 January 2018 (restated)	<i>(iii)</i>	–	152,285	(152,285)	–
	<i>(iv)</i>	–	(429,777)	429,777	–
		<u>–</u>	<u>748,538</u>	<u>(3,384,632)</u>	<u>2,723,147</u>

Notes:

- (i) As at 1 January 2018, the Group has recorded ECLs allowance under HKFRS 9 of HK\$757,000, net of tax.
- (ii) The Group elected to present in other comprehensive income the subsequent changes in fair value of all its equity securities previously classified as available-for-sale investments because these investments are not held-for-trading. As a result, the financial assets were reclassified from available-for-sale equity investments to equity investments at FVOCI. Cumulative unrealised fair value gain of approximately HK\$1,026,030,000 as at 1 January 2018 was reclassified from “Available-for-sale investment revaluation reserve” to “Equity investments at fair value through other comprehensive income reserve”.
- (iii) The Group reclassified some of its equity securities from FVPL to FVOCI upon adoption of HKFRS 9. Cumulative unrealised fair value gain of approximately HK\$152,285,000 as at 1 January 2018 was transferred from “Accumulated losses” to “Equity investments at fair value through other comprehensive income reserve”.
- (iv) As at 1 January 2018, the Group has reversed impairment loss of HK\$429,777,000 previously recognised on AFS equity securities under HKAS 39.

2. SEGMENT INFORMATION

For the management purpose, the Group is currently organized into four operating segments — financial investments and services, brokerage and commission, property investments and corporate and others. An analysis of the Group's revenue and results by business segment for the Period and the six months ended 30 September 2017 are as follows:

For the six months ended 30 June 2018

	Electronic and accessory products (Unaudited) HK\$'000	Financial investments and services (Unaudited) HK\$'000	Brokerage and commission (Unaudited) HK\$'000	Property investments (Unaudited) HK\$'000	Corporate and others (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:						
External	-	3,125	55,215	3,950	-	62,290
Intersegment sales	-	-	5,231	-	-	5,231
	-	3,125	60,446	3,950	-	67,521
Elimination	-	-	(5,231)	-	-	(5,231)
Total	-	3,125	55,215	3,950	-	62,290
Segment results	(10)	674	27,441	3,744	(52,623)	(20,774)
<i>Reconciliation:</i>						
Bank interest income						4
Gain on disposal of a subsidiary						80,793
Unallocated expenses						(751)
Finance costs						(36,036)
Profit before tax						23,236
Income tax expense						(5,143)
Profit for the period						18,093
Assets and liabilities						
Segment assets	-	2,434,322	655,902	430,519	10,593	3,531,336
<i>Reconciliation:</i>						
Unallocated assets						43,683
Total assets						3,575,019
Segment liabilities	745	245,016	278,106	169,498	247,007	940,372
<i>Reconciliation:</i>						
Unallocated liabilities						204,534
Total liabilities						1,144,906

For the six months ended 30 September 2017

	Electronic and accessory products (Unaudited) HK\$'000	Financial investments and services (Unaudited) HK\$'000	Brokerage and commission (Unaudited) HK\$'000	Property investments (Unaudited) HK\$'000	Corporate and others (Unaudited) HK\$'000	Consolidated (Unaudited) HK\$'000
Segment revenue:						
External	505	164,954	5,843	2,250	–	173,552
Intersegment sales	–	–	–	–	–	–
	505	164,954	5,843	2,250	–	173,552
Elimination	–	–	–	–	–	–
Total	505	164,954	5,843	2,250	–	173,552
Segment results	(1)	431,728	2,781	–	4,233	438,741
<i>Reconciliation:</i>						
Unallocated expenses						(9)
Finance costs						(29,107)
Profit before tax						409,625
Income tax expense						–
Profit for the period						<u>409,625</u>

At 31 December 2017

	Electronic and accessory products (Audited) HK\$'000	Financial investments and services (Audited) HK\$'000	Brokerage and commission (Audited) HK\$'000	Property investments (Audited) HK\$'000	Corporate and others (Audited) HK\$'000	Consolidated (Audited) HK\$'000
Assets and liabilities						
Segment assets	–	2,769,117	402,976	830,184	12,307	4,014,584
<i>Reconciliation:</i>						
Unallocated assets						214,064
Total assets						<u>4,228,648</u>
Segment liabilities	755	206,937	341,580	312,799	487,327	1,349,398
<i>Reconciliation:</i>						
Unallocated liabilities						155,346
Total liabilities						<u>1,504,744</u>

3. REVENUE AND OTHER INCOME AND GAINS

	For the six months ended 30 June 2018 (Unaudited) HK\$'000	For the six months ended 30 September 2017 (Unaudited) HK\$'000
Revenue		
Sale of goods	–	505
Losses on disposal of equity investments at fair value through profit or loss	(14,357)	(12,215)
Dividend income from investment in listed equity securities	–	157,688
Interest income from money lending business	17,482	19,481
Interest income from securities margin financing	19,376	1,610
Commission income from securities and futures dealing	15,787	2,141
Commission from placing	20,052	2,092
Property rental income	3,950	2,250
	62,290	173,552
Other income and gains		
Bank interest income	4	–
Gain on disposal of property, plant and equipment	6	–
Write back of impairment on loan receivables and trade receivables	14	–
Others	2,276	236
	2,300	236

4. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	For the six months ended 30 June 2018 (Unaudited) HK\$'000	For the six months ended 30 September 2017 (Unaudited) HK\$'000
Cost of inventories sold	–	500
Depreciation	1,006	967

5. FINANCE COSTS

	For the six months ended 30 June 2018 (Unaudited) HK\$'000	For the six months ended 30 September 2017 (Unaudited) HK\$'000
Interest on bank borrowings	6,359	2,097
Interest on other borrowings	26,192	24,662
Interest on bank overdrafts	1,314	151
Interest on notes payable	2,166	2,197
Others	5	–
	<u>36,036</u>	<u>29,107</u>

6. INCOME TAX EXPENSE

	For the six months ended 30 June 2018 (Unaudited) HK\$'000	For the six months ended 30 September 2017 (Unaudited) HK\$'000
Current — Hong Kong Charge for the period	<u>5,143</u>	–
	<u>5,143</u>	–

Hong Kong profits tax has been provided at the rate of 16.5% (2017: Nil) on the estimated assessable profits arising in Hong Kong for the six months ended 30 June 2018.

7. DIVIDEND

The Board has resolved not to pay any interim dividend for the Period (2017: Nil).

8. PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

(a) Basic earnings per share

The calculation of basic earnings per share amount is based on the profit attributable to owners of the parent for the Period of HK\$18,093,000 (2017: HK\$409,625,000) and the weighted average number of ordinary shares in issue of 12,981,843,831 (2017: 10,352,497,245) during the Period.

(b) Diluted earnings per share

The calculation of diluted earnings per share amount is based on the profit attributable to owners of the parent for the Period. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of diluted earnings per share is as follows:

	For the six months ended 30 June 2018 (Unaudited) HK\$'000	For the six months ended 30 September 2017 (Unaudited) HK\$'000
Profit attributable to owners of the parent	18,093	N/A
Weighted average number of ordinary shares in issue (<i>in '000</i>)	12,981,844	N/A
Effect of dilution — weighted average number of ordinary share: Share options (<i>in '000</i>)	<u>37,359</u>	<u>N/A</u>
Number of ordinary shares for the purpose of diluted earnings per share (<i>in '000</i>)	<u>13,019,203</u>	<u>N/A</u>
Diluted earnings per share (<i>in HK cent</i>)	<u>0.14</u>	<u>N/A</u>

9. EQUITY INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/ AVAILABLE-FOR-SALE EQUITY INVESTMENTS

	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Equity investments at fair value through other comprehensive income		
Listed equity investments, at fair value:	<u>2,104,471</u>	<u>—</u>
Available-for-sale equity investments		
Listed equity investments, at fair value:	<u>—</u>	<u>1,710,695</u>

The above investments consist of investments in equity securities which were designated as equity investments at fair value through other comprehensive income/available-for-sale equity investments financial assets and have no fixed maturity date or coupon rate.

10. LOAN RECEIVABLES

	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Loan receivables	311,471	476,765
Impairment	<u>(311)</u>	<u>—</u>
	<u>311,160</u>	<u>476,765</u>

Loan receivables represented loans of HK\$311,160,000 (31 December 2017: HK\$476,765,000) granted by the Group to a number of independent third parties. The loans bore interest at rates of ranging from 5% to 12% per annum (31 December 2017: ranging from 5% to 12% per annum) and were repayable within one year. The grants of these loans were approved and monitored by the Group's management.

The Group does not hold any collateral or other credit enhancement over its loan receivable balances. The carrying amount of the loan receivables approximates their fair values.

11. TRADE RECEIVABLES

	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Trade receivables arising from the business of trading and distribution of electronic and accessory products	1,175	1,175
Impairment	(1,175)	(1,175)
	<u> </u>	<u> </u>
	-	-
Trade receivables arising from the securities and futures dealing business		
— Clearing houses	35,204	11,803
— Cash clients	13,950	39,622
— Margin clients	484,373	331,670
— Brokers	102	8,124
	<u> </u>	<u> </u>
	533,629	391,219
Impairment	(487)	-
	<u> </u>	<u> </u>
	533,142	391,219
Trade receivables arising from the placing business		
— Corporate client	1,559	-
Impairment	-	-
	<u> </u>	<u> </u>
	1,559	-
	<u> </u>	<u> </u>
	<u>534,701</u>	<u>391,219</u>

Trade receivables from cash clients, clearing houses and brokers arising from the securities and futures dealing business are repayable on demand subsequent to the settlement date. The normal settlement terms of the said trade receivables are, in general, within 2 days after the trade date. The Group allows a credit period mutually agreed with the contracting parties for receivables from margin clients.

Except for receivables from margin clients, the Group does not hold any collateral or other credit enhancements over these balances. The Group is allowed to dispose of the securities or futures deposited by the customers with the Group to settle any overdue amount.

Trade receivables arising from the placing business are mainly on credit. The credit period is generally one to three months.

Trade receivables are unsecured, interest free and repayable on the settlement date of the relevant trades, except for the receivables from margin clients of HK\$484,373,000 (31 December 2017: HK\$331,670,000) which bears interest at a range of 9.25% to 12.25% (31 December 2017: at a range of 9.25% to 12.25%) per annum and are secured by investments held by margin clients of approximately HK\$1,822,534,000 (31 December 2017: HK\$2,782,100,000) as at 30 June 2018. The carrying amount of the trade receivables approximates their fair values.

12. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Listed equity investments in Hong Kong, at fair value	<u>21</u>	<u>560,368</u>

13. TRADE PAYABLES

	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Trade payable arising from the business of trading and distribution of electronic and accessory products	<u>502</u>	<u>502</u>
Trade payables arising from the securities and futures dealing business		
— Cash clients	47,525	55,235
— Margin clients	<u>45,797</u>	<u>152,341</u>
	<u>93,824</u>	<u>208,078</u>

Trade payables arising from securities dealing business bear interest at 0.01% per annum and repayable on the settlement day of the relevant trades. The carrying amounts of trade payables approximate their fair value.

Trade payables arising from futures dealing business are non-interest bearing and repayable on the settlement day of the relevant trades. The carrying amounts of trade payables approximate their fair value.

14. OTHER PAYABLES AND ACCRUALS

The Group's payables and accruals are non-interest-bearing and are normally settled within three months. The carrying amount of financial liabilities included in other payables and accruals approximates their fair values.

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	At 30 June 2018			At 31 December 2017		
	Effective interest rate (%)	Maturity	HK\$'000	Effective interest rate (%)	Maturity	HK\$'000
Current						
Bank overdrafts — secured	5.25 to 5.45	On demand	<u>105,365</u>	5 to 5.3	On demand	<u>59,494</u>
Bank loans — secured	2.75 to 4.33	2018-2019	202,000	3.2 to 3.6	2018	160,000
Current portion of long term bank loans — secured	3.25 to 3.5	2018-2019	<u>7,745</u>	2.7 to 3.5	2018	<u>7,763</u>
			209,745			167,763
Other loans — unsecured	8.0	On demand	150,000	8.0	On demand	117,000
Other loans — secured	7.3 to 11.0	2018-2019	<u>295,470</u>	7.3 to 11.0	2018	<u>408,930</u>
			445,470			525,930
			760,580			753,187
Non-current						
Bank loans — secured	3.25 to 3.5	2019-2037	<u>160,235</u>	2.7 to 3.5	2019-2037	<u>164,056</u>
			920,815			917,243

16. SHARE CAPITAL

	At 30 June 2018 (Unaudited) HK\$'000	At 31 December 2017 (Audited) HK\$'000
Authorised:		
80,000,000,000 (31 December 2017: 80,000,000,000) ordinary shares of HK\$0.01 each	<u>800,000</u>	<u>800,000</u>
Issued and fully paid:		
14,716,650,461 (31 December 2017: 12,716,650,461) ordinary shares of HK\$0.01 each	<u>147,167</u>	<u>127,167</u>

Movements of the Company's issued share capital and share premium amount were as follows:

	Number of share in issue	Issued share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 January 2018	12,716,650,461	127,167	4,491,489	4,618,656
Placing of new shares	<u>2,000,000,000</u>	<u>20,000</u>	<u>180,000</u>	<u>200,000</u>
At 30 June 2018	<u>14,716,650,461</u>	<u>147,167</u>	<u>4,671,489</u>	<u>4,818,656</u>

17. DISPOSAL OF A SUBSIDIARY

During the period ended 30 June 2018, the Group disposed of its entire interest in Goodview Assets Limited, an indirect wholly-owned subsidiary of the Group, for acquisition of 1,793,103,448 consideration shares in Future World Financial Holdings Limited (“FWF”). The disposal of Goodview Assets Limited was completed on 25 April 2018.

	2018 HK\$'000
Net assets disposed of:	
Investment property	400,000
Prepayments, deposits and other receivables	35
Other payables and accruals	(1,007)
Bank borrowing	<u>(137,338)</u>
Net assets disposed of	261,690
Gain on disposal of a subsidiary	<u>80,793</u>
	<u><u>342,483</u></u>
Satisfied by:	
Acquisition of 1,793,103,448 shares of FWF @ HK\$0.191	<u><u>342,483</u></u>

18. FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group’s financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Financial assets				
Equity investments at fair value through other comprehensive income	2,104,471	–	2,104,471	–
Available-for-sale equity investments	–	1,710,695	–	1,710,695
Equity investments at fair value through profit or loss	<u>21</u>	<u>560,368</u>	<u>21</u>	<u>560,368</u>
	<u><u>2,104,492</u></u>	<u><u>2,271,063</u></u>	<u><u>2,104,492</u></u>	<u><u>2,271,063</u></u>

Management has assessed that the fair values of cash and bank balances, bank balances held on behalf of clients, loan receivables, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, shareholder loan, other borrowings, bank borrowings and bank overdrafts approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the notes payable has been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, which approximate to their carrying amounts.

The fair values of equity investments at fair value through other comprehensive income/available-for-sale equity investments and equity investments at fair value through profit or loss are based on quoted market prices.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

At 30 June 2018

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable input (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Investment property	–	–	430,000	430,000
Equity investments at fair value through other comprehensive income	2,104,471	–	–	2,104,471
Equity investments at fair value through profit or loss	21	–	–	21
	<u>2,104,492</u>	<u>–</u>	<u>430,000</u>	<u>2,534,492</u>

At 31 December 2017

	Fair value measurement using			Total HK\$'000
	Quoted prices in active markets (Level 1) HK\$'000	Significant observable input (Level 2) HK\$'000	Significant unobservable inputs (Level 3) HK\$'000	
Investment property	–	–	430,000	430,000
Available-for-sale equity investments	1,710,695	–	–	1,710,695
Equity investments at fair value through profit or loss	560,368	–	–	560,368
	<u>2,271,063</u>	<u>–</u>	<u>430,000</u>	<u>2,701,063</u>

During the six months ended 30 June 2018, there were no transfers of fair value measurements between Level 1 and Level 2 (31 December 2017: Nil).

The Group did not have any financial liabilities measured at fair value as at 30 June 2018 and 31 December 2017.

19. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in these unaudited interim condensed consolidated financial statements, the Group had the following material transactions with related parties during the Period.

	For the six months ended 30 June 2018 (Unaudited) HK\$'000	For the six months ended 30 September 2017 (Unaudited) HK\$'000
Interest income from loans to directors	–	2,452
Interest income on margin financing from directors arising from securities dealing transactions	897	106
Commission income received from directors arising from securities dealing transactions	76	6
	<u>973</u>	<u>2,564</u>

Compensation of key management personnel of the Group:

	For the six months ended 30 June 2018 (Unaudited) HK\$'000	For the six months ended 30 September 2017 (Unaudited) HK\$'000
Salary, allowances and benefits in kind	4,238	949
Equity-settled share option expense	29,444	–
Pension scheme contribution	58	34
	<u>33,740</u>	<u>983</u>

20. APPROVAL OF THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved and authorised for issue by the Board on 28 August 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Results

The Group recorded a revenue of approximately HK\$62.3 million for the Period, compared to a revenue of approximately HK\$173.6 million for the six months ended 30 September 2017. It was mainly attributable to the brokerage and commission income of approximately HK\$55.2 million. The net profit for the Period was approximately HK\$18.1 million as compared to the net profit of approximately HK\$409.6 million, including the one-off dividend income from listed equity securities of approximately HK\$157.7 million, for the six months ended 30 September 2017. Basic earnings per share attributable to ordinary equity holders of the parent for the Period was approximately HK0.14 cent (30 September 2017: basic earnings per share of approximately HK3.96 cents). The Group's net profit for the Period was mainly attributable to the gain on disposal of an investment property of approximately HK\$80.8 million.

Business Review

During the Period, the Group has kicked off the assets management business. In the early stage, our investment funds will mainly focus on investing in the China's bond market. The China's bond market is the third largest in the world and offers attractive yield opportunities. It is expected that the market will continue to grow and transform with the rest of the economy, which the Group believes will become more capital market oriented and open to foreign investors.

The Group placed lots of effort in our placing business and the placing of U.S. dollar-denominated bonds has recorded a significant growth during the Period. The commission income from placing of bonds increased from approximately HK\$2.1 million to approximately HK\$20.1 million. The Group will continue to work closely with domestic and foreign financial institutions in cross boundaries financing for Chinese enterprises.

Further, to recognize the rapid technological change across the finance industry, the Group has been upgrading the online securities trading platform, mobile apps and its related business applications. The upgraded system creates an efficient and accessible trading platform for our clients and provides them with comprehensive real-time market information, putting them in a stronger position to capture investment opportunities.

Brokerage and Commission

The brokerage and commission business of the Group comprise securities and futures brokerage, margin financing and placements of bonds. The business are carried on through Instant Achieve Limited ("IAL"), a wholly-owned subsidiary of the Group, which in turn owned 100% equity interest in Central Wealth Securities Investment Limited ("CWSI") and Central Wealth Futures Limited ("CWF"). CWSI and CWF are incorporated in Hong Kong with limited liability and are carrying on business in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities) and type 5 (advising on futures contracts) regulated activities under the Securities and Futures Ordinance.

During the Period, the commission income from securities and futures dealing was approximately HK\$15.8 million and the interest income from the securities margin financing was approximately HK\$19.4 million. The Group will maintain its prudent credit policy and risk management approach with a view to achieve a sustainable business environment.

The placing business recorded a commission income of approximately HK\$20.1 million. The Group will continue to strengthen our services in the coming year and broaden our service range with an aim to provide one stop service to our customers.

Property Investments

The Group principally focuses on the luxury property investments in Hong Kong market and currently holds one luxury property located at No. 2 Lincoln Road, Kowloon Tong in Hong Kong (“No. 2 Lincoln Road Property”). The Group has disposed of a property located at No. 1 Lincoln Road, Kowloon Tong in Hong Kong to Future World Financial Holdings Limited for a consideration shares of HK\$342.5 million and recorded a gain of approximately HK\$80.8 million on the disposal during the Period. For details, please refer to the announcements dated 29 December 2017, 16 March 2018 and 25 April 2018 and the circular of the Company dated 21 March 2018. During the Period, the rental income of No.2 Lincoln Road Property was approximately HK\$4.0 million. The Group will continue to monitor its property portfolio with an aim to generate the stable rental income and the capital appreciation.

Financial Investments and Services

The financial investments and services of the Group comprise financial investments and trading, debt and equity investments and money lending business.

During the Period, the Hang Seng Index was volatile with fluctuations between 28,955 points and 29,919 points. Due to the unsatisfactory performance of global equity market, in particular the U.S. stock market, the Group recorded a realized loss on disposal of equity investments at fair value through profit or loss of approximately HK\$14.4 million, a fair value loss on equity investments at fair value through other comprehensive income of approximately HK\$556.0 million.

During the Period, the interest income from the money lending services was approximately HK\$17.5 million. The net balance of loan book recorded a decrease of approximately HK\$165.6 million to approximately HK\$311.2 million as compared to approximately HK\$476.8 million as at 31 December 2017. The money lending services charged annual interest rates at a range from 5% to 12% (30 September 2017: range from 5% to 12%). The Group will continue to maintain its prudent credit policy and risk management approach with a view to achieve a sound financial management and sustainable business environment.

Prospects

Looking ahead, the global economy is picking up its speed with upswing in economic activity strengthening. With the implementation of the belt and road initiative, the development of Guangdong-Hong Kong-Macao Greater Bay Area and the completion of several major infrastructure projects like the Hong Kong-Zhuhai-Macao Bridge and the Express Railway Link in the coming years. Further, the Stock Exchange of Hong Kong Limited has announced new rules to encourage the new listings of biotech companies and companies with weighted voting rights structure. It is expected that Hong Kong will benefit from the new listing regime.

Nonetheless, continuing political and economic uncertainties remain on a number of fronts. Trade tensions between the U.S. and China, as well as uncertainty of President Trump's policies could derail the global economic recovery. Besides, we shall not overlook the downside risks due to the expectation of US interest hike and the threat of geopolitical tension of North Korea which continue to cloud the global economic recovery. In light of these macroeconomic challenges, the Group will continue to be on the alert to pursue its prudent investment strategy in developing its existing and new businesses.

Financial Review

Revenue

The Group recorded revenue of approximately HK\$62.3 million for the Period as compared to a revenue of approximately HK\$173.6 million for the six months ended 30 September 2017. The Group's revenue principally comprised interest income from money lending business of approximately HK\$17.5 million, commission income from placing of bonds and shares of approximately HK\$20.1 million, commission income from securities and futures dealing of approximately HK\$15.8 million, interest income from securities margin financing of approximately HK\$19.4 million, a realized loss on disposal of equity investments at fair value through profit or loss of approximately HK\$14.4 million and property rental income of approximately HK\$4.0 million. The net profit for the Period was approximately HK\$18.1 million.

Other Comprehensive Loss and Net Asset Value

The Group recorded other comprehensive loss of approximately HK\$556.0 million for the Period (other comprehensive income for the six months ended 30 September 2017: approximately HK\$768.5 million). It was attributable to a fair value loss of approximately HK\$556.0 million on equity investments at fair value through other comprehensive income for the Period (for the six months ended 30 September 2017: approximately HK\$768.5 million). As at 30 June 2018, the Group's net asset value was approximately HK\$2,430.1 million (31 December 2017: approximately HK\$2,723.9 million).

Liquidity and Financial Resources

During the Period, the Group generally financed its operation with internally generated cash flow, overdrafts, bank and other borrowings and other fund raising activities. The Group's cash and bank balances as at 30 June 2018 were approximately HK\$43.5 million (31 December 2017: approximately HK\$123.4 million).

As at 30 June 2018, the Group had bank overdrafts of approximately HK\$105.4 million (31 December 2017: approximately HK\$59.5 million), interest-bearing bank borrowings of approximately HK\$370.0 million (31 December 2017: approximately HK\$331.8 million), interest-bearing other borrowings of approximately HK\$445.5 million (31 December 2017: approximately HK\$525.9 million) and non-current notes payable of approximately HK\$86.6 million (31 December 2017: approximately HK\$86.6 million).

As at 30 June 2018, the Group's current ratio was approximately 1.14 times (31 December 2017: approximately 1.65 times) based on current assets of approximately HK\$1,022.3 million (31 December 2017: approximately HK\$2,072.5 million) and current liabilities of approximately HK\$898.0 million (31 December 2017: approximately HK\$1,254.0 million).

As at 30 June 2018, the Group has no capital commitment (31 December 2017: Nil). The Group also had no other contingent liabilities (31 December 2017: Nil).

Capital Structure

As at 30 June 2018, the Group's gearing ratio was approximately 41.45% (31 December 2017: approximately 41.33%). Gearing ratio equals total borrowings divided by net asset value as at the end of the reporting period. The total borrowings of approximately HK\$1,007.4 million includes bank and other borrowings, bank overdraft and notes payable.

The Group's bank balance and borrowings are mainly denominated in Hong Kong and United States dollars. Most of the Group's revenue are made in Hong Kong dollars. Therefore, the exchange risks that the Group is exposed to are insignificant.

In June 2018, the Company placed a total of 2,000,000,000 shares at HK\$0.1 per placing share representing 15.73% of its total issued capital at that time. The proceeds of HK\$200 million was used for the repayment of loan. Detailed information was set out in the Company's announcements dated 21 May 2018 and 7 June 2018 respectively.

Significant Investments

As at 30 June 2018, the Group maintained a portfolio of equity investments (including equity investments at fair value through other comprehensive income, available-for-sale equity investments and equity investments at fair value through profit or loss) with total carrying amount of approximately HK\$2,104.5 million (30 September 2017: HK\$2,596.7 million). The details of the portfolio of equity investments as at 30 June 2018 are respectively set out as follows:

30 June 2018

Stock Code	Name of Securities	% of shareholding in the listed securities held by the Group as at 30 June 2018	Fair value losses for the period ended 30 June 2018 <i>HK\$'000</i>	Fair value of the investment in listed securities as at 30 June 2018 <i>HK\$'000</i>
Equity investments at fair value through other comprehensive income				
572	Future World Financial Holdings Limited	18.78%	(266,457)	274,042
1004	China Smarter Energy Group Holdings Limited	0.74%	2,808	69,790
1141	CMBC Capital Holdings Limited	8.45%	(298,141)	1,760,639
	Total		<u>(561,790)</u>	<u>2,104,471</u>
Equity investments at fair value through profit or loss				
388	HKEX	0.00%	–	21
	Total		<u>–</u>	<u>21</u>

30 September 2017

Stock Code	Name of Securities	% of shareholding in the listed securities held by the Group as at 30 September 2017	Fair value gains/(losses) for the period ended 30 September 2017 <i>HK\$'000</i>	Fair value of the investment in listed securities as at 30 September 2017 <i>HK\$'000</i>
Available-for-sale equity investments				
572	Future World Financial Holdings Limited	8.48%	14,975	130,756
1004	China Smarter Energy Group Holdings Limited	0.90%	(9,254)	49,637
1141	CMBC Capital Holdings Limited	5.68%	1,208,492	1,715,957
1370	Hengshi Mining Investments Limited	0.31%	(950)	9,350
	Total		<u>1,213,263</u>	<u>1,905,700</u>
Equity investments at fair value through profit or loss				
388	HKEX	0.02%	1,138	58,407
1141	CMBC Capital Holdings Limited	2.09%	253,531	632,636
	Total		<u>254,669</u>	<u>691,043</u>

Details of Charges on Assets

As at 30 June 2018, the Group had charges on assets in the form of certain Hong Kong listed securities collectively held by two wholly-owned subsidiaries charged to independent third party to secure a US\$30,000,000 (equivalent to approximately HK\$234,000,000) term loan facility (31 December 2017: US\$30,000,000). The term loan was partially repaid and the outstanding balance was HK\$82,000,000 as at 30 June 2018. The term loan was fully repaid and the charges were released in July 2018.

As at 30 June 2018, the Group had pledged certain listed equity investments of approximately HK\$1,707,833,000 (31 December 2017: approximately HK\$1,925,744,000) to secure the margin loan accounts.

As at 30 June 2018, the Group had pledged its investment property with a carrying amount of HK\$430,000,000 to secure the bank borrowing (31 December 2017: HK\$830,000,000).

Material Disposal

Disposal of No. 1 Lincoln Road Property

On 29 December 2017, the Group entered into a conditional sale and purchase agreement to dispose of its entire interest in Goodview Assets Limited, an indirect wholly owned subsidiary of the Company, to FWF for a consideration shares of HK\$342.5 million. The sole asset of the disposal company is a property located at No. 1, Lincoln Road, Kowloon, Hong Kong. The disposal was completed on 25 April 2018. Details were set out in the announcements of the Company dated 29 December 2017, 16 March 2018 and 25 April 2018 and the circular of the Company dated 21 March 2018.

Employment, Training and Development

As at 30 June 2018, the Group had a total of 71 employees. The Group is committed to staff training and development and structured training programmes for all employees. Remuneration packages are maintained at a competitive level and reviewed on a periodic basis. Bonuses and share options are awarded to certain employees according to individual performance and industry practice.

CORPORATE GOVERNANCE

The Board is committed to maintaining good corporate governance, consistently enhancing transparency and effective accountability in order to maximize shareholders' benefit. Detailed disclosure of the Company's corporate governance practices was stated in its last published Annual Report for the year ended 31 December 2017.

The Company has complied with the code provisions set out in Corporate Governance Code (the "CG Code") in Appendix 14 of the Listing Rules throughout the Period except there is no separation of the roles of Chairman and Chief Executive as specified in code provision A.2.1 of the CG Code.

To achieve clear division of responsibilities between the management of the Board and day-to-day management of the business and hence to ensure balance of power and authority, there is separation of duties for the Chairman and Chief Executive of the Company. The Group had been recruiting the appropriate candidate for the post of chief executive after the resignation of the former chief executive on 20 April 2015.

On 27 February 2018, the Company announced the appointment of Mr. Xu Ke as an executive director and the chief executive officer of the Company. The Board considered that such appointment would achieve a separation of duties for the Chairman and Chief Executive of the Company and ensure a balance of power and authority, and hence strengthening the governance function and business development of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

AUDIT COMMITTEE

The Audit Committee meets at least twice a year to monitor and review the integrity and effectiveness of the Company's financial reporting. The Audit Committee has reviewed the Company's unaudited interim condensed consolidated financial statements for the Period and discussed auditing, financial and internal control, and financial reporting matters of the Company. The Audit Committee comprises three members, namely, Mr. Kwok Chi Kwong (Chairman of the Audit Committee), Mr. Chen Youchun and Mr. Mai Qijian, all of whom are independent non-executive directors of the Company.

On behalf of the Board
China Soft Power Technology Holdings Limited
Chen Xiaodong
Chairman

Hong Kong, 28 August 2018

As at the date of this announcement, the Board comprises five executive directors, namely, Mr. Chen Xiaodong, Mr. Xu Ke, Mr. Yu Qingrui, Ms. Lam Hay Yin and Ms. Lee Chau Man Ada; and three independent non-executive directors, namely, Mr. Kwok Chi Kwong, Mr. Chen Youchun and Mr. Mai Qijian.