



亞投金融集團有限公司

ASIA INVESTMENT FINANCE GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 0033)



# INTERIM REPORT 2018

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# CORPORATE INFORMATION

## Executive Directors

Cheung Kwan (*Chairperson*)  
Wei Jiafu (*Resigned with effect from March 29, 2018*)  
Wong Kwong Sum  
(*Resigned with effect from August 7, 2018*)  
Liu Hu  
Ling Zack Xiange (*Appointed on August 8, 2018*)

## Non-executive Director

Wang Angel Yunxiao (*Co-Chairperson*)  
(*Retired with effect from March 20, 2018*)  
Wang Dayong (*Co-Chairman*)  
(*Appointed on August 18, 2018*)

## Independent Non-executive Directors

Anthony Espina  
Wong Tin Yau, Kelvin  
(*Resigned with effect from February 14, 2018*)  
Ho Chun Chung, Patrick  
Ge Ming

## Executive Committee

Cheung Kwan (*Chairperson*)  
Wei Jiafu (*Resigned with effect from March 29, 2018*)  
Wong Kwong Sum  
(*Resigned with effect from August 7, 2018*)  
Liu Hu  
Ling Zack Xiange  
(*Appointed on August 8, 2018*)

## Audit Committee

Anthony Espina (*Chairman*)  
Wong Tin Yau, Kelvin  
(*Resigned with effect from February 14, 2018*)  
Ho Chun Chung, Patrick  
Ge Ming

## Remuneration Committee

Ho Chun Chung, Patrick (*Chairman*)  
Wong Tin Yau, Kelvin  
(*Resigned with effect from February 14, 2018*)  
Anthony Espina  
Ge Ming

## Nomination Committee

Ho Chun Chung, Patrick (*Chairman*)  
Cheung Kwan  
Wong Kwong Sum  
(*Resigned with effect from August 7, 2018*)  
Wong Tin Yau, Kelvin  
(*Resigned with effect from February 14, 2018*)  
Anthony Espina  
Ge Ming  
Ling Zack Xiange  
(*Appointed on August 8, 2018*)

## Risk Management Committee

Ling Zack Xiange (*Chairman*)  
(*Appointed on August 8, 2018*)  
Wong Kwong Sum  
(*Appointed on March 29, 2018 and*  
*resigned with effect from August 7, 2018*)  
Wei Jiafu (*Resigned with effect from March 29, 2018*)  
Cheung Kwan  
Liu Hu

## Authorised Representatives

Wong Kwong Sum  
(*Resigned with effect from August 7, 2018*)  
Tsang King Sun  
Ling Zack Xiange  
(*Appointed on August 8, 2018*)

## Company Secretary

Tsang King Sun

## Website

www.aifgroup.com

## Registered Office

P.O. Box 309  
Ugland House  
South Church Street  
George Town  
Grand Cayman, KY1-1104  
Cayman Islands

## Principal Place of Business in Hong Kong

Unit 3201, 32/F.  
Bank of America Tower  
12 Harcourt Road, Central,  
Hong Kong

## Principal Share Registrar and Transfer Office

Royal Bank of Canada Trust Company  
(Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands

## Hong Kong Branch Share Registrar and Transfer Office

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

## Principal Bankers

Bank of China (Hong Kong)

## Legal Adviser

P.C. Woo & Co.  
12/F, Prince's Building  
Central  
Hong Kong

## Auditor

CHENG & CHENG LIMITED  
Certified Public Accountants  
10/F, Allied Kajima Building  
138 Gloucester Road, Wanchai  
Hong Kong

## Stock Code

0033 (Listed on the Main Board of The Stock  
Exchange of Hong Kong Limited)

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW, OUTLOOK AND PROSPECT

### Business Review, Outlook and Prospect

The Group's operating businesses include securities brokerage and asset management, money lending business, credit guarantee, investing and funding businesses, as well as trading of metals, minerals and other products. During the Reporting Period, the operations of the Group were diverse.

The Group has the licences (Type 1, 2, 4, 5 and 9) under the Securities and Futures Ordinance ("SFO") and is in full operation of its securities brokerage and asset management business. The securities funding business is tapping into the stock market. On the other hand, our subsidiary which is in possession of a money lenders licence had commenced the money lending business in the investment and finance market sectors in Hong Kong with satisfactory results. The Group continues to grow its business and operations by fully utilizing its licences regulated under the SFO.

In the first half of this year, the economic environment remains challenging. However, the Group is confident in the future about the financial markets and business development, particularly in those countries and regions within the scope of the "Belt and Road" policy, which are full of emerging opportunities. The Company will continue to implement a prudent strategy in managing its existing business operations, while looking for investment projects with potential and new business opportunities in countries and regions within the scope of the "Belt and Road" policy.

Besides, the Group will put efforts to develop licensed business and continue to develop new markets in order to increase the value of business platform of the licensed business. Based on the businesses of the financial platform, the Group looks for business opportunities in the industries with growth potentials and cooperation. The Group will continue to capture opportunities and expand our international trading business, especially to put more efforts to the commodities logistics with the countries along the "Belt and Road" route. The Group will leverage on financial segment to drive its international trade in order to maximize the income from investments and operations, broaden the source of income and improve the Group's financial performance.

### Securities brokerage and asset management

The Group acquired a licensed asset management company and a licensed stockbroker company in year 2016. The operations and businesses of the asset management company and stockbroker company has commenced in 2017.

The revenue for securities brokerage and asset management for the six months ended June 30, 2018 (the "Reporting Period") were approximately HK\$0.6 million (June 30, 2017: HK\$0.8 million). The businesses were at its full scale of operation and the Group will seek for business opportunities for future expansion.

### Money lending business

With increasing market competition of the money lending industry in Hong Kong during recent years, the growth of the money lending business slowed down during the Reporting Period. During the Reporting Period, there was a decrease in our loan portfolio and the interest income from money lending business were approximately HK\$5.7 million for the Reporting Period (June 30, 2017: approximately HK\$6.4 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

The Company will further drive this business by achieving healthy loan growth, while at the same time maintaining strong credit quality and credit risk management to accumulate a stable income stream for the Company.

## **Credit guarantee and investment business**

The Group is involved in credit guarantee and investment business in Mainland China and no revenue was derived from this segment during the Reporting Period (June 30, 2017: approximately HK\$4.0 million). The Group grant loans to companies with pledge of collateral assets in Mainland China for interest income.

Due to global economic slow-down, many financial institutions, including the Company, would like to tighten its credit policy to mitigate the credit risk.

## **Trading of party products**

The Group is involved in trading of party products and the revenue of this segment during the Reporting Period was approximately HK\$22.2 million (June 30, 2017: approximately HK\$26.5 million). The Group traded party products with several major and stable customers, who are corporate customers from Asia.

During the Reporting Period, the Group purchased party related products including party accessories, decorations, cutlery and eatery wares from suppliers in the PRC. The Group will provide touch-ups to such products in the PRC, which includes but not limited to adding festive elements to such products. The final products would be exported to our overseas customers.

As the market of party products is competitive and shrinking in recent years, the management of the Group will continue closely monitor the market and take corresponding measures where necessary.

## **Trading of metals and minerals**

The metal trading business was commenced in 2014 by the then management of the Group with the intention to diversify its income stream and increase its revenue and the product traded in the metal trading segment was ferrochrome. During the Reporting Period, there was no revenue (June 30, 2017: approximately HK\$97.4 million) generated from this segment since the price of the commodity is quite fluctuated in recent years and the gross profit margin is relatively low.

In relation to the prospects of the metal trading segment, the Company will continue its metal trading business wherever there is opportunity to achieve a gain through the metal trading activities on an indent sales basis.

## **Financial Review**

During the Reporting Period, the Group's revenue was approximately HK\$28.5 million representing a decrease of 78.9% from approximately HK\$135.2 million for the six months' period ended June 30, 2017. The decrease in turnover was mainly due to the competitive environment and no sales from credit guarantee service and investment business and trading of metals and minerals.

Gross profit for the Reporting Period was approximately HK\$3.8 million, representing a decrease of 64.8% of approximately HK\$10.8 million for the six months' period ended June 30, 2017. In terms of gross profit margin, the current figure was 13.4%, representing an increase of 5.4% from 8.0% for the six months' period ended June 30, 2017. The increase in gross profit was contributed by the decrease of turnover in the business of trading of metals and minerals which generate a relatively lower gross profit margin.

## MANAGEMENT DISCUSSION AND ANALYSIS

Other revenue/(expenses) and other net income/(loss) for the Reporting Period was approximately HK\$40.6 million (June 30, 2017: approximately HK\$5.3 million), the increase of loss was mainly attributable to the combined effect of the (1) the increase of HK\$18.0 million in unrealized loss on fair value change of trading securities; (2) reversal of approximately HK\$11.7 million of bad debt written off from previous years; (3) gain on extension of convertible bonds of approximately HK\$6.5 million comparing with last year; and (4) an increase in impairment on loan and trade receivables from customers and other receivables which were approximately HK\$13.8 million and HK\$18.4 million respectively due to the adoption of an expected credit loss model under Hong Kong Financial Reporting Standard 9 Financial Instruments (“HKFRS 9”) issued by the Hong Kong Institute of Certified Public Accountants in 2018.

Operating expenses for the Reporting Period was HK\$44.7 million, representing a decrease of approximately 20.6% from approximately HK\$56.3 million for the six months’ period ended June 30, 2017, was mainly attributable to the combined effect of (1) the decrease of approximately HK\$17.9 million in human resources, legal and professional and general office expenses resulting from effective implementation of cost control policy during the Reporting Period; and (2) the increase in recognition of share-based payment expense, which was non-cash in nature, of approximately HK\$7.9 million recorded for the grant of share options comparing with the same period of last year.

Finance costs for the Reporting Period were approximately HK\$3.8 million, representing an increase of around 18.8% from HK\$3.2 million for the six months’ period ended June 30, 2017. Such finance cost was mainly due to the imputed interest expenses on convertible bonds.

According to HKFRS 9, the expected credit loss model requires an entity to assess the change in credit risk of the financial asset since initial recognition at each reporting date and to recognise the expected credit loss depending on the degree of the change in credit risk. The adoption of HKFRS 9 by the Company on January 1, 2018 resulted in an impairment for expected credit loss on other receivables of approximately HK\$45.3 million being recognised as at January 1, 2018.

### Liquidity and Financial Resources

As at June 30, 2018, net current assets were approximately HK\$134.0 million (December 31, 2017: net current assets was approximately HK\$240.9 million). The Group’s current ratio was 1.74 (December 31, 2017: 2.44), based on current assets of approximately HK\$314.5 million and current liabilities of approximately HK\$180.5 million. The Group had no bank borrowing as at June 30, 2018 (December 31, 2017: Nil) and had a short term borrowing of approximately HK\$13.0 million, the gearing ratio was 43.4% (December 31, 2017: Nil) which is calculated on the Group’s total liabilities divided by its total assets. Such short term borrowing had an interest rate at 5% per annum and would mature on the 105th day after the issuing date. As at June 30, 2018, the Group had cash and bank balances of approximately HK\$4.6 million (December 31, 2017: approximately HK\$78.5 million). The cash and bank balances were denominated in Renminbi, HK dollar and US dollar. The Group has no structured investment products and foreign exchange contracts. The Group is not exposed to material fluctuations in exchange rates and thus no hedging against foreign currency exposure was necessary.

As at June 30, 2018, the Group had prepayments, deposits and other receivables of approximately HK\$121.6 million, which represented a decrease of approximately HK\$14.0 million (around 10.3%) from approximately HK\$135.6 million as at December 31, 2017. As at June 30, 2018, the Group had no capital commitments (December 31, 2017: approximately HK\$5.0 million). The operating lease commitment for the Group as at June 30, 2018 was approximately HK\$28.4 million (December 31, 2017: approximately HK\$39.7 million).

### Material Acquisition and Disposals of Subsidiaries and Associates

The Group had no material acquisition and disposals of subsidiaries and associates during the Reporting Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Significant Investments

For the six months' period ended June 30, 2018, the Group had significant investments in equity securities of companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") which were classified as trading securities, and the performance of such equity securities are as follows:

Name	(Stock code)	Principle business	Number of share held		Market value		Proportion to the total assets of the Group		Investment cost		Unrealised gain/(loss) on fair value change	
			As at 30 Jun 2018	As at 31 Dec 2017	As at 30 Jun 2018	As at 31 Dec 2017	As at 30 Jun 2018	As at 31 Dec 2017	As at 30 Jun 2018	As at 31 Dec 2017	For the period ended 30 Jun 2018	For the period ended 30 Jun 2017
					HK\$'000	HK\$'000			HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hosa International Limited	#2200	Design and production of a wide range of mid-to-high end sportswear products.	10,000,000	10,000,000	2,900	26,400	0.70%	5.02%	26,810*	23,846	(23,873)*	-
Huiyin Holdings Group Limited	#01178	Manufacturing and trading of BIOenergy products, healthcare food products, multi-functional water generators, other healthcare products and properties investments.	65,300,000	32,600,000	2,743	2,217	0.66%	0.42%	5,538*	2,608	(1,462)*	(4,781)
The People's Insurance Co. (Group) of China Ltd	#1339	Provided integrated financial products and services and were engaged in property and casualty ("P&C") insurance, life and health insurance, asset management and other businesses.	1,980,000	1,000,000	7,306	3,850	1.76%	0.73%	7,738	4,102	(431)	-
Sana Health Industry Group Co. Ltd	#1889	Development, manufacturing, marketing and sales of pharmaceutical products, sales of pharmaceutical related software, provision of consultancy services, general trading and provision of finance leasing services.	19,500,000	-	10,140	-	2.44%	-	12,085	-	(1,945)	-
Citic Dameng Holdings Ltd	#1091	Manganese mining, ore processing and downstream processing operations in Mainland China, manganese mining and ore operations in Gabon, as well as trading of manganese ore, manganese alloy and related raw materials.	252,000	-	96	-	0.02%	-	131	-	(35)	-
GCL New Energy Holdings Ltd	#451	Sales of electricity, development, construction, operation and management of solar power plants	-	3,500,000	-	1,925	-	0.37%	-	1,925	-	-
Haitong Securities Co. Ltd	#06837	Engaged in securities and futures contracts dealing and broking, proprietary trading, margin and other financing, underwriting, assets management, direct equity investments, finance lease business, banking services, corporate finance business, individual finance business, fund management business and provision of investment advisory and consultancy services.	-	-	-	-	-	-	-	-	-	(1,401)
Tansh Global Food Group Co. Ltd	#03666	Engaged in the operation of chain restaurants in Chinese Mainland, Hong Kong and other regions.	-	-	-	-	-	-	-	-	-	(2,437)
Jiangxi Copper Co. Ltd	#00358	Copper mining, milling, smelting and refining for the production of copper cathodes, copper rods and wires and other related products, including pyrite concentrates, sulphuric acid, and electrolytic gold and silver, and rare metals such as molybdenum, and trading of copper related products, etc.	-	-	-	-	-	-	-	-	-	(1,080)
					23,185	34,392			52,302	32,481	(27,746)	(9,699)

\* Investment cost in these investee companies represented the initial acquisition costs for the respective investee company. Some of the investments in these investee companies were made by the Company in prior years. For those part of investments in these investee companies which were made in prior years, they were subject to fair value adjustments and unrealised gain/(loss) on change in fair value were recognised at the financial year end of the respective years. The unrealised gain/(loss) on change in fair value of these investee companies for the six months ended June 30, 2018 excluded those amount being recognised in prior years.

## MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Period, the Group's securities investment business recorded a net disposal loss of approximately HK\$1.2 million (June 30, 2017: a net disposal gain of approximately HK\$4.0 million), which was mainly attributed to the combined effect from the disposal of The People's Insurance Co. (Group) of China Limited, GCL New Energy Holdings Limited, CITIC Dameng Holdings Limited and Sanai Health Industry Group Company Limited. During the Reporting Period, the dividend received from securities investment were approximately HK\$0.1 million (June 30, 2017: approximately HK\$0.1 million). As at June 30, 2018, the market value of the listed securities being held by the Group was approximately HK\$23.2 million in value (December 31, 2017: approximately HK\$34.4 million) and an unrealized loss on fair value change was approximately HK\$27.7 million (June 30, 2017: approximately HK\$9.7 million).

The Directors believe that the future performance of the equity securities of companies listed on the Stock Exchange held by the Group will be affected by the overall economic environment, equity market conditions, investor sentiment and the business performance of the investee companies. The Board will continue adopting a prudent financial management strategy and look out for opportunities to invest in Main Board Listed Companies to generate better returns to its shareholders.

### **Contingent Liabilities**

As at June 30, 2018 the Group did not have any material contingent liabilities (December 31, 2017: Nil).

### **Foreign Currency Risk**

The Group's main operations are located in Hong Kong and the PRC. Most of the assets, income, payments and cash balance are denominated in HKD and RMB. The Directors consider that exchange rate fluctuations have no significant impact on the Company's results.

### **Capital Structure**

As at June 30, 2018, the authorised share capital of the Company was HK\$10,000,000,000 divided into 100,000,000,000 shares of HK\$0.1 each, and the issued share capital of the Company was HK\$932,717,200 divided into 9,327,172,000 shares of HK\$0.1 each.

During the Reporting Period, there was an outstanding principal amount of HK\$100,000,000 of convertible bond which was granted pursuant to the subscription agreement dated November 5, 2015 (the "Subscription Agreement"). Based on the Subscription Agreement, the Company has allotted (i) 1,000,000,000 subscription shares at the subscription price of HK\$0.10 per subscription share and issued (ii) the convertible bonds (the "Convertible Bonds") in the principal amount of HK\$100,000,000 to the subscriber, Internet Finance Investment Company Limited ("Internet Finance"), a company which is wholly-owned by Ms. Cheung Kwan (a substantial shareholder and an executive Director of the Company).

According to the terms and conditions of the bonds, the bonds bear a nil interest rate and will mature in second anniversary of the date of issue of the bonds. The bondholder has the right to convert the whole or part of the principal amount of the bonds into conversion shares at any time and from time to time, between the date of issue of the bonds and up to the maturity date.

## MANAGEMENT DISCUSSION AND ANALYSIS

On January 10, 2018, the Company and Internet Finance entered into a deed of variation (the “Deed of Variation”), pursuant to which it is agreed that, subject to the fulfillment of conditions precedent, the maturity date of the outstanding Convertible Bonds in the principal amount of HK\$100,000,000 will be extended from February 18, 2018 to February 18, 2019.

On March 20, 2018, the Deed of Variation has been approved by the independent shareholders at the extraordinary general meeting of the Company. As at the date of this report, all conditions precedent have been fulfilled.

Details of the above transactions had been disclosed in the circulars issued by the Company dated January 8, 2016 and February 28, 2018, and the announcements issued by the Company dated February 18, 2016, January 10, 2018 and March 20, 2018 respectively.

### **Charges on Group’s Assets**

As at 30 June 2018, there were no charges on the Group’s assets.

### **Capital Commitment**

As at June 30, 2018, the Group had no capital commitment (December 31, 2017: approximately HK\$5.0 million).

### **Human Resources**

As at June 30, 2018, the Group had 54 employees (December 31, 2017: 58 employees). The Group’s total employee benefit expenses (including directors’ emoluments) for the six months ended June 30, 2018 and 2017 were approximately HK\$27.5 million and HK\$22.1 million, respectively. It is the Group’s policy to recruit the right person for each position based on the person’s qualification and experience. The remuneration of each employee is reviewed every year based on the performance of the employee with reference to the prevailing market conditions.

### **Share Option Scheme**

At the annual general meeting of the Company held on June 26, 2017, the shareholders of the Company approved the adoption of a new share option scheme (“2017 Share Option Scheme”) which became effective on June 26, 2017 (“Commencement Date”) and terminated the share option scheme adopted by the Company on October 30, 2007 (“2007 Share Option Scheme”) at the same time. Upon the termination of the 2007 Share Option Scheme, no further Options will be offered or granted but the provisions of the 2007 Share Option Scheme will remain in full force to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the 2007 Share Option Scheme.

The purpose of the 2017 Share Option Scheme is to provide incentives or rewards to participants of the 2017 Share Option Scheme for their contribution to, and continuing efforts to promote the interests of the Group. The participants (as defined in the 2017 Share Option Scheme) include any employees of the Group (including any directors, whether executive or non-executive and whether independent or not, of the Company or any of its subsidiaries) and any distributor, contractor, business partner, promoter, service provider, customer, supplier, consultant, agent and adviser or any person who, in the sole discretion of the Board, has contributed or may contribute to the Group. Unless otherwise cancelled or amended, the 2017 Share Option Scheme will remain in force for ten (10) years from the Commencement Date.

## MANAGEMENT DISCUSSION AND ANALYSIS

Details of the share option granted and summary of movements of the outstanding share options for the Reporting Period under the Share Option Scheme are as follows:

Category of Participant	Date of grant	Exercise price (HK\$)	Closing price of Shares immediately before the date of grant (HK\$)	Exercise period	Number of share options				
					As at 1 January 2018	Granted during the reporting period	Exercised during the reporting period	Lapsed during the reporting period	As at 30 June 2018
<b>Directors</b>									
Cheung Kwan	27 July 2017	0.15	0.069	27 July 2017 to 26 July 2020	250,000,000	–	–	–	250,000,000
Wang Angel Yunxiao	27 July 2017	0.15	0.069	27 July 2017 to 26 July 2020	90,000,000	–	–	90,000,000	–
Wei Jiafu	27 July 2017	0.15	0.069	27 July 2017 to 26 July 2020	30,000,000	–	–	30,000,000	–
Wong Kwong Sum	27 July 2017	0.15	0.069	27 July 2017 to 26 July 2020	10,000,000	–	–	–	10,000,000
Antony Espina	27 July 2017	0.15	0.069	27 July 2017 to 26 July 2020	9,000,000	–	–	–	9,000,000
Wong Tin Yau, Kelvin	27 July 2017	0.15	0.069	27 July 2017 to 26 July 2020	9,000,000	–	–	9,000,000	–
Ho Chun Chung, Patrick	27 July 2017	0.15	0.069	27 July 2017 to 26 July 2020	9,000,000	–	–	–	9,000,000
Ge Ming	27 July 2017	0.15	0.069	27 July 2017 to 26 July 2020	9,000,000	–	–	–	9,000,000
Liu Hu	29 November 2017	0.15	0.103	29 November 2017 to 28 November 2020	25,000,000	–	–	–	25,000,000
	29 November 2017	0.15	0.103	29 November 2018 to 28 November 2020	25,000,000	–	–	–	25,000,000
<b>Employees</b>									
	27 July 2017	0.15	0.069	27 July 2017 to 26 July 2020	14,000,000	–	–	–	14,000,000
	29 November 2017	0.15	0.103	29 November 2017 to 28 November 2020	75,000,000	–	–	–	75,000,000
	29 November 2017	0.15	0.103	29 November 2018 to 28 November 2020	75,000,000	–	–	–	75,000,000
<b>Other eligible participants</b>									
	27 July 2017	0.15	0.069	27 July 2017 to 26 July 2020	91,000,000	–	–	–	91,000,000
	27 July 2017	0.15	0.069	1 January 2018 to 26 July 2020	51,000,000	–	–	–	51,000,000
	27 July 2017	0.15	0.069	1 January 2019 to 26 July 2020	51,000,000	–	–	–	51,000,000

As at June 30, 2018, there were a total of 932,717,200 Shares, representing 10% of the issued Shares, available for issue under the 2017 Share Option Scheme.

### EVENT AFTER REPORTING PERIOD

Subsequent to June 30, 2018, the Company had the following events:

On July 17, 2018, the Company and China Universities Media Holdings Limited (中國高校傳媒控股有限公司) entered into a supplemental memorandum of understanding (the “Supplemental MOU”) in relation to the acquisition of the entire issued share capital of China Universities Media Limited (中國高校傳媒有限公司) whereby the parties extended the period of Exclusivity to one (1) month from the execution of the Supplemental MOU (or such later date as the parties to the Supplemental MOU may agree in writing) as both parties required more time to discuss the terms and conditions of the formal sale and purchase agreement.

### INTERIM DIVIDEND

The Board did not recommend any interim dividend for the six months ended June 30, 2018 (June 30, 2017: Nil).

## DISCLOSURE OF INTERESTS

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND THE ASSOCIATED CORPORATIONS

As at June 30, 2018, the interests and short positions of the Directors in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the “SFO”) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in the Appendix 10 of Listing Rules, were as follows:

Name	Nature of Interests	Number of shares	Class of Share	Percentage to the issued share capital of the Company
Cheung Kwan	Beneficial Owner	1,450,000,000 (long position)	Shares	15.55%
	Interest of a controlled corporate	2,000,000,000 (long position)	Shares and Convertible bonds <i>(note (i) and (ii))</i>	21.44%
	Beneficial Owner	250,000,000 (long position)	Share option <i>(note (iii))</i>	2.68%
Espina Anthony	Beneficial Owner	9,000,000 (long position)	Share option <i>(note (iii))</i>	0.10%
Ge Ming	Beneficial Owner	9,000,000 (long position)	Share option <i>(note (iii))</i>	0.10%
Ho Chun Chung, Patrick	Beneficial Owner	9,000,000 (long position)	Share option <i>(note (iii))</i>	0.10%
Liu Hu	Beneficial Owner	50,000,000 (long position)	Share option <i>(note (iii))</i>	0.54%
Wong Kwong Sum	Beneficial Owner	10,000,000 (long position)	Share option <i>(note (iii))</i>	0.11%

*Note (i):* Cheung Kwan owns the entire share capital of Internet Finance Investment Co., Ltd. Therefore, Cheung Kwan was deemed to be interested in 2,000,000,000 shares.

*Note (ii):* The interest in 2,000,000,000 shares arises from (i) 1,000,000,000 shares and (ii) convertible bonds convertible into 1,000,000,000 Conversion Shares, held by Internet Finance Investment Co., Ltd.

*Note (iii):* These represented the interests in underlying shares in respect of share options granted by the Company, details of which are disclosed in section headed “SHARE OPTION SCHEME” above.

## DISCLOSURE OF INTERESTS

Save as disclosed above, as at June 30, 2018, as far as the Directors are aware, none of the Directors had any other interests, long positions or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code. As at June 30, 2018, the Company had no Chief Executive Officer.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to any Director, as at June 30, 2018, other than the interests of the Directors and Chief Executive Officer as disclosed above, the following persons had interests in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO. The number of shares in the issued share capital of the Company as at June 30, 2018 was 9,327,172,000.

Name	Nature of Interests	Number of shares	Percentage to the issued share capital of the Company
Internet Finance Investment Co., Ltd.	Beneficial Owner ( <i>Note</i> )	2,000,000,000 (long position)	21.44%

*Note:* The interest in 2,000,000,000 shares arises from (i) 1,000,000,000 shares and (ii) convertible bonds convertible into 1,000,000,000 Conversion Shares.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed herein, at no time during the six months ended June 30, 2018 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

# **CORPORATE GOVERNANCE AND OTHER INFORMATION**

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended June 30, 2018.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

For the six months ended June 30, 2018, the Company has complied with the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Listing Rules except the following:

Under A.2.1 of the CG Code, the role of Chairman and Chief Executive Officer should be separated and should not be performed by the same individual and the division of responsibilities between Chairman and Chief Executive Officer should be established and set out in writing. Since January 10, 2011, the Company has not had any Chief Executive Officer. The functions of Chief Executive Officer were performed by the Executive Directors. The Board considers that this structure will not impair the balance of the power and authority between the Board and the management of the Company, and has been effective in discharging its responsibilities satisfactorily and facilitating the Company's operations and business development.

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

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuer (the "Model Code") as set out in Appendix 10 of the Listing Rules regarding directors' securities transactions. Having made specific enquiries to all Directors, all Directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended June 30, 2018.

## **CHANGES OF DIRECTORS' INFORMATION**

Pursuant to Rule 13.51 (B) of the Listing Rules, the changes in information of directors subsequent to the date of the 2017 annual report of the Company is set out below:

Dr. Wong Tin Yau, Kelvin resigned as an Independent Non-Executive Director, a member of Audit Committee, a member of Remuneration Committee and a member of Nomination Committee with effect from February 14, 2018.

Ms. Wang Angel Yunxiao retired as a Non-Executive Director and Co-Chairperson with effect from March 20, 2018.

Dr. Wei Jiafu resigned as an executive Director, a member of the Executive Committee and the chairman and a member of the Risk Management Committee of the Board with effect from March 29, 2018.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

Mr. Wong Kwong Sum, an executive Director, was appointed as a member and the chairman of the Risk Management Committee of the Board on March 29, 2018 and resigned as an executive Director, a member of the Executive Committee, a member of the Nomination Committee and the chairman and a member of the Risk Management Committee of the Board and the authorised representative with effect from August 7, 2018.

Mr. Ling Zack Xiange was appointed as an executive Director, a member of the Executive Committee, a member of the Nomination Committee and the chairman and a member of the Risk Management Committee of the Board and the authorised representative with effect from August 8, 2018.

Mr. Wang Dayong was appointed as a non-executive Director and Co-Chairman of the Board of the Company with effect from August 18, 2018.

### AUDIT COMMITTEE

The Audit Committee was established on October 30, 2007. The Audit Committee is mainly responsible for corporate governance, financial reporting and corporate control.

As at June 30, 2018, the Audit Committee comprises, Mr. Anthony Espina, Mr. Ho Chun Chung, Patrick and Mr. Ge Ming, all of whom are Independent Non-executive Directors. Mr. Anthony Espina is the Chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited interim financial report for the six months ended June 30, 2018. On August 28, 2018, the Audit Committee met with the management to review, the unaudited interim financial statements with the attendance of the external auditor and to consider the significant accounting policies.

By Order of the Board  
**Asia Investment Finance Group Limited**  
**Ling Zack Xiange**  
*Executive Director*

Hong Kong, August 28, 2018

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

For the six months ended June 30, 2018

	Notes	Six months ended June 30,	
		2018	2017
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Revenue	5	28,518	135,195
Cost of sales		<u>(24,706)</u>	<u>(124,400)</u>
Gross profit		3,812	10,795
Other revenue/(expenses) and other net income/(loss)	6	(40,559)	(5,297)
Operating expenses		<u>(44,742)</u>	<u>(56,275)</u>
Operating loss		(81,489)	(50,777)
Finance costs	7	(3,769)	(3,208)
Share of loss of an associate		<u>(1,168)</u>	<u>—</u>
Loss before taxation	8	(86,426)	(53,985)
Taxation	9	<u>—</u>	<u>—</u>
Loss for the period		<u><u>(86,426)</u></u>	<u><u>(53,985)</u></u>

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

For the six months ended June 30, 2018

		Six months ended June 30,	
		2018	2017
	Notes	<b>HK\$'000</b> <b>(Unaudited)</b>	<b>HK\$'000</b> <b>(Unaudited)</b>
Loss for the period		(86,426)	(53,985)
Other comprehensive income:			
Other comprehensive income/(loss) maybe reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		(657)	5,799
Share of other comprehensive income of an associate		1,559	–
		<u>902</u>	<u>5,799</u>
Other comprehensive income for the period, net of tax			
Total comprehensive loss for the period		<u>(85,524)</u>	<u>(48,186)</u>
Loss for the period attributable to:			
Equity shareholders of the Company		(85,173)	(53,907)
Non-controlling interests		(1,253)	(78)
		<u>(86,426)</u>	<u>(53,985)</u>
Total comprehensive loss for the period attributable to:			
Equity shareholders of the Company		(84,173)	(48,546)
Non-controlling interests		(1,351)	360
		<u>(85,524)</u>	<u>(48,186)</u>
Dividend	10	<u>–</u>	<u>–</u>
Loss per share			
– Basic	11	<u>(0.91 cents)</u>	<u>(0.58 cents)</u>
– Diluted	11	<u>N/A</u>	<u>N/A</u>

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At June 30, 2018

		As at June 30, 2018	As at December 31, 2017
	<i>Notes</i>	<b>HK\$'000</b> <b>(Unaudited)</b>	<b>HK\$'000</b> <b>(Audited)</b>
<b>Non-current assets</b>			
Property, plant and equipment	12	27,140	30,199
Intangible assets		18,388	18,388
Deposit paid		–	12,624
Statutory deposit		400	400
Goodwill	13	3,000	3,000
Interest in an associate	14	52,578	52,187
		<u>101,506</u>	<u>116,798</u>
<b>Current assets</b>			
Inventories		30,571	31,860
Trading securities	15	23,185	34,392
Loan receivables	16	104,250	104,836
Trade receivables	17	24,202	14,163
Prepayments, deposits and other receivables	18	121,590	135,591
Tax recoverable		130	130
Client trust bank balance		5,924	9,345
Cash and cash equivalents		4,629	78,460
		<u>314,481</u>	<u>408,777</u>
<b>Total assets</b>		<u><b>415,987</b></u>	<u><b>525,575</b></u>
<b>Equity</b>			
Share capital	19	932,717	932,717
Reserves		<u>(705,907)</u>	<u>(588,918)</u>
Equity attributable to shareholders of the Company		226,810	343,799
Non-controlling interests		<u>8,649</u>	<u>13,935</u>
<b>Total equity</b>		<u><b>235,459</b></u>	<u><b>357,734</b></u>

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At June 30, 2018

		As at June 30, 2018	As at December 31, 2017
	<i>Notes</i>	<b><i>HK\$'000</i></b> <b>(Unaudited)</b>	<b><i>HK\$'000</i></b> <b>(Audited)</b>
<b>Current liabilities</b>			
Trade payables	21	14,664	14,901
Accruals and other payables		57,091	53,816
Short-term borrowings	22	13,000	–
Convertible bonds	20	95,773	99,124
		<u>180,528</u>	<u>167,841</u>
<b>Total equity and liabilities</b>		<u>415,987</u>	<u>525,575</u>
<b>Net current assets</b>		<u>133,953</u>	<u>240,936</u>
<b>Total assets less current liabilities</b>		<u>235,459</u>	<u>357,734</u>

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2017

	Attributable to equity shareholders of the Company							Subtotal	Non-controlling interests	Total
	Share capital	Share premium	Translation reserve	Capital reserve	Convertible bond reserve	Statutory reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000			
<b>At January 1, 2017 (Audited)</b>	936,807	3,057,330	(2,918)	(15,000)	12,663	3,420	(3,523,741)	468,561	14,411	482,972
Repurchase of shares	(3,500)	794	-	-	-	-	-	(2,706)	-	(2,706)
Total comprehensive loss for the period	-	-	5,361	-	-	-	(53,907)	(48,546)	360	(48,186)
<b>At June 30, 2017 (Unaudited)</b>	<u>933,307</u>	<u>3,058,124</u>	<u>2,443</u>	<u>(15,000)</u>	<u>12,663</u>	<u>3,420</u>	<u>(3,577,648)</u>	<u>417,309</u>	<u>14,771</u>	<u>432,080</u>

For the six months ended June 30, 2018

	Attributable to equity shareholders of the Company							Subtotal	Non-controlling interests	Total	
	Share capital	Share premium	Translation reserve	Share option reserve	Capital reserve	Convertible bond reserve	Statutory reserves				Accumulated losses
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000				HK\$'000
<b>At December 31, 2017 (Audited)</b>	932,717	3,058,278	7,766	8,486	(15,000)	12,663	3,420	(3,664,531)	343,799	13,935	357,734
Impact on initial application of HKFRS 9	-	-	(1,500)	-	-	-	-	(39,250)	(40,750)	(4,528)	(45,278)
<b>Adjusted balance at January 1, 2018</b>	<u>932,717</u>	<u>3,058,278</u>	<u>6,266</u>	<u>8,486</u>	<u>(15,000)</u>	<u>12,663</u>	<u>3,420</u>	<u>(3,703,781)</u>	<u>303,049</u>	<u>9,407</u>	<u>312,456</u>
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	593	593
Lapse of share option	-	-	-	(2,322)	-	-	-	2,322	-	-	-
Equity-settled share option arrangement	-	-	-	7,934	-	-	-	-	7,934	-	7,934
Total comprehensive loss for the period	-	-	1,000	-	-	-	-	(85,173)	(84,173)	(1,351)	(85,524)
<b>At June 30, 2018 (Unaudited)</b>	<u>932,717</u>	<u>3,058,278</u>	<u>7,266</u>	<u>14,098</u>	<u>(15,000)</u>	<u>12,663</u>	<u>3,420</u>	<u>(3,786,632)</u>	<u>226,810</u>	<u>8,649</u>	<u>235,459</u>

# CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended June 30,	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(101,074)</b>	31,947
<b>Cash flows from investing activities</b>		
Decrease/(increase) in other receivables	16,200	(266)
Acquisition of an associate	–	(56,000)
Proceeds from disposal of property, plant and equipment	15	–
Acquisition of property, plant and equipment	(118)	(5,948)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>16,097</b>	(62,214)
<b>Cash flows from financing activities</b>		
Repurchase of shares	–	(2,705)
Proceeds from short-term borrowings	13,000	–
Contribution from non-controlling interests	593	–
<b>Net cash inflow/(outflow) from financing activities</b>	<b>13,593</b>	(2,705)
<b>Net decrease in cash and cash equivalents</b>	<b>(71,384)</b>	(32,972)
Cash and cash equivalents at beginning of the period	78,460	103,831
Effect of foreign exchange rate changes	(2,447)	5,799
<b>Cash and cash equivalents at end of the period</b>	<b>4,629</b>	76,658

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

Asia Investment Finance Group Limited (the “Company”) was incorporated and domiciled in the Cayman Islands. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The condensed consolidated interim financial statements of the Company as at and for the six months ended June 30, 2018 comprises the Company and its subsidiaries (together referred to as the “Group”). The Company is an investment holding company. The Group is principally engaged in securities brokerage and asset management, money lending business, credit guarantee and investment business and trading of party products and metals and minerals.

The address of its principal place of business in Hong Kong is Unit 3201, 32/F., Bank of America Tower, 12 Harcourt Road, Central, Hong Kong.

## 2. BASIS OF PREPARATION

### (a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”) and the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This interim report is unaudited but has been reviewed and authorised by the audit committee of the Company (the “Audit Committee”). The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended December 31, 2017.

### (b) Judgments and estimates

Preparing the condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, significant judgments made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended December 31, 2017.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 3. PRINCIPAL ACCOUNTING POLICIES

These condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the consolidated financial statements for the year ended December 31, 2017, except for the changes that are expected to be reflected in the consolidated financial statements for the year ended December 31, 2018 as described below.

The HKICPA has issued a number of new and amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented.

The Group has adopted the following revised HKFRSs (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these Interim Financial Statements.

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers and the related amendments
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual improvements to HKFRSs 2014 – 2016 cycle
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

### **Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers***

The Group has performed an assessment on the impact of the adoption of HKFRS 15 and concluded that no material financial impact exists, and therefore no adjustment to the opening balance of equity at January 1, 2018 was recognised. However, as the presentation and disclosure requirements in HKFRS 15 are more detailed than those under HKAS 18, as required for the interim condensed financial information, the Group has disaggregated revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. Refer to note 5 for the disclosure of disaggregated revenue.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### **Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments***

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after January 1, 2018, bringing together two aspects of the accounting for financial instruments: classification and measurement; and impairment.

#### ***(a) Classification and measurement***

Under HKFRS 9, debt financial instruments are subsequently measured at fair value through profit or loss (“FVPL”), amortised cost, or FVOCI. The classification is based on two criteria: the Group’s business model for managing the assets; and whether the instrument’s 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 financial assets are as follows:

- *Debt instruments at amortised cost* 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. This category includes the Group’s trade receivables, loan receivables and financial assets included in prepayments, deposits and other receivables.

The assessment of the Group’s business model was made as of initial application, January 1, 2018, and then applied retrospectively to those financial assets that were not derecognised before January 1, 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 adoption of HKFRS 9 has not had a significant effect on the Group’s accounting policies related to financial liabilities.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### **Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments*** *(Continued)*

##### ***(b) 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. HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate. Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

As at June 30, 2018, the Group has applied the simplified approach and recorded lifetime ECLs on trade receivables, and general approach and recorded 12-month ECLs on loan receivables and financial assets included in prepayments, deposits and other receivables.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 3. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments* (Continued)

##### (b) *Impairment* (Continued)

Changes in classification and measurement of the Group's financial assets and the impacts there of are detailed as below:

	Prepayments, deposits and other receivables	Translation reserve	Accumulated losses	Non-controlling interests
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Closing balance at December 31, 2017 – HKAS 39	135,591	7,766	(3,664,531)	13,935
Remeasurement ( <i>Note</i> )	(45,278)	(1,500)	(39,250)	(4,528)
Opening balance at January 1, 2018	90,313	6,266	(3,703,781)	9,407

*Note:* As at January 1, 2018, the additional credit allowance of approximately HK\$45,278,000 has been recognised against accumulated losses. The additional loss allowance is charged against the prepayments, deposits and other receivables.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 4. OPERATING SEGMENTS

Reconciliation of operating results reviewed by Chief Operating Decision Maker which are different from the Group's results are as follows:

#### For six months ended June 30, 2018

The segment results for the six months ended June 30, 2018 are as follows:

	Securities brokerage and asset management	Money lending business	Credit guarantee and investment business	Trading of party products	Trading of metals and minerals	Total
	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>	<i>HKS'000</i>
Unaudited						
Revenue						
External sales	582	5,701	–	22,235	–	28,518
Result						
Segment results	(3,417)	(13,645)	(3,128)	(5,140)	(19,304)	(44,634)
Interest income						185
Other revenue and other net income						2,038
Gain on extension of convertible bonds						6,542
Reversal of bad debt written off						11,743
Realised loss on disposal of trading securities						(1,165)
Unrealised loss on fair value changes of trading securities						(27,746)
Unallocated corporate expenses						(28,452)
Interest expenses						(3,769)
Share of loss of an associate						(1,168)
Loss before taxation						(86,426)
Taxation						–
Loss for the period						(86,426)
Other segment information						
Depreciation	133	2	155	221	9	520
Depreciation of unallocated corporate assets						2,552
Capital expenditure of property, plant and equipment	–	–	–	118	–	118
Impairment on receivables	–	13,756	–	–	18,399	32,155

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 4. OPERATING SEGMENTS *(Continued)*

As at June 30, 2018

The segment assets and liabilities as at June 30, 2018 are as follows:

	Securities brokerage and asset management	Money lending business	Credit guarantee and investment business	Trading of party products	Trading of metals and minerals	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>						
Segment assets	54,957	110,168	71,770	15,383	47,332	299,610
Bank balances and cash						4,629
Unallocated corporate assets						111,748
Consolidated total assets						<u>415,987</u>
<b>LIABILITIES</b>						
Segment liabilities	17,145	954	5,106	2,361	35,277	60,843
Unallocated corporate liabilities						119,685
Consolidated total liabilities						<u>180,528</u>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 4. OPERATING SEGMENTS *(Continued)*

**For six months ended June 30, 2017**

The segment results for the six months ended June 30, 2017 are as follows:

	Securities brokerage and asset management	Money lending business	Credit guarantee and investment business	Trading of party products	Trading of metals and minerals	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unaudited						
Revenue						
External sales	844	6,407	4,041	26,525	97,378	135,195
Result						
Segment results	(8,804)	6,398	(1,633)	(1,890)	(2,345)	(8,274)
Interest income						113
Other revenue and other net income						282
Unallocated corporate expenses						(42,898)
Interest expenses						(3,208)
Loss before taxation						(53,985)
Taxation						-
Loss for the period						(53,985)
Other segment information						
Depreciation	121	2	275	314	2	714
Depreciation of unallocated corporate assets						2,199
Capital expenditure of property, plant and equipment	768	-	-	54	-	822
Capital expenditure of property, plant and equipment of unallocated corporate assets						6,297

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 4. OPERATING SEGMENTS (Continued)

As at December 31, 2017

The segment assets and liabilities as at December 31, 2017 are as follows:

	Securities brokerage and asset management	Money lending business	Credit guarantee and investment business	Trading of party products	Trading of metals and minerals	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>ASSETS</b>						
Segment assets	43,176	107,806	82,315	19,027	67,131	319,455
Bank balances and cash						78,460
Unallocated corporate assets						<u>127,660</u>
Consolidated total assets						<u><u>525,575</u></u>
<b>LIABILITIES</b>						
Segment liabilities	13,531	837	3,604	2,982	34,896	55,850
Unallocated corporate liabilities						<u>111,991</u>
Consolidated total liabilities						<u><u>167,841</u></u>

The accounting policies of the operating segments are the same as the accounting policies of the Group. Segment results represent the profit earned or loss incurred by each segment without allocation of administrative expenses, other income, other gains and losses, share of loss of an associate and finance cost. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 5. REVENUE

An analysis of revenue is as follows:

	Six months ended June 30,	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Credit guarantee service and investment income	–	4,041
Trading of party products	22,235	26,525
Brokerage commission income and asset management income	582	844
Interest income from money lending business	5,701	6,407
Trading of metals and minerals	–	97,378
	<hr/>	<hr/>
Total	<b>28,518</b>	135,195
	<hr/> <hr/>	<hr/> <hr/>

#### Disaggregation of revenue according to geographic location

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods were delivered.

	Six months ended June 30,	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Hong Kong	28,518	33,776
Mainland China	–	101,419
	<hr/>	<hr/>
Total	<b>28,518</b>	135,195
	<hr/> <hr/>	<hr/> <hr/>

### 6. OTHER (REVENUE)/EXPENSES AND OTHER NET (INCOME)/LOSS

	Six months ended June 30,	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Interest income	(185)	(113)
Net exchange gain	(748)	–
Realised loss/(gain) on disposal of trading securities	1,165	(4,007)
Unrealised loss on fair value changes of trading securities	27,746	9,699
Dividend income	(141)	(122)
Reversal of bad debt written off	(11,743)	–
Impairment on other receivables	18,399	–
Impairment on loan receivables	13,250	–
Impairment on trade receivables	506	–
Gain on extension of convertible bonds	(6,542)	–
Sundry income	(1,148)	(160)
	<hr/>	<hr/>
	<b>40,559</b>	5,297
	<hr/> <hr/>	<hr/> <hr/>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 7. FINANCE COSTS

	Six months ended June 30,	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Margin interest expenses	569	47
Imputed interest expenses on convertible bonds	3,191	3,161
Others	9	–
	<u>3,769</u>	<u>3,208</u>

### 8. LOSS BEFORE TAXATION

	Six months ended June 30,	
	2018	2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Loss before taxation has been arrived at after charging/(crediting):		
Depreciation	3,072	2,913
Staff costs, including directors' emoluments	27,502	22,053
Interest income	(185)	(113)
Reversal of bad debt written off	(11,743)	–
Impairment of other receivables	18,399	–
Impairment of loan receivables	13,250	–
Impairment of trade receivables	506	–
Unrealised loss on fair value changes of trading securities	27,746	9,699
Realised loss/(gain) on disposal of trading securities	1,165	(4,007)
	<u>1,165</u>	<u>(4,007)</u>

### 9. TAXATION

No Hong Kong Profits Tax was provided as there was no estimated assessable profit for the period. There was no tax impact on subsidiaries in the People's Republic of China (the "PRC") for the period (June 30, 2017: Nil).

### 10. DIVIDEND

The Board did not recommend any interim dividend for the six months ended June 30, 2018 (June 30, 2017: Nil).

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 11. LOSS PER SHARE

The calculation of basic loss per share for the interim period was based on the consolidated loss attributable to equity shareholders of the Company of approximately HK\$85.2 million (June 30, 2017: approximately HK\$53.9 million) and the weighted average number of shares in issue during the period, which was 9,327,172,000 shares (June 30, 2017: 9,358,983,602 shares).

Since the impact of the potential ordinary shares on the conversion of outstanding convertible bonds and share options on the loss per share are anti-dilutive, the diluted loss per share were not presented.

### 12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2018, the Group incurred approximately HK\$0.1 million (June 30, 2017: approximately HK\$7.1 million) on acquisition of property, plant and equipment.

### 13. GOODWILL

	<b>As at June 30, 2018</b>	<b>As at December 31, 2017</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
At the beginning and the end of the period/year	<b>3,000</b>	<b>3,000</b>

### 14. INTEREST IN AN ASSOCIATE

The following list contains the associate which is an unlisted corporate entity of which the quoted market price is not available:

Name of associate	Place of registration and business	Particulars of issued and paid up capital	Proportion of ownership interest	Principal activity
Sunrise Insurance Broker Company Limited	PRC	RMB40,100,000	24%	Provision of insurance brokerage service

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 14. INTEREST IN AN ASSOCIATE (Continued)

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

	As at June 30, 2018	As at December 31, 2017
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Non-current assets	4,630	5,258
Current assets	38,539	21,623
Current liabilities	<u>(46,845)</u>	<u>(25,816)</u>
Gross amount of net (liabilities)/assets of the associate	(3,676)	1,065
Group's effective interest	24%	24%
Group's share of net (liabilities)/assets of the associate	(882)	256
Goodwill	<u>53,460</u>	<u>51,931</u>
Carrying amount of interest in an associate	<u><u>52,578</u></u>	<u><u>52,187</u></u>

On June 11, 2018, the associate, Sunrise Insurance Broker Company Limited, has entered into a capital injection agreement with an independent third party. The injected capital was amounted to approximately RMB5,556,000 (which was equivalent to approximately HK\$6,590,000). The Group's effective interest changed from 24% to 21.6% after this capital injection, however, the capital injection was not yet completed as at June 30, 2018.

### 15. TRADING SECURITIES

	As at June 30, 2018	As at December 31, 2017
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
Trading securities		
– Listed equity shares listed in Hong Kong	<u><u>23,185</u></u>	<u><u>34,392</u></u>

The trading securities are initially recognised at fair value. The Group holds the trading securities for trading purpose. At the end of each reporting period the fair value is re-measured, with any resultant gain or loss being recognised in the statement of profit or loss. The fair value is measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 16. LOAN RECEIVABLES

	<b>As at June 30, 2018</b>	<b>As at December 31, 2017</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Loan receivables from money lending business	<b>117,500</b>	104,836
Less: Impairment on loan receivables	<b>13,250</b>	–
	<b>104,250</b>	104,836

Loan receivables bear interest at rates ranged from 9% per annum to 16.8% per annum (December 31, 2017: 9% per annum to 12% per annum), and with credit periods, mutually agreed between the contracting parties. The Group seeks to maintain strict control over its outstanding loan receivables to minimise credit risk.

During the period, impairment on loan receivables amounted to HK\$13,250,000 was provided for as these loans are regarded as default payments after management's assessment.

The loan receivables at the end of the reporting period are analysed by the remaining period to contractual maturity date as follows:

	<b>As at June 30, 2018</b>	<b>As at December 31, 2017</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Repayable:		
Within 1 year	<b>104,250</b>	104,836

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 17. TRADE RECEIVABLES

	As at <b>June 30, 2018</b>	As at December 31, 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Trade receivables arising from dealing in securities and margins:		
– Client arising from dealing in securities and margins	<b>12,002</b>	772
– Clearing house	<b>2,117</b>	2,011
	<b>14,119</b>	2,783
Trade receivables arising from trading of party products	<b>6,137</b>	9,947
Trade receivables arising from money lending business	<b>4,015</b>	326
Trade receivables arising from credit guarantee service and investment income	<b>450</b>	1,822
	<b>24,721</b>	14,878
Less: Allowance for bad and doubtful debts	<b>519</b>	715
	<b>24,202</b>	14,163

Customers from trading of party products are usually offered a credit period of up to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 17. TRADE RECEIVABLES *(Continued)*

An ageing analysis of trade receivables based on the date of the invoice and net of provision of impairment loss is as follows:

	<b>As at June 30, 2018</b>	<b>As at December 31, 2017</b>
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Within 30 days	19,786	8,288
31 to 60 days	2,552	3,762
61 to 90 days	310	854
Over 90 days	1,554	1,259
	<b>24,202</b>	14,163
Trade receivables from dealing in securities and not past due	<b>(14,119)</b>	(2,783)
	<b>10,083</b>	11,380

Trade receivables from securities brokerage and asset management represent trade receivables from cash and custodian clients which are neither past due nor impaired represent unsettled client trades or securities exchanges transacted on the last two business days prior to the end of the reporting period.

The carrying amounts of trade receivables approximate their fair values.

# NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at June 30, 2018	As at December 31, 2017
	<u>HK\$'000</u>	<u>HK\$'000</u>
	(Unaudited)	(Audited)
Trade deposits and other receivables ( <i>Note a &amp; b</i> )	206,891	169,322
Deposit paid for acquisition ( <i>Note b</i> )	–	12,624
Prepayments	4,687	4,707
Rental, utility and sundry deposits	7,958	8,753
Staff advances	97	84
	<u>219,633</u>	<u>195,490</u>
Less: Impairment on other receivables ( <i>Note a</i> )	98,043	47,275
Less: Non-current portion ( <i>Note b</i> )	–	12,624
	<u>121,590</u>	<u>135,591</u>

*Notes:*

- (a) The amount includes trade deposits of approximately HK\$21,260,000 (December 31, 2017: approximately HK\$13,500,000) for purchase of metals and minerals, deposit of approximately HK\$69,980,000 for credit guarantee service business (December 31, 2017: HK\$46,800,000), other receivables of HK\$Nil (December 31, 2017: approximately HK\$30,245,000) from trading of metals and minerals and entrusted loan of HK\$Nil (December 31, 2017: approximately HK\$26,413,000).

There was a reversal of bad debt written off amounted to approximately HK\$11,743,000 during the period due to repayment of loan from a borrower. Other receivables of approximately HK\$62,511,000 was impaired. Management has made such decision by relying on the valuation carried out by an independent external valuer.

- (b) During the year ended December 31, 2017, the amount of HK\$8,000,000 represents the earnest money for the proposed acquisition of 20% issued share capital of a company incorporated in Hong Kong which is principally engaged in the provision of integrated security service solutions in Hong Kong, Macau and overseas countries. As the acquisition has not proceeded, the deposit was expected to be recovered by October 31, 2018. Accrued interest of RMB1,800,000 (which was equivalent to approximately HK\$1,960,000) was received subsequently after the period ended June 30, 2018.

The remaining amount of approximately HK\$4,624,000 (which was equivalent to EUR500,000) represents the earnest money for the proposed establishment of a joint venture company with an independent third party in relation to investments in the field of new energy. As the establishment has not proceeded, the deposit will be subsequently recovered.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 19. SHARE CAPITAL

	Number of shares	Amount
	<i>'000</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.1 each:		
<b>Authorised:</b>		
As at December 31, 2017 and June 30, 2018	100,000,000	10,000,000
<b>Issued and fully paid:</b>		
As at December 31, 2017 (Audited) and June 30, 2018 (Unaudited)	9,327,172	932,717

### 20. CONVERTIBLE BONDS

On February 18, 2016, the Company issued two-year convertible bonds at 0% coupon rate of principal amount of HK\$100,000,000 to the subscriber, Internet Finance Investment Company Limited, of which the entire share capital is held by the Director, Ms. Cheung Kwan. The annualised effective interest rate is 7%. Based on the initial conversion price of HK\$0.1 per conversion share, a maximum of 1,000,000,000 conversion shares would be allotted and issued upon exercise of the conversion rights attaching to the convertible bonds in full.

On January 10, 2018, the Company entered into a deed of variation for the extension of both the conversion period and the maturity date of the convertible bonds with the principal amount of HK\$100,000,000 by a period of one year, such that the maturity date will become February 18, 2019 (“extended maturity date”). Apart from the extension of the conversion period and the maturity date, all other terms and conditions of the outstanding convertible bonds shall remain unchanged.

The extended maturity date is considered not to be a substantial modification of terms of the convertible bonds as the discounted present value of the cash flows of the convertible bonds with extended maturity date is less than 10% different from the discounted present value of the cash flows of the outstanding convertible bonds prior to the extension of maturity date. As such, the amount of future cash flow of the extended convertible bonds as at February 18, 2018 is discounted by the original effective interest rate amounted to approximately HK\$93,458,000. The difference between the carrying amount of extended convertible bonds and the amount of discounted future cash flow of the extended convertible bonds of approximately HK\$6,542,000 has been recognised in other (revenue)/expenses and other net (income)/loss in note 6.

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 20. CONVERTIBLE BONDS *(Continued)*

If no bond holders exercise their conversion rights on the extended maturity date, the Company shall redeem each convertible bond then outstanding at a value equal to the aggregate principal amount then outstanding on the extended maturity date.

	<u>Liability portion</u>
	<i>HK\$'000</i>
At December 31, 2017	99,124
Effect on extension of convertible bonds	(6,542)
Imputed interest amortised	<u>3,191</u>
At June 30, 2018	<u><u>95,773</u></u>

### 21. TRADE PAYABLES

	<b>As at June 30, 2018</b>	As at December 31, 2017
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
	<b>(Unaudited)</b>	(Audited)
Trade payables arising from dealing in securities and margins:		
– Clients arising from dealing in securities	<b>897</b>	2,006
– Clearing house	<b>3,035</b>	711
– Clients' money	<b>8,371</b>	<u>9,202</u>
	<b>12,303</b>	11,919
Trade payables arising from trading of party products	<b>2,361</b>	<u>2,982</u>
	<b>14,664</b>	<u><u>14,901</u></u>

## NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 21. TRADE PAYABLES (Continued)

The ageing analysis of trade payables from trading of party products is as follows:

	<b>As at June 30, 2018</b>	As at December 31, 2017
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
0 to 30 days	2,203	2,145
31 to 60 days	–	641
61 to 90 days	158	196
	<b>2,361</b>	<b>2,982</b>

The trade payables arising from trading of party products are non-interest bearing and are normally settled on 90-day terms. The carrying amounts of the trade payables at the end of the reporting period approximated their fair values.

### 22. SHORT-TERM BORROWINGS

On June 26, 2018, the Group has issued a bond amounted to HK\$13,000,000 to an independent external third party, at an interest rate at 5% per annum and matures 105 days after the issuing date.

### 23. RELATED PARTY TRANSACTIONS

Compensation of senior management of the Group is as follows:

	<b>Six months ended June 30,</b>	
	<b>2018</b>	2017
	<b><i>HK\$'000</i></b>	<b><i>HK\$'000</i></b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Salaries, allowances and other benefits	4,679	7,696
Equity-settled share option arrangement	7,934	–
Contributions to retirement scheme	27	27
	<b>12,640</b>	<b>7,723</b>

## **NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

### **24. CAPITAL COMMITMENTS**

As at June 30, 2018, the Group had no capital commitments (December 31, 2017: RMB5.0 million which was the payment for the acquisition of an associate).

### **25. COMPARATIVE FIGURES**

The Group has initially applied HKFRS 9 at January 1, 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 3.

### **26. APPROVAL OF INTERIM FINANCIAL STATEMENTS**

The condensed consolidated interim financial statements were approved by the Board on August 28, 2018.