民銀資本
CMBC CAPITAL HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)
(Stock Code: 1141)

INTERIM REPORT 2018

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Abbreviations

In this interim report, the following abbreviations have the following meanings unless otherwise specified:

"Board"	board of Directors
"Brilliant Decent"	Brilliant Decent Limited
"China Minsheng"	China Minsheng Banking Corp., Ltd. (中國民生銀行股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange (stock code: 1988) and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 600016)
"Company"	CMBC Capital Holdings Limited
"CMBC Investment"	CMBC Investment (HK) Limited
"CMBC Asset Management"	CMBC Asset Management Company Limited
"CMBCI"	CMBC International Holdings Limited
"CMBCI Investment"	CMBC International Investment Limited
"CMBCI Investment HK"	CMBC International Investment (Hong Kong) Limited
"CMBCCF"	CMBC Capital Finance Limited
"CMBCIC"	CMBC International Capital Limited
"Directors"	directors of the Company
"Group"	Company and its subsidiaries
"Listing Rules"	Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	People's Republic of China
"Previous Period"	the six months ended 30 September 2017
"Reporting Period"	the six months ended 30 June 2018
"Shares"	the shares of the Company
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share Option Scheme"	the share option scheme adopted by the Company on 24 September 2012
"Share Award Scheme"	the share award scheme adopted by the Company on 19 February 2016
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK$" and "cents"	Hong Kong dollars and cents
"%"	per cent.

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Li Jinze *(Chairman)*
Mr. Ding Zhisuo
Mr. Ng Hoi Kam

Non-executive Directors

Mr. Ren Hailong
Mr. Liao Zhaohui

Independent Non-executive Directors

Mr. Lee, Cheuk Yin Dannis
Mr. Wu Bin
Mr. Wang Lihua

AUDIT COMMITTEE

Mr. Lee, Cheuk Yin Dannis *(Chairman)*
Mr. Wu Bin
Mr. Wang Lihua

REMUNERATION COMMITTEE

Mr. Wu Bin *(Chairman)*
Mr. Ren Hailong
Mr. Wang Lihua

NOMINATION COMMITTEE

Mr. Wu Bin *(Chairman)*
Mr. Ren Hailong
Mr. Wang Lihua

EXECUTIVE COMMITTEE

Mr. Li Jinze *(Chairman)*
Mr. Ding Zhisuo
Mr. Ng Hoi Kam

RISK MANAGEMENT AND INTERNAL CONTROL COMMITTEE

Mr. Liao Zhaohui *(Chairman)*
Mr. Ding Zhisuo
Mr. Lee, Cheuk Yin Dannis

STRATEGIC DEVELOPMENT COMMITTEE

Mr. Li Jinze *(Chairman)*
Mr. Ding Zhisuo
Mr. Ng Hoi Kam
Mr. Ren Hailong
Mr. Wu Bin

COMPANY SECRETARY

Mr. Dong Qizhen
(resigned on 3 September 2018)
Ms. Yang Na
(appointed on 3 September 2018)

TRADING OF SHARES

The Stock Exchange of Hong Kong
Limited (Stock Code: 1141)

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Units 6601A and 6607-6608
Level 66
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

PRINCIPAL BANKERS

China Minsheng Banking Corp., Ltd
OCBC Wing Hang Bank Limited
Wing Lung Bank Limited
Shanghai Pudong Development
Bank Co., Ltd

LEGAL ADVISER

Jun He Law Offices

AUDITOR

KPMG
Certified Public Accountants
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited
26 Burnaby Street
Hamilton HM11
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

WEBSITE

http://www.cmbccap.com

Management Discussion and Analysis

FINANCIAL RESULTS AND BUSINESS REVIEW

During the Reporting Period, the Group's profit attributable to the owners of the Company has increased to approximately HK$100.4 million, representing an increase of approximately 29.1% when compared to profit for the Previous Period of HK$77.8 million. The Group's basic earnings per share were HK0.22 cents (30 September 2017: HK0.21 cents) and diluted earnings per share of HK0.22 cents (30 September 2017: HK0.21 cents).

Revenue

The Group's revenue increased by approximately 360.6% to approximately HK$344.1 million during the Reporting Period, compared to approximately HK$74.7 million in the Previous Period. It was mainly due to the contribution from the investment and financing segment and the asset management and advisory segment during the Reporting Period. The analysis of the Group's revenue by reportable segments is as below.

Securities

During the Reporting Period, the revenue and profit contributed by securities segment were approximately HK$58.0 million and HK$22.9 million, respectively, compared to the revenue and profit of approximately HK$40.4 million and HK$31.3 million, respectively in the Previous Period. The decrease in segment profit was mainly attributable to the increase in finance costs for the operation of margin financing business.

Investment and financing

During the Reporting Period, the segment revenue, which included dividend income from investments in listed equity securities and quoted funds, interest income from investment in bonds, convertible promissory note, interest-bearing notes and loans, amounted to HK$184.0 million as compared to HK$13.3 million in the Previous Period. The segment profit decreased from HK$65.7 million in the Previous Period to segment profit of HK$21.2 million in the Reporting Period. The decrease in segment profit was mainly attributable to impairment loss on debt securities, loans and advances of approximately HK$17.5 million upon new adoption of HKFRS 9, compared to Nil in the Previous Period, and the increase in finance costs with the expansion of investment business.

At the end of the Reporting Period, the Group's investment portfolio mainly constituted of listed and unlisted equity securities, listed debt securities, quoted and unlisted funds, unlisted convertible promissory note, interest-bearing notes and loans.

Management Discussion and Analysis

FINANCIAL RESULTS AND BUSINESS REVIEW (continued)

Asset management and advisory

The Group's asset management and advisory segment represents the provision of asset management, financial advisory, sponsorship and financial arrangement services to clients. The segment recorded advisory and arrangement income of approximately HK$102.0 million as compared to HK$21.0 million in the Previous Period and segment profit of approximately HK$84.4 million during the Reporting Period as compared to HK$20.1 million in the Previous Period. The increase in segment profit was mainly attributable to the commencement of the provision of corporate advisory and sponsorship services in the Reporting Period.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Capital Structure

As at 30 June 2018, the total number of the issued share capital with the par value of HK$0.01 each was 45,778,757,729 and total equity attributable to shareholders was approximately HK$1,096.2 million (31 December 2017: HK$1,280.2 million).

During the Reporting Period, no shares have been purchased or granted to the selected persons of the Group under the Share Award Scheme or the Share Option Scheme.

Liquidity and Financial Resources

The Group primarily financed its operations with internally generated cash flows, borrowings, and by its internal resources and shareholder's equity.

As at 30 June 2018, the Group had current assets of approximately HK$8,411.3 million (31 December 2017: HK$4,829.0 million) and liquid assets comprising cash (excluding segregated bank accounts) and investments in listed equity securities, listed debt securities and quoted funds totaling approximately HK$3,495.8 million (31 December 2017: HK$2,287.2 million). The Group's current ratio, calculated based on current assets of approximately HK$8,411.3 million (31 December 2017: HK$4,829.0 million) over current liabilities of approximately HK$8,063.2 million (31 December 2017: HK$3,886.0 million), was at a ratio of approximately 1.0 at the end of the Reporting Period (31 December 2017: 1.2).

Management Discussion and Analysis

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE (continued)

Liquidity and Financial Resources (continued)

The Group's finance costs for the Reporting Period represented the effective interest on notes payable of approximately HK$4.1 million (Previous Period: HK$4.2 million), effective interest on promissory notes of Nil (Previous Period: HK$0.3 million), interest on bank borrowings of approximately HK$9.5 million (Previous Period: HK$0.3 million), interest on loans from an intermediate holding company of approximately HK$84.2 million (Previous Period: HK$2.9 million) and interest on financial assets sold under repurchase agreements of approximately HK$11.6 million (Previous Period: Nil).

As at 30 June 2018, the Group's indebtedness comprised loans from an intermediate holding company, bank borrowings, notes payable and financial assets sold under repurchase agreements of approximately HK$7,286.9 million (31 December 2017: HK$3,487.4 million). The loans from an intermediate holding company of approximately HK$5,739.2 million (31 December 2017: HK$3,032.5 million) were denominated in Hong Kong dollars and United States dollars, due on the first anniversary from the drawdown date, and borne interests at 4% fixed rate per annum. Bank borrowings of approximately HK$494.3 million (31 December 2017: HK$298.5 million) were denominated in United States dollars, due on the second month (31 December 2017: first month) from the drawdown dates. The notes payable in the aggregate principal amount of HK$150 million (31 December 2017: HK$150 million) was denominated in Hong Kong dollars, due on the seventh anniversary from the respective issue dates of the notes, and borne interests at 5% fixed rate per annum.

The Group's gearing ratio, calculated on the basis of total indebtedness divided by the sum of total indebtedness and equity attributable to the Company's owners, was at a ratio of approximately 86.9% (31 December 2017: 73.1%).

With the amount of liquid assets on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

THE USE OF PROCEEDS FROM SUBSCRIPTION OF NEW SHARES COMPLETED ON 31 MAY 2017

On 7 March 2017, the Company entered into a subscription agreement with CMBCI Investment and Brilliant Decent pursuant to which the Company conditionally agreed to issue, and CMBCI Investment and Brilliant Decent conditionally agreed to subscribe, in cash, for a total of 26,950,000,000 new Shares at the subscription price of HK$0.032 per share for an aggregate consideration of HK$862,400,000 (the "Subscription"). For details, please refer to the circular dated 10 April 2017 published by the Company (the "Circular"). The Subscription was completed on 31 May 2017.

Management Discussion and Analysis

THE USE OF PROCEEDS FROM SUBSCRIPTION OF NEW SHARES COMPLETED ON 31 MAY 2017 (continued)

As of 31 December 2017 and 30 June 2018, respectively, the proceeds from the Subscription have been utilised as follows:

(a) Actual Use of Proceeds

Set out below is the detailed breakdown of the use of the proceeds as of 31 December 2017 and 30 June 2018, respectively:

Original intended use of the proceeds as disclosed in the Circular (Note 1)	**Actual use of the proceeds up to 31 December 2017**	**Actual use of the proceeds up to 30 June 2018 (incl. 31 December 2017)**	**Remaining balance of the proceeds up to 30 June 2018**
1. about 40% of the proceeds (approximately HK$340 million) to support and develop the securities business, including brokerage and margin financing business	approximately HK$340 million	approximately HK$340 million	Nil
2. about 10% of the proceeds (approximately HK$85 million) to develop proprietary trading business	approximately HK$85 million	approximately HK$85 million	Nil
3. about 10% of the proceeds (approximately HK$85 million) to develop and expand intermediary business (Note 2)	approximately HK$14 million	approximately HK$17.3 million	approximately HK$67.7 million
4. about 25% of the proceeds (approximately HK$212.5 million) to further develop the Group's asset management business	approximately HK$195 million (Note 3)	approximately HK$212.5 million	Nil
5. about 10% of the proceeds (approximately HK$85 million) to finance the necessary liquid capital requirement for underwriting	approximately HK$85 million	approximately HK$85 million	Nil
6. about 5% of the proceeds (approximately HK$42.5 million) as general working capital	approximately HK$42.5 million	approximately HK$42.5 million	Nil

Management Discussion and Analysis

THE USE OF PROCEEDS FROM SUBSCRIPTION OF NEW SHARES COMPLETED ON 31 MAY 2017 (continued)

(a) Actual Use of Proceeds (continued)

Notes:

1. For details of the original intended use of the proceeds, please refer to the Circular.

2. On 27 July 2017, the Company entered into an acquisition agreement with its controlling shareholder, CMBCI for the acquisition of the entire issued share capital of CMBCIC, which is licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Such an acquisition was disclosed in the announcement published by the Company on 27 July 2017 ("27/07/2017 Announcement"). For details, please refer to the 27/07/2017 Announcement. Such acquisition proceeds, which amounted to HK$13.1 million and HK$17.3 million as at 31 December 2017 and 30 June 2018 respectively, are included in the above utilization of proceeds analysis.

3. The Company, through its subsidiary, CMBC Investment, had used some of the proceeds in the amount of approximately HK$195 million for the acquisition of certain assets through proprietary trading with an intention to be managed by the Company's subsidiary, CMBC Asset Management to further develop the Group's asset management business. As a result, on 15 June 2018, CMBC Investment as client had entered into an investment management agreement (the "Management Agreement") with CMBC Asset Management as investment manager, pursuant to which CMBC Investment appointed CMBC Asset Management to provide certain management services to CMBC Investment in relation to its investment portfolio (including the aforesaid assets acquired by CMBC Investment) based on the terms of the Management Agreement. Such HK$195 million is included in the above utilization of proceeds analysis.

As at 30 June 2018, save and except item 3 in the table above, the proceeds had been fully utilized in accordance with the intended use as disclosed in the Circular.

(b) Unutilized Amount of the Proceeds

As shown in the table above (i.e., item 3), there remains an unutilized amount of approximately HK$67.7 million.

As of the date of this interim report, all the remaining unutilized proceeds are intended to be utilized for the same specific use as disclosed in the Circular. As mentioned in the Circular, the actual deployment timing will be subject to the market environment and the pace of the business development. The Company has been closely monitoring the market condition and the business development and expect to utilize the unutilized amount on or before end of 2019.

CONTINGENT LIABILITY

As at 30 June 2018, the Group had no significant contingent liability (31 December 2017: Nil).

Management Discussion and Analysis

CAPITAL COMMITMENT

As at 30 June 2018, the Group had no significant capital commitment (31 December 2017: Nil).

FOREIGN CURRENCY RISK MANAGEMENT

The Group's revenue has been mainly denominated in United States dollars and Hong Kong dollars while its expenditure is mainly denominated in Hong Kong dollars. The Group foreign exchange exposure is mainly from the translation of assets and liabilities denominated in United States dollars. As Hong Kong dollars are pegged with United States dollars, the Directors believe that the Group's foreign exchange exposure is manageable and the Group will closely monitor this risk exposure from time to time.

HUMAN RESOURCES AND REMUNERATION POLICY

At 30 June 2018, the Group had about 75 (30 September 2017: about 45) employees including Directors. For the Reporting Period, total staff costs, including Directors' remuneration, was approximately HK$33.5 million (Previous Period: HK$16.0 million). Remuneration packages for employees and Directors are structured by reference to market terms and individual competence, performance and experience. Benefits plans maintained by the Group include mandatory provident fund scheme, subsidised training programme, share option scheme, share award scheme and discretionary bonuses.

PROSPECTS

The Company intends to continuously enhance profitability by offering a one-stop, high-end and high-quality investment banking solution encompassing cross-border and innovative financial products and services and upgrading its ability in various aspects, including business development, management operation, risk control, market adjustment, product service and so on. In particular, the Group intends to, inter alia:

(1) further expand its loan and financing business by offering more diversified structured finance services mainly targeting on high-profile private enterprise customers in the comprehensive health, mass consumption, emerging technology and featured manufacturing industry (the "Target Clients") thereby generating stable revenue stream, as well as facilitating the rapid development of the Group's merger and acquisition advisory and sponsor services, debt and equity underwriting business as well as asset management business;

(2) commence and expand the corporate finance advisory business. In particular, the Group intends to establish its own client base for its sponsor business by assisting the Target Clients to go listing on the Stock Exchange. In addition, surrounding "One Belt and One Road Initiatives", the Group also intends to provide the all-round investment banking services to those PRC domestic enterprises which plan to expand its business into those "One Belt and One Road" countries or jurisdictions;

Management Discussion and Analysis

PROSPECTS (continued)

(3) further develop its asset management business. Leveraging on the extensive client base of the Group and China Minsheng, the Group intends to enrich its asset management product portfolio by offering diversified asset management services, as well as to attract higher net worth clients including listed companies and their senior management, creating more returns for clients; and

(4) consider to further develop the Group's business through investment in or acquisition of suitable companies and business, when opportunities arise. As at the date of this report, the Group did not have any concrete plan to make any acquisition. The Group intends to strengthen its profitability and optimise its asset structure, through pre-IPO investments in high profile enterprises in the sectors of finance, health and new technology in Great China area. The Company also considers to acquire the companies and business which may create synergy with the Group and China Minsheng's business. Although the Group currently does not have any specific acquisition plan, the Group will closely monitor the development trend in different markets such as Hong Kong, Europe and North-East Asia for its future globalised development. The Group will also look for potential acquisition targets with team advantage, profitability and sustainable growth.

On the whole, the Group will continue to implement the "one-body two-wings" strategy. "One-body" refers to the structural financing services provided by the Group. Benefiting from its bank-owned background, the Group is able to provide full-spectrum services (such as corporate advisory and consultancy services) and one-stop solutions to clients with different funding requirements. "Two-wings" refers to the Group's traditional investment banking business and asset management services. Leveraging on the development of "one-body" structural financing services, the Group is expected to achieve mutual growth in its "two-wing" businesses—securities business and asset management business.

Other Information

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2018 (Previous Period: Nil).

SHARE OPTION SCHEME

The existing Share Option Scheme was adopted by the Company at the annual general meeting of the Company held on 24 September 2012. Unless otherwise cancelled or amended, the Share Option Scheme will be valid and effective for a period of ten years commencing on the date of adoption. The purpose of the Share Option Scheme is to enable the Group to attract, retain and motivate talented participants to strive for future development and expansion of the Group. The Share Option Scheme shall provide incentive to encourage participants to perform their best in achieving the goals of the Group and allow the participants to enjoy the results of the Company attained through their efforts and contributions.

Pursuant to the ordinary resolution passed by the shareholders of the Company at the annual general meeting held on 8 September 2017 (the "2017 AGM"), the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme, together with all options to be granted under any other share option scheme(s) of the Company (excluding lapsed options), was refreshed such that the Directors were authorised to grant options carrying rights to subscribe for up to a maximum number of 10% of the shares in issue as at the date of the 2017 AGM approving the refreshed scheme mandate limit. As such, the Company may grant share options entitling holders thereof to subscribe for a total of 4,577,875,772 Shares (representing 10% of the Shares in issue as at the date of the 2017 AGM).

During the Reporting Period, no shares have been granted to the selected persons of the Group under the Share Option Scheme.

SHARE AWARD SCHEME

The Company adopted the existing Share Award Scheme on 19 February 2016.

Pursuant to the Listing Rules and the terms of the Share Award Scheme, the maximum number of Awarded Shares (as defined under the Share Award Scheme) must not exceed 10% of the Shares in issue on 19 February 2016 ("Share Award Scheme Mandate Limit"). By an ordinary resolution at the 2017 AGM, the Share Award Scheme Mandate Limit was refreshed and the Company was authorized to grant Awarded Shares up to a maximum number of 4,577,875,772 Shares, representing 10% of the issued share capital of the Company as at the date of the 2017 AGM. The total number of Shares which may be granted upon the "refreshed" Share Award Scheme Mandate Limit is 4,577,875,772 Shares. The Company will not issue or grant any Awarded Shares under the Share Award Scheme which would result in exceeding the 30% Aggregate Limit for the Share Option Scheme and the Share Award Scheme.

Other Information

SHARE AWARD SCHEME (continued)

During the Reporting Period, no shares have been purchased or granted to the selected persons of the Group under the Share Award Scheme.

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

Save as disclosed above, as at 30 June 2018, none of the Directors or chief executive of the Company (and their respective associate(s)) had or was deemed to have any interests 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 were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO to be entered into the register referred to therein or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules, to be notified to the Company and the Stock Exchange.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the sections headed "Directors' Interests and Short Positions in Shares, Underlying Shares and Debentures" and the "Share Option Scheme" above, at no time during the Reporting Period was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or their spouse or minor children had any rights to subscribe for the securities of the Company, or had exercised any such rights during the Reporting Period.

Other Information

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2018, save as disclosed below, according to the list of substantial shareholders extracted from the website of the Stock Exchange and the announcement of the Company, the following companies or persons had an interest or short position in the Shares and the register of interests kept by the Company under section 336 of the SFO and as far as is known to the Directors, no person had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or had any option in respect of such capital:

Name of shareholders	Capacity in which the Shares were held	Number of shares held	Approximate percentage of the Company's issued share capital	Long position/ short position
China Minsheng	Interest of controlled corporation	27,568,649,093 (Note 1)	60.22%	Long position
CMBCI	Interest of controlled corporation	27,568,649,093 (Note 1)	60.22%	Long position
CMBCI Investment HK	Interest of controlled corporation	27,568,649,093 (Note 1)	60.22% (Note 1)	Long position
	Interest of controlled corporation	27,568,649,093 (Note 1)	60.22%	Long position
CMBCI Investment	Beneficial Owner	27,568,649,093 (Note 1)	60.22%	Long position
China Soft Power Technology Holdings Limited	Interest of controlled corporation	3,662,125,829 (Note 2)	8.00%	Long position
China Soft Power Technology Holdings Limited	Interest of controlled corporation	1,800,000,000 (Note 3)	3.93%	Short position
China Huarong Asset Management Co., Ltd.	Interest of controlled corporation	1,950,000,000 (Note 4)	4.26%	Long position
	Person having a security interest in shares	1,800,000,000 (Note 4)	3.93%	Long position

Other Information

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Name of shareholders	Capacity in which the Shares were held	Number of shares held	Approximate percentage of the Company's issued share capital	Long position/ short position
China Huarong Overseas Investment Holdings Co., Limited	Interest of controlled corporation	1,950,000,000 (Note 4)	4.26%	Long position
	Person having a security interest in shares	1,800,000,000 (Note 4)	3.93%	Long position
Ministry of Finance of the People's Republic of China	Interest of controlled corporation	1,950,000,000 (Note 4)	4.26%	Long position
	Person having a security interest in shares	1,800,000,000 (Note 4)	3.93%	Long position
Sun Siu Kit	Interest of controlled corporation	1,950,000,000 (Note 4)	4.26%	Long position
	Person having a security interest in shares	1,800,000,000 (Note 4)	3.93%	Long position
華融致遠投資管理有限責任公司	Interest of controlled corporation	1,950,000,000 (Note 4)	4.26%	Long position
	Person having a security interest in shares	1,800,000,000 (Note 4)	3.93%	Long position
華融華僑資產管理股份有限公司	Interest of controlled corporation	1,950,000,000 (Note 4)	4.26%	Long position
	Person having a security interest in shares	1,800,000,000 (Note 4)	3.93%	Long position
廣東錦峰集團有限公司	Interest of controlled corporation	1,950,000,000 (Note 4)	4.26%	Long position
	Person having a security interest in shares	1,800,000,000 (Note 4)	3.93%	Long position

Other Information

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (continued)

Notes:

1. CMBCI Investment was beneficially and wholly-owned by CMBCI Investment HK, which was in turn beneficially and wholly-owned by CMBCI. CMBCI was beneficially and wholly owned by China Minsheng. As such, each of CMBCI Investment HK, CMBCI and China Minsheng was deemed to be interested in the Shares held by CMBCI Investment.

2. China Soft Power Technology Holdings Limited beneficially and wholly held the entire issued share capital of Hoshing Limited, which in turn beneficially and wholly held the entire issued share capital of Main Purpose Investments Limited and Desert Gold Limited. Main Purpose Investments Limited and Desert Gold Limited held 1,428,645,829 Shares and 2,233,480,000 Shares, respectively. As such, China Soft Power Technology Holdings Limited was deemed to be interested in the Shares held by Main Purpose Investments Limited and Desert Gold Limited.

3. China Soft Power Technology Holdings Limited beneficially and wholly held the entire issued share capital of Hoshing Limited, which in turn beneficially and wholly held the entire issued share capital of Main Purpose Investments Limited and Desert Gold Limited. Main Purpose Investments Limited and Desert Gold Limited had short position in 1,400,000,000 Shares and 400,000,000 Shares, respectively. As such, China Soft Power Technology Holdings Limited was deemed to have in short position in the Shares held by Main Purpose Investments Limited and Desert Gold Limited.

4. Simple Moment International Limited beneficially held 1,950,000,000 Shares and 1,800,000,000 Shares in the capacity of Interest of controlled corporation and person having a security interest in shares, respectively. Simple Moment International Limited was beneficially and wholly-owned by China Huarong Overseas Investment Holdings Co., Ltd, which was in turn beneficially and wholly-owned by 華融華僑資產管理股份有限公司. 華融華僑資產管理股份有限公司 was beneficially held as to 51% and 40% by 華融致遠投資管理有限責任公司 and Sun Siu Kit, respectively. 華融致遠投資管理有限責任公司 was beneficially and wholly-owned by China Huarong Asset Management Co., Limited, which was in turn beneficially held as to 67.75% by Ministry of Finance of the People's Republic of China. As such, each of China Huarong Overseas Investment Holdings Co., Ltd, 華融華僑資產管理股份有限公司, 華融致遠投資管理有限責任公司, Sun Siu Kit, China Huarong Asset Management Co., Limited and Ministry of Finance of the People's Republic of China was deemed to be interested in the Shares held by Simple Moment International Limited.

Other Information

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules throughout the Reporting Period except for the following deviation with reasons as explained:

Appointment of Directors

Code Provision A.4.1

Under the code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election.

Deviation

All the non-executive Directors were not appointed for a specific term. Notwithstanding such deviation, all Directors are subject to the retirement by rotation according to the provisions of the bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CG Code.

Attendance of the Annual General Meeting

Code Provision E.1.2

Code provision E.1.2 stipulates that the chairman of the Board should invite for the chairman of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairmen of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting of the Company.

Deviation

The chairmen and members of the nomination committee and the remuneration committee were unable to attend the annual general meeting of the Company held on 29 June 2018 (the "2018 AGM") due to their other business engagement. However, the chairman of the Board had chaired the 2018 AGM and answered questions from the shareholders of the Company. The 2018 AGM has provided a channel for communication between the Board and the shareholders.

Other Information

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS (THE "MODEL CODE")

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry with the Directors, all of them confirmed that they have complied with the required standards set out in the Model Code during the Reporting Period.

AUDIT COMMITTEE

The unaudited condensed consolidated interim financial statements of the Company for the Reporting Period have been reviewed by the audit committee of the Company and the Company's independent auditor, Messrs. KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. The independent auditor, on the basis of their review, concluded that nothing has come to their attention that causes them to believe that the condensed consolidated interim financial statements are not prepared, in all material aspects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

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

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

LI Jinze
Chairman

Hong Kong, 23 August 2018

Report on Review of Condensed Consolidated Financial Statements

REVIEW REPORT TO THE BOARD OF DIRECTORS OF CMBC CAPITAL HOLDINGS LIMITED
(Incorporated in Bermuda with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 20 to 74 which comprises the consolidated statement of financial position of CMBC Capital Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2018 and the related consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and consolidated statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Review of Condensed Consolidated Financial Statements (continued)

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2018 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
23 August 2018

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 HK$'000 (Unaudited)	30 September 2017 HK$'000 (Unaudited)
Continuing operations			
Revenue	4	**344,075**	74,700
Net (losses)/gains on financial assets at fair value through profit or loss		**(44,560)**	55,967
Net losses on financial assets at fair value through other comprehensive income		**(5,257)**	–
Other income	5	**3,311**	4,175
Other gains and losses	6	**(15,357)**	(4,047)
Staff costs		**(33,472)**	(15,963)
Depreciation and amortisation		**(1,344)**	(1,238)
Other operating expenses		**(28,454)**	(22,697)
Finance costs	7	**(109,423)**	(7,702)
Profit before taxation	8	**109,519**	83,195
Taxation	9	**(9,114)**	(5,316)
Profit for the period from continuing operations		**100,405**	77,879
Discontinued operations			
Loss for the period from discontinued operations	10	**–**	(95)
Profit for the period attributable to owners of the Company		**100,405**	77,784
Earnings per share (HK cents)	11		
From continuing and discontinued operations			
– Basic		**0.22**	0.21
– Diluted		**0.22**	0.21
From continuing operations			
– Basic		**0.22**	0.21
– Diluted		**0.22**	0.21

The notes on pages 26 to 74 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 12.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Six months ended	
	30 June 2018 HK$'000 (Unaudited)	30 September 2017 HK$'000 (Unaudited)
Profit for the period attributable to owners of the Company	**100,405**	77,784
Other comprehensive loss		
Item that will not be reclassified to profit or loss:		
– Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	**(47,119)**	–
Item that may be reclassified subsequently to profit or loss:		
– Financial assets at fair value through other comprehensive income – net movement in fair value reserve (recycling)	**(221,761)**	(7)
Other comprehensive loss for the period, net of tax	**(268,880)**	(7)
Total comprehensive income for the period attributable to owners of the Company	**(168,475)**	77,777

The notes on pages 26 to 74 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2018

	Notes	As at 30 June 2018 HK$'000 (Unaudited)	As at 31 December 2017 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment		**4,380**	4,596
Goodwill		**16,391**	16,391
Loans and advances	13	**851,611**	449,450
Intangible assets		**5,531**	6,216
Deferred tax assets		**7,615**	21
Other assets		**17,510**	9,209
		903,038	485,883
Current assets			
Accounts receivable	14	**986,257**	827,121
Prepayments, deposits and other receivables		**274,562**	1,546
Interests receivable		**52,838**	10,525
Loans and advances	13	**2,640,796**	1,212,426
Financial assets at fair value through other comprehensive income	15	**2,783,549**	829,965
Financial assets at fair value through profit or loss	16	**591,420**	1,330,479
Cash and bank balances			
– Segregated accounts		**584,956**	490,141
– House accounts		**496,880**	126,761
		8,411,258	4,828,964

Consolidated Statement of Financial Position (continued)

At 30 June 2018

	Notes	**As at 30 June 2018 HK$'000 (Unaudited)**	As at 31 December 2017 HK$'000 (Audited)
Current liabilities			
Accounts payable	17	**589,985**	319,176
Other payables and accruals		**46,846**	191,197
Amount due to an intermediate holding company		**62,196**	7,197
Bank and other borrowings	18	**6,337,900**	3,351,038
Financial assets sold under repurchase agreements	19	**904,627**	7,966
Financial liabilities at fair value through profit or loss	20	**104,363**	–
Tax payable		**17,233**	9,423
		8,063,150	3,885,997
Net current assets		**348,108**	942,967
Total assets less current liabilities		**1,251,146**	1,428,850
Non-current liabilities			
Notes payable		**148,798**	148,400
Deferred tax liabilities		**6,111**	264
		154,909	148,664
Net assets		**1,096,237**	1,280,186
Capital and reserves			
Share capital	21	**457,787**	457,787
Reserves		**638,450**	822,399
Total equity		**1,096,237**	1,280,186

The notes on pages 26 to 74 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Notes	Share capital HK$'000	Share premium HK$'000	Contributed Surplus* HK$'000	Fair value reserve (recycling) HK$'000	Fair value reserve (non-recycling) HK$'000	Other reserve HK$'000	Accumulated profit (losses) HK$'000	Total HK$'000
		Attributable to owners of the Company							
At 1 January 2018 (audited)		457,787	1,089,404	2,318,758	(60)	–	761	(2,586,464)	1,280,186
Impact on initial application of HKFRS 9	2(b)	–	–	–	14,002	–	–	(20,262)	(6,260)
Impact on initial application of HKFRS 15	2(c)	–	–	–	–	–	–	(9,214)	(9,214)
Adjusted balance at 1 January 2018		457,787	1,089,404	2,318,758	13,942	–	761	(2,615,940)	1,264,712
Profit for the period		–	–	–	–	–	–	100,405	100,405
Other comprehensive income		–	–	–	(221,761)	(47,119)	–	–	(268,880)
Total comprehensive income		–	–	–	(221,761)	(47,119)	–	100,405	(168,475)
At 30 June 2018 (unaudited)		457,787	1,089,404	2,318,758	(207,819)	(47,119)	761	(2,515,535)	1,096,237

	Note	Share capital HK$'000	Share premium HK$'000	Contributed Surplus* HK$'000	Fair value reserve (recycling) HK$'000	Fair value reserve (non-recycling) HK$'000	Other reserve HK$'000	Share option reserve HK$'000	Accumulated profit (losses) HK$'000	Total HK$'000
		Attributable to owners of the Company								
At 1 April 2017 (audited)		180,198	3,220,060	388,137	–	–	761	64,425	(2,704,732)	1,148,849
Profit for the period		–	–	–	–	–	–	–	77,784	77,784
Other comprehensive income		–	–	–	(7)	–	–	–	–	(7)
Total comprehensive income		–	–	–	(7)	–	–	–	77,784	77,777
Share premium cancellation		–	(2,967,709)	2,967,709	–	–	–	–	–	–
Issue of shares		269,500	592,900	–	–	–	–	–	–	862,400
Exercise of share options		8,089	244,153	–	–	–	–	(64,425)	–	187,817
Dividends paid	12	–	–	(1,037,088)	–	–	–	–	–	(1,037,088)
At 30 September 2017 (unaudited)		457,787	1,089,404	2,318,758	(7)	–	761	–	(2,626,948)	1,239,755

* Contributed surplus is a distributable reserve and will be used for payment of dividends.

The notes on pages 26 to 74 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 HK$'000 (Unaudited)	Six months ended 30 September 2017 HK$'000 (Unaudited)
Net cash used in operating activities		**(1,866,309)**	(445,928)
Net cash used in investing activities			
Purchases of property, plant and equipment		**(442)**	(1,413)
Purchases of financial assets at fair value through other comprehensive income		**(3,074,643)**	(432,265)
Purchases of financial assets at fair value through profit or loss		**(1,440,598)**	(587,573)
Proceeds from disposal of subsidiaries	23	**–**	205,199
Proceeds from disposal of financial assets at fair value through other comprehensive income		**843,810**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**2,142,133**	8,778
		(1,529,740)	(807,274)
Net cash generated from financing activities			
Proceeds from issue of shares		**–**	862,400
Proceeds from exercise of share options		**–**	187,817
New borrowings raised		**3,911,619**	1,074,994
Repayments of borrowings		**(1,021,561)**	(1,274)
Net increase in financial assets sold under repurchase agreements		**892,550**	–
Repayment of promissory notes		**–**	(29,000)
Interest paid		**(18,419)**	(5,016)
Dividend paid	12	**–**	(612,876)
		3,764,189	1,477,045
Net increase in cash and cash equivalents		**368,140**	223,843
Cash and cash equivalents at the beginning of the period		**126,761**	87,416
Effect of foreign exchange rate changes, net		**1,979**	(87)
Cash and cash equivalents at the end of the period		**496,880**	311,172

The notes on pages 26 to 74 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the "Listing Rules"), including compliance with Hong Kong Accounting Standard 34 ("HKAS 34"), *interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It was authorised for issue on 23 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the CMBC Capital Holdings Limited ("the Company") and its subsidiaries (collectively referred to as "the Group") since the 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the HKICPA. KPMG's independent review report to the Board of Directors is included on pages 18 and 19.

On 14 July 2017, the Group made an announcement to change its financial year end from 31 March to 31 December to align with the financial year end of its indirect controlling shareholders, namely, CMBC International Holdings Limited ("CMBCI") and China Minsheng Banking Corp., Ltd.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

1 BASIS OF PREPARATION (continued)

Accordingly, the current financial period covers the six months ended 30 June 2018 with the comparative financial period from 1 April 2017 to 30 September 2017, which may not be entirely comparable with the amounts shown for the current period.

This interim financial report should be read in conjunction with the annual financial statements for the nine months from 1 April 2017 to 31 December 2017, which have been prepared in accordance with HKFRSs.

Operations of real estate segment were discontinued during the last interim period, details of which are disclosed in note 10.

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers

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

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to the timing of revenue recognition and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

2 CHANGES IN ACCOUNTING POLICIES (continued)

(a) Overview (continued)

The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9 and/or HKFRS 15:

	At 31 December 2017	Impact on initial application of HKFRS 9 (Note 2(b))	Impact on initial application of HKFRS 15 (Note 2(c))	At 1 January 2018
	HK$'000	HK$'000	HK$'000	HK$'000
Loans and advances	449,450	(236)	–	449,214
Deferred tax assets	21	1,230	–	1,251
Total non-current assets	485,883	994	–	486,877
Accounts receivable	827,121	(36)	–	827,085
Loans and advances	1,212,426	(7,218)	–	1,205,208
Available-for-sale financial assets	829,965	(829,965)	–	–
Financial assets at fair value through other comprehensive income ("FVOCI")	–	829,965	–	829,965
Total current assets	4,828,964	(7,254)	–	4,821,710
Tax payable	9,423	–	(1,821)	7,602
Other payables and accruals	191,197	–	11,035	202,232
Total current liabilities	3,885,997	–	9,214	3,895,211
Net current assets	942,967	(7,254)	(9,214)	926,499
Net assets	1,280,186	(6,260)	(9,214)	1,264,712
Reserves	822,399	(6,260)	(9,214)	806,925
Total equity	1,280,186	(6,260)	(9,214)	1,264,712

Further details of these changes are set out in sub-sections (b) and (c) of this note.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

	HK$'000
Retained earnings	
Recognition of additional expected credit losses on:	
– financial assets measured at amortised cost	(7,490)
– financial assets measured at FVOCI (recycling)	(14,002)
Related tax	1,230
Net decrease in retained earnings at 1 January 2018	(20,262)
Fair value reserve (recycling)	
Recognition of additional expected credit losses on financial assets measured at FVOCI	14,002
Net increase in fair value reserve (recycling) at 1 January 2018	14,002

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, Financial instruments (continued)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) Classification of financial assets and financial liabilities

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss ("FVPL"). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

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

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

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

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, Financial instruments (continued)

(i) Classification of financial assets and financial liabilities (continued)

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

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018. Available-for-sale financial assets measured under HKAS 39 is now presented as financial assets at fair value through other comprehensive income under HKFRS 9.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, Financial instruments (continued)

(ii) Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the expected credit loss ("ECL") model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises the expected credit losses ("ECLs") earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, accounts receivable and loans and advances);

– contract assets as defined in HKFRS 15 (see note 2(c));

– debt securities measured at FVOCI (recycling); and

– loan commitments issued, which are not measured at FVPL.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, Financial instruments (continued)

(ii) Credit losses (continued)

Measurement of ECLs (continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets and accounts receivable: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, Financial instruments (continued)

(ii) Credit losses (continued)

Measurement of ECLs (continued)
For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk
In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, Financial instruments (continued)

(ii) Credit losses (continued)

Significant increases in credit risk (continued)

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, Financial instruments (continued)

(ii) Credit losses (continued)

Basis of calculation of interest income on credit-impaired financial assets (continued)
Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy
The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment
As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to HK$21,492,000, which decreased retained earnings by HK$20,262,000 and increased gross deferred tax assets by HK$1,230,000 at 1 January 2018.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, Financial instruments (continued)

(ii) Credit losses (continued)

Opening balance adjustment (continued)

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	HK$'000
Loss allowance at 31 December 2017 under HKAS 39	300
Additional credit loss recognised at 1 January 2018 on:	
– Accounts receivable	36
– Loans and advances	7,454
– Financial assets at fair value through other comprehensive income	14,002
Loss allowance at 1 January 2018 under HKFRS 9	21,792

(iii) Hedge accounting

The Group does not apply hedge accounting. The adoption of HKFRS 9 hedge accounting model has no significant impact on the Group's financial statements in this regard.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

2 CHANGES IN ACCOUNTING POLICIES (continued)

(b) HKFRS 9, Financial instruments (continued)

(iv) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

2 CHANGES IN ACCOUNTING POLICIES (continued)

(c) HKFRS 15, Revenue from contracts with customers (continued)

The following table summarises the impact of transition to HKFRS 15 on retained earnings and the related tax impact at 1 January 2018:

	HK$'000
Retained earnings	
Deferred revenue and profit recognition for financial advisory, sponsorship, arrangement fee and other service income	(11,035)
Related tax	1,821
Net decrease in retained earnings at 1 January 2018	(9,214)

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) Timing of revenue recognition

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

2 CHANGES IN ACCOUNTING POLICIES (continued)

(c) HKFRS 15, Revenue from contracts with customers (continued)

(i) Timing of revenue recognition (continued)

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on the Group's recognition of revenue from securities brokerage and underwriting businesses. However, the timing of revenue recognition for sponsorship fee and arrangement fee in relation to margin financing is affected as follows:

- Sponsorship fee: The Group receives sponsorship fee for acting as a sponsor and under the sponsor mandates entered with customers, the Group has the right to be paid for work done to date if the customers were to cancel the contract before the initial public offering ("IPO") is completed. These contracts therefore satisfy the criteria for category C for recognising revenue over time during the IPO process, whereas previously the Group recognised revenue with reference to payment schedule stipulated in the mandates. Accordingly, revenue for these contracts recognised in profit or loss later under HKFRS 15 than under HKAS 18.

- Arrangement fee in relation to margin financing: The Group receives upfront arrangement fee in respect of margin financing business and margin loans are revolving in nature without tenor. Margin clients simultaneously receives and consumes the benefits provided by the entity's provision of credit throughout the calendar year. These contracts therefore satisfy the criteria for category A for recognising revenue over time during the financial period/year, whereas previously the Group recognised revenue when the Group arranged the margin loans. Accordingly, revenue for these contracts are recognised in profit or loss later under HKFRS 15 than under HKAS 18.

As a result of this change in accounting policy, the Group has made adjustments to opening balances at 1 January 2018 which decreased retained earnings by approximately HK$9,214,000, increased contract liability by HK$11,035,000 and decreased current tax liabilities by HK$1,821,000.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

2 CHANGES IN ACCOUNTING POLICIES (continued)

(c) HKFRS 15, Revenue from contracts with customers (continued)

(ii) Significant financing components

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the completion date of legal assignment.

This change in accounting policy had no material impact on opening balances as at 1 January 2018.

(iii) Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Contract asset relating to sponsorship fee and contract liability relating to arrangement fee in relation to margin financing are presented in the statement of financial position under "prepayments, deposits and other receivables" and "other payables and accruals" respectively, and the revenue was recognised for the reasons explained in paragraph (i) above.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

2 CHANGES IN ACCOUNTING POLICIES (continued)

(c) HKFRS 15, Revenue from contracts with customers (continued)

(iii) Presentation of contract assets and liabilities (continued)

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of HKFRS 15:

"Contract liability" amounting to HK$11,035,000 is now included under "Other payables and accruals" and as explained in (i) above, adjustments to opening balances have been made to increase contract liability approximately by HK$11,035,000 in respect of the Group's arrangement fee in relation to margin financing.

3 SEGMENT INFORMATION

In a manner consistent with the way in which information is reported internally to the chief operating decision maker for the purpose of resources allocation and performance assessment, the Group is currently organised into the following operating segments:

- the securities segment representing the business line of provision of brokerage services, securities margin financing services, futures and options contracts dealing services to clients and securities underwriting;
- the investment and financing segment representing investment and trading activities in equity securities, futures, bonds, funds and provision of loan financing services; and
- the asset management and advisory segment representing provision of asset management services, financial advisory, sponsorship and financial arrangement services to clients.

The real estate segment was discontinued in the last interim period. The segment information reported does not include any amounts for the discontinued operations, which are described in more details in note 10.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

3 SEGMENT INFORMATION (continued)

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by service lines is as follows:

	Six months ended	
	30 June 2018 HK$'000	30 September 2017 HK$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by service lines		
– Commission income from brokerage and related services	**1,447**	4,166
– Commission income from underwriting, sub-underwriting, placing and sub-placing	**15,155**	7,121
– Financing advisory, sponsorship, arrangement fee and other service income	**107,251**	33,414
– Management fee from asset management business	**9,635**	–
	133,488	44,701
Revenue from other sources		
– Interest income from debt securities investments	**81,945**	4,788
– Interest income from provision of finance and securities margin financing	**98,418**	21,953
– Dividend income	**30,224**	3,258
	210,587	29,999
	344,075	74,700

The Group's revenue from continuing operation from external customers are located in Hong Kong.

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 (see note 2(c)).

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

3 SEGMENT INFORMATION (continued)

Disaggregation of revenue from contracts with customers by timing of revenue recognition

Disaggregation of revenue from contracts with customers by timing of revenue recognition is set out below.

	Securities		Investment and financing		Asset management and advisory		Total	
For the six months ended	**30 June 2018 HK$'000**	30 September 2017 HK$'000	**30 June 2018 HK$'000**	30 September 2017 HK$'000	**30 June 2018 HK$'000**	30 September 2017 HK$'000	**30 June 2018 HK$'000**	30 September 2017 HK$'000
Disaggregated by timing of revenue recognition								
Point in time	**46,517**	40,415	**17,623**	3,258	**91,641**	21,010	**155,781**	64,683
Over time	**11,484**	–	**166,405**	10,017	**10,405**	–	**188,294**	10,017
Revenue from external customers	**58,001**	40,415	**184,028**	13,275	**102,046**	21,010	**344,075**	74,700

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 (see note 2(c)).

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

3 SEGMENT INFORMATION (continued)

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segments:

	Six months ended 30 June 2018			
	Securities HK$'000	Investment and financing HK$'000	Asset management and advisory HK$'000	Total HK$'000
Continuing operations				
Segment revenue				
– Revenue from external customers	58,001	184,028	102,046	344,075
– Net losses on financial assets at fair value through profit or loss	–	(44,560)	–	(44,560)
– Net losses on financial assets at fair value through other comprehensive income	–	(5,257)	–	(5,257)
	58,001	134,211	102,046	294,258
Segment results	22,905	21,183	84,352	128,440
Unallocated other income				256
Unallocated other gains and losses				5,655
Unallocated expenses				(11,204)
Unallocated finance costs				(13,628)
Profit before taxation				109,519
Taxation				(9,114)
Profit for the period from continuing operations				100,405

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

3 SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

	Six months ended 30 September 2017			
	Securities HK$'000	Investment and financing HK$'000	Asset management and advisory HK$'000	Total HK$'000
Continuing operations				
Segment revenue				
– Revenue from external customers	40,415	13,275	21,010	74,700
– Net gains on financial assets at fair value through profit or loss	–	55,967	–	55,967
	40,415	69,242	21,010	130,667
Segment results	31,275	65,726	20,118	117,119
Unallocated other income				418
Unallocated other gains and losses				(3,310)
Unallocated expenses				(26,533)
Unallocated finance costs				(4,499)
Profit before taxation				83,195
Taxation				(5,316)
Profit for the period from continuing operations				77,879

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 (see note 2(c)).

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

3 SEGMENT INFORMATION (continued)

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable segments:

	As at 30 June 2018			
	Securities HK$'000	Investment and financing HK$'000	Asset management and advisory HK$'000	Total HK$'000
Assets				
Segment assets	1,642,170	7,332,806	59,579	9,034,555
Unallocated assets				
– Property, plant and equipment				4,066
– Prepayments, deposits and other receivables				16,570
– Cash and bank balances				253,184
– Deferred tax assets				5,921
				279,741
Total				9,314,296
Liabilities				
Segment liabilities	1,218,134	6,764,874	7,270	7,990,278
Unallocated liabilities				
– Other payables and accruals				76,284
– Notes payable				148,799
– Deferred tax liabilities				198
– Tax payable				2,500
				227,781
Total				8,218,059

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

3 SEGMENT INFORMATION (continued)

Segment assets and liabilities (continued)

	As at 31 December 2017			
	Securities HK$'000	Investment and financing HK$'000	Asset management and advisory HK$'000	Total HK$'000
Assets				
Segment assets	1,364,640	3,867,092	8,470	5,240,202
Unallocated assets				
– Property, plant and equipment				4,189
– Prepayments, deposits and other receivables				8,392
– Cash and bank balances				62,064
				74,645
Total				5,314,847
Liabilities				
Segment liabilities	730,470	3,129,421	2,146	3,862,037
Unallocated liabilities				
– Other payables and accruals				21,460
– Notes payable				148,400
– Deferred tax liabilities				264
– Tax payable				2,500
				172,624
Total				4,034,661

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

4 REVENUE

	Six months ended	
	30 June 2018 HK$'000	30 September 2017 HK$'000
Continuing operations		
Commission income from brokerage and related services	**1,447**	4,166
Commission income from underwriting, sub-underwriting, placing and sub-placing	**15,155**	7,121
Interest income from debt securities investments	**81,945**	4,788
Interest income from provision of finance and securities margin financing	**98,418**	21,953
Dividend income	**30,224**	3,258
Financing advisory, sponsorship, arrangement fee and other service income	**107,251**	33,414
Management fee from asset management business	**9,635**	–
	344,075	74,700

5 OTHER INCOME

	Six months ended	
	30 June 2018 HK$'000	30 September 2017 HK$'000
Continuing operations		
Bank interest income	**1,283**	1
Other income	**2,028**	4,174
	3,311	4,175

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

6 OTHER GAINS AND LOSSES

	Six months ended	
	30 June 2018 HK$'000	30 September 2017 HK$'000
Continuing operations		
Impairment losses		
– Loans and advances	**(6,324)**	–
– Accounts receivable	**(1,708)**	(750)
– Financial assets at fair value through other comprehensive income	**(11,154)**	–
Loss on early settlement of promissory notes (Note)	**–**	(2,852)
Loss on disposal of property, plant and equipment	**–**	(7)
Loss on disposal of subsidiaries (note 23)	**–**	(789)
Net exchange gain	**3,829**	351
	(15,357)	(4,047)

Note: During the last interim period, the promissory notes in the principal amount of HK$29,000,000 were early settled and have resulted in a loss of HK$2,852,000.

7 FINANCE COSTS

	Six months ended	
	30 June 2018 HK$'000	30 September 2017 HK$'000
Continuing operations		
Interest expense on:		
Notes payable	**4,118**	4,152
Promissory notes	**–**	348
Bank borrowings and bank overdrafts	**9,510**	341
Loans from an intermediate holding company	**84,223**	2,861
Financial assets sold under repurchase agreements	**11,572**	–
	109,423	7,702

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

8 PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS

	Six months ended	
	30 June 2018 HK$'000	30 September 2017 HK$'000
The Group's profit before taxation from continuing operations is arrived at after charging:		
Depreciation of property, plant and equipment	**658**	552
Amortisation of intangible assets	**686**	686
Minimum lease payments in respect of land and buildings	**6,043**	6,344

9 TAXATION

	Six months ended	
	30 June 2018 HK$'000	30 September 2017 HK$'000
Continuing operations		
Current period – Hong Kong Profits Tax	**(9,630)**	(5,381)
Deferred tax credit for the period	**516**	65
	(9,114)	(5,316)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

10 DISCONTINUED OPERATIONS

During the last interim period, the Group completed the disposal of 100% equity interest in Sky Eagle Global Limited ("Sky Eagle") and a mortgage loan amounting to approximately HK$177,000,000 at cash consideration of HK$227,000,000 on 9 May 2017. Sky Eagle and its subsidiary, Metro Victor Limited ("Metro Victor") carried out all of the Group's real estate operation.

The results of the discontinued operations for the last interim period were as follows:

	Six months ended 30 September 2017 HK$'000
Revenue	450
Administrative expenses	(128)
Finance costs	(417)
Loss before taxation	(95)
Taxation	–
Loss for the period	(95)

During the last interim period, the net operating cash flow contributed by real estate operation to the Group was insignificant.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

11 EARNINGS PER SHARE

From continuing and discontinued operations

The calculation of basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended	
	30 June 2018 HK$'000	30 September 2017 HK$'000
Earnings		
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share	**100,405**	77,784

	Six months ended	
	30 June 2018 '000	30 September 2017 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**45,778,756**	36,719,251

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

11 EARNINGS PER SHARE (continued)

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the owners of the Company is based on the following information:

	Six months ended	
	30 June 2018 HK$'000	30 September 2017 HK$'000
Earnings figures are calculated as follow:		
Profit for the period attributable to the owners of the Company	**100,405**	77,784
Add: Loss for the period from discontinued operations	**–**	95
Earnings for the purpose of basic and diluted earnings per share from continuing operations	**100,405**	77,879

The denominators used are the same as those detailed above for the basic and diluted earnings per share.

From discontinued operations

Basic and diluted loss per share from the discontinued operations is Nil (for the six months ended 30 September 2017: HK0.0003 cents) per share, based on the loss for the period from discontinued operations of Nil (for the six months ended 30 September 2017: approximately HK$95,000) and the denominators detailed above for the basic and diluted earnings per share.

There was no dilutive items during the six months ended 30 June 2018 and 30 September 2017.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

12 DIVIDENDS

	Six months ended	
	30 June 2018 HK$'000	30 September 2017 HK$'000
Special cash dividend	–	612,876
Distribution in specie	–	424,212
	–	1,037,088

A special cash dividend of HK$0.03255 per share was paid in cash to the shareholders whose names are registered on the register of members of the Company on 10 May 2017. The special dividend in aggregate amount of approximately HK$612,876,000 was paid on 24 May 2017.

The Company also declared a dividend by way of distribution in specie for certain listed equity securities listed in Hong Kong held by the Group to the shareholders whose names are registered on the register of members of the Company on 10 May 2017. The distribution in specie in aggregate amount of approximately HK$424,212,000 was completed on 26 May 2017.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

13 LOANS AND ADVANCES

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Loans and advances	**3,492,407**	1,661,876
Less: Amount due within one year shown under current assets	**(2,640,796)**	(1,212,426)
Amount shown under non-current assets	**851,611**	449,450
Loans and advances (non-current)	**851,994**	449,450
Less: Allowance for expected credit losses	**(383)**	–
	851,611	449,450
Loans and advances (current)	**2,654,191**	1,212,426
Less: Allowance for expected credit losses	**(13,395)**	–
	2,640,796	1,212,426

At 30 June 2018, loans and advances included loans to independent third parties with effective interest rates ranging from 4% to 10% (31 December 2017: 6% to 10%) per annum. Certain loans and advances were secured and/or backed by guarantees or collaterals. Regular reviews on these loans are conducted by the risk management department based on the latest status of these loans, and the latest available information about the borrowers and the underlying collaterals held.

During the period ended 30 June 2018, allowance for expected credit losses of HK$6,324,000 was recognised (for the six months ended 30 September 2017: Nil) in the statement of profit or loss. One of the borrowers has been assessed by management to be individually impaired and an allowance for expected credit losses of approximately HK$9,000,000 has been provided at 30 June 2018.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

14 ACCOUNTS RECEIVABLE

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Accounts receivable arising from the ordinary course of business of securities brokerage, futures and options dealing services:		
– Clearing houses	**110**	203
– Cash clients	**3**	311
– Margin clients	**956,635**	814,313
– Brokers	**595**	5
	957,343	814,832
Accounts receivable arising from the ordinary course of business of securities underwriting	**3,727**	9,776
Accounts receivable arising from the ordinary course of business of advisory services	**27,231**	2,813
	988,301	827,421
Less: Allowance for expected credit losses	**(2,044)**	(300)
	986,257	827,121

Accounts receivable arising from the business of dealing in securities

The normal settlement terms of accounts receivable from clients and clearing houses, except for accounts receivable due from margin clients, arising from the ordinary course of business of securities brokerage services are two trading days after the trade date. No aging analysis is disclosed as, in the opinion of directors of the Company, an aging analysis does not give additional value in view of the nature of this business. As at 30 June 2018, the Group has concentration risk on its accounts receivable as the balance with the largest client represent 19% (31 December 2017: 22%) of the total accounts receivable from cash and margin clients. The Group has no other significant concentration risk.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

14 ACCOUNTS RECEIVABLE (continued)

Accounts receivable arising from the business of dealing in securities (continued)

Accounts receivable due from margin clients are repayable on demand and carry interest ranging from Hong Kong Prime Rate minus 0.35% to Hong Kong Prime Rate plus 9.15% per annum during the six months ended 30 June 2018 (31 December 2017: Hong Kong Prime Rate minus 0.35% to Hong Kong Prime Rate plus 9.15%). The fair values of the pledged securities as at 30 June 2018 approximate HK$3,937,344,000 (31 December 2017: HK$4,455,263,000). As at 30 June 2018, 99.6% (31 December 2017: 100%) of the margin clients receivable balance were secured by sufficient collaterals on an individual basis. During the period ended 30 June 2018, allowance for expected credit losses of HK$1,708,000 was recognised (for the six months ended 30 September 2017: HK$750,000) in the statement of profit or loss and the amount was mainly attributable to one of the margin clients (30 September 2017: one of the cash clients) who had collateral value fallen significantly below the required margin ratio or had outstanding balance past due.

Accounts receivable arising from the business of dealing in futures and options contracts

Under the settlement arrangement with clearing houses, all open positions held at clearing houses are treated as if they were closed out and re-opened at the relevant closing quotation as determined by clearing houses. Profits or losses arising from this "mark-to-market" settlement arrangement are included in accounts receivables with clearing houses.

In accordance with the agreement with brokers, mark-to-market profits or losses are treated as if they were settled and are included in accounts receivable with brokers.

The accounts receivable are neither past due nor impaired.

Accounts receivable from clearing houses and brokers represent transactions arising from the business of dealing.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Listed debt investments, at fair value (Note)	**2,337,842**	829,965
Listed equity instruments, at fair value	**445,707**	–
	2,783,549	829,965

Note: After the transition to HKFRS 9 as disclosed in note 2(b), the Group has further recognised expected credit losses amounted HK$11,154,000 in the statement of profit or loss during the period (for the six months ended 30 September 2017: Nil). As at 30 June 2018, allowance for expected credit losses amounted HK$25,156,000 (31 December 2017: Nil) has been included in fair value reserve (recycling).

16 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Listed equity investments	**9,658**	2,597
Unlisted equity investment	**158,939**	–
Listed debt investments	**132,221**	–
Quoted investment funds	**73,513**	1,327,882
Unlisted investment funds	**193,549**	–
Unlisted convertible promissory note	**23,540**	–
	591,420	1,330,479

The fair values of the listed equity investments and quoted investment funds were determined based on the quoted market prices.

Notes to the Unaudited Interim Financial Report

For the six months ended 30 June 2018

17 ACCOUNTS PAYABLE

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Accounts payable arising from the ordinary course of business of securities brokerage, futures and options dealing services:		
– Cash clients	**242,334**	307,470
– Margin clients	**345,960**	7,253
– Clearing houses	**1,691**	4,453
	589,985	319,176

Accounts payable arising from the business of dealing in securities

The accounts payable balances arising from the ordinary course of business of securities brokerage services are normally settled in two trading days after the trade date except for the money held on behalf of clients at the segregated bank accounts which are repayable on demand. No aging analysis is disclosed as, in the opinion of directors of the Company, an aging analysis does not give additional value in view of the nature of this business.

Accounts payable arising from the business of dealing in futures and options contracts

Settlement arrangements with clients follow the same settlement mechanism with clearing houses or brokers as disclosed in note 14 and profits or losses arising from mark-to-market settlement arrangement were included in accounts payable with clients. Accounts payable to clients are non-interest bearing. The settlement terms of accounts payable are one day after trade day. No aging analysis is disclosed as, in the opinion of directors of the Company, an aging analysis does not give additional value in view of the nature of this business.

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18 BANK AND OTHER BORROWINGS

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Unsecured bank loans	**494,335**	298,495
Loan from an intermediate holding company	**5,843,565**	3,052,543
	6,337,900	3,351,038
The carrying amounts of the above borrowings are repayable:		
Within one year	**6,337,900**	3,351,038

As at 30 June 2018, the Group had loans amounting to approximately HK$5,739,209,000 (31 December 2017: HK$3,032,527,000) from CMBCI, an intermediate holding company and interest payable amounting to approximately HK$104,356,000 (31 December 2017: HK$20,016,000). The loans bear interest at a fixed rate of 4% per annum (31 December 2017: 4% per annum) and are repayable within one year.

As at 30 June 2018, bank borrowings amounting to HK$494,335,000 from China Minsheng Banking Corp., Ltd. Hong Kong Branch ("CMBC HK Branch"), a branch of the ultimate holding company, carried variable interest rate at 4.3% per annum (31 December 2017: ranging from 3.6% to 4.4% per annum).

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19 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Bonds	**904,627**	7,966

As at 30 June 2018, the Group entered into repurchase agreements with financial institutions to sell bonds recognised as financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss with aggregate carrying amount of approximately HK$1,512,935,000 (31 December 2017: HK$15,560,000), which is subject to the simultaneous agreements to repurchase these investments at the agreed date and price.

Sales and repurchase agreements are transactions in which the Group sells bonds and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those bonds sold. The bonds are not derecognised from the financial statements but regarded as "collaterals" for the liabilities because the Group retains substantially all the risks and rewards of the bonds.

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20 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Payables to interest holder of unlisted consolidated investment fund, designated at FVPL	**104,363**	–

As at 30 June 2018, the Company held 75% interests in New China OCT Fund 2 Segregated Portfolio ("the Segregated Portfolio") as a Class A shareholder and an independent third party held 25% interests in the Segregated Portfolio as a Class B shareholder. As the Group has control over the Segregated Portfolio, it is accounted for as a subsidiary. Pursuant to the appendix of the placing memorandum of the New China OCT Fund SPC for the segregated portfolio, Class A shareholder is subject to a maximum priority expected return of up to 7.5% per annum and Class B shareholder is subject to a maximum subordinate expected return before deduction of performance fee. Any excess beyond Class B expected return after payment of other fees and expenses, shall be paid to the fund manager in the form of performance fees, where available. Accordingly, the interests of the non-controlling shareholder are classified as financial liabilities designated as at fair value through profit or loss of approximately HK$104,363,000 as at 30 June 2018.

21 SHARE CAPITAL

	Number of shares '000	**Amount** HK$'000
Authorised:		
At 1 January 2018 and 30 June 2018		
Ordinary shares of HK$0.01 each	100,000,000	1,000,000
Issued and fully paid:		
At 1 January 2018 and 30 June 2018		
Ordinary shares of HK$0.01 each	45,778,756	457,787

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22 ACQUISITION OF SUBSIDIARIES

As disclosed in the Company's announcement dated 27 July 2017, the Company entered into an acquisition agreement with CMBCI, an intermediate holding company of the Company, pursuant to which the Company agreed to acquire the entire issued share capital of CMBC International Capital Limited ("CMBCIC") and CMBC Capital Finance Limited ("CMBCCF") for a consideration of HK$19,931,674 and HK$1, respectively. During the last interim period, the Group completed the acquisition of CMBCCF and the net asset acquired was insignificant.

CMBCIC has been licensed by the SFC to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities since March 2017. CMBCIC is principally engaged in the provision of corporate finance services. CMBCCF has obtained a money lender license in Hong Kong since July 2017. CMBCCF is principally engaged in the provision of loan financing business. The directors of the Company are of the view that the acquisitions would further broaden the Group's client bases, procure new sources of revenue for the Group and create synergy effect of the Group's principal businesses.

The acquisition of CMBCIC was completed on 30 October 2017 and CMBCIC become a direct wholly-owned subsidiary of the Company.

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23 DISPOSAL OF SUBSIDIARIES

During the last interim period, the Group completed the disposal of group companies other than the three licensed corporations as a result of the group reorganisation and completed the disposal of Sky Eagle and Metro Victor. The transactions resulted in a loss of approximately HK$789,000.

Analysis of assets and liabilities of the subsidiaries upon disposal is as follows:

	HK$'000
Assets	
Plant and equipment	273
Investment property	410,000
Prepayments, deposits and other receivables	221
Bank and cash balances	1
	410,495
Liabilities	
Other payables and accruals	5,518
Bank borrowings	176,988
	182,506
Net assets	227,989
Loss on disposal of subsidiaries (note 6)	(789)
Cash consideration	227,200
Net cash inflow arising from disposal	
Cash consideration	227,200
Less: Cash deposit received	(22,000)
Less: Cash and cash equivalents disposed of	(1)
	205,199

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24 OPERATING LEASE ARRANGEMENTS

At the end of reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases for office premises which fall due as follows:

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Within one year	**12,087**	12,087
In the second to fifth years, inclusive	**–**	6,043
	12,087	18,130

Leases are negotiated for a term of three years.

25 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

Financial assets and liabilities measured at fair value on recurring basis

The following table provides an analysis of the Group's financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable for the six months ended 30 June 2018:

- Level 1 fair value measurements are quoted prices (unadjusted) in active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as price) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liability that are not based on observable market data (unobservable inputs).

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For the six months ended 30 June 2018

25 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Financial assets and liabilities measured at fair value on recurring basis (continued)

	Fair value		Fair value hierarchy	Valuation techniques	Significant unobservable input
	30 June 2018 HK$'000	31 December 2017 HK$'000			
Financial assets					
Financial assets at fair value through profit or loss					
– Listed equity investments	**9,658**	2,597	Level 1	Quoted market closing prices in an active market	N/A
– Unlisted equity investment	**158,939**	–	Level 3	Market approach	Recent market transaction
– Listed debt investments	**132,221**	–	Level 2	Consensus price of the investment	N/A
– Quoted investment funds	**73,513**	1,327,882	Level 1	Quoted market closing prices in an active market	N/A
– Unlisted investment funds	**193,549**	–	Level 3	Market approach	Recent market transaction
– Unlisted convertible promissory note	**23,540**	–	Level 3	Market approach	Recent market transaction
Financial assets at fair value through other comprehensive income					
– Listed debt investments	**2,337,842**	829,965	Level 2	Consensus price of the investment	N/A
– Listed equity instruments	**445,707**	–	Level 2	Consensus price of the investment	N/A
Financial liabilities					
Liabilities at fair value through profit or loss					
– Financial liabilities arising from consolidation of a structured entity	**104,363**	–	Level 2	Net asset value	N/A

During the period under review, there were no transfers among Level 1, Level 2 and Level 3.

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25 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (continued)

Fair value measurements and valuation processes

The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market closing prices. The fair value of financial assets that are not traded in active liquid markets are determined based on recent market transactions.

26 RELATED PARTY TRANSACTIONS

The Group had the following related party transactions for the six months ended 30 June 2018 and 30 September 2017:

(a) Compensation of key management personnel of the Group

	Six months ended	
	30 June 2018 HK$'000	30 September 2017 HK$'000
Short-term employee benefits	**7,592**	2,600
Post-employment benefits	**17**	5
Total compensation to key management personnel	**7,609**	2,605

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26 RELATED PARTY TRANSACTIONS (continued)

(b) Material transaction with related parties

Apart from transactions disclosed in other notes of this interim financial report, during the period ended 30 June 2018, the Group had the following material transactions with related parties.

	Six months ended	
	30 June 2018 HK$'000	30 September 2017 HK$'000
Interest expense to an intermediate holding company (Note (i))	**84,223**	2,861
Interest expense to a branch of the ultimate holding company	**9,510**	–
Referral fee income from an intermediate holding company (Note (ii))	**–**	2,700
Referral fee paid to an intermediate holding company	**1,536**	–

Notes:

(i) During the period, an intermediate holding company provided loans to the Group with an aggregate amount of approximately HK$5,739,209,000 (31 December 2017: HK$3,032,527,000) company loans denominated in Hong Kong Dollars and US Dollars. The loans bear annual interest rate of 4.0% (31 December 2017: 4.0%) and repayable on the first anniversary from the drawdown date. Interest payable of approximately HK$104,356,000 (31 December 2017: HK$20,016,000) has been accrued from the company loans as at 30 June 2018.

(ii) During the period ended 30 September 2017, the Company provided referral services to an intermediate holding company regarding a loan facility with an independent third party.

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For the six months ended 30 June 2018

26 RELATED PARTY TRANSACTIONS (continued)

(c) Material balances with related parties

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Bank balances at a branch of the ultimate holding company		
– House accounts	**289,334**	76,706
– Segregated accounts	**467,536**	171,908
Amount due to an intermediate holding company	**62,196**	7,197
Loans from an intermediate holding company	**5,843,565**	3,052,543
Bank loan from a branch of the ultimate holding company	**494,335**	298,495
Accounts receivable from a branch of the ultimate holding company	**–**	7,814
Accounts receivable from a former substantial shareholder arising from securities brokerage business	**–**	39,042
Accounts payable to the immediate holding company	**11**	8,195
Other payables and accruals to an intermediate holding company	**392**	–
Other payables and accruals to a branch of the ultimate holding company	**–**	2,171

(d) Service agreement with related party

On 3 October 2017, the Company entered into a service agreement (the "Service Agreement") with CMBCI, pursuant to which the Group agreed to provide asset management services or ancillary services to CMBCI. CMBCI and its subsidiaries (other than the members of the Group) agreed to introduce, refer and communicate underwriting opportunities offered by independent third parties to the Group. During the period ended 30 June 2018, there were transactions relating to provision of asset management services and referral of underwriting opportunities.

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27 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES

	As at 30 June 2018 HK$'000	As at 31 December 2017 HK$'000
Quoted investment funds	**73,513**	1,327,882
Unlisted investment funds	**193,549**	–
	267,062	1,327,882

The Group has concluded that the quoted investment funds and unlisted investment funds in which it invests, but that it does not consolidate meets the definition of structured entities because:

- the voting rights in the funds are not dominant rights in deciding who controls them as they relate to administrative tasks only;
- each fund's activities are restricted by its articles of associations; and/or
- the funds have narrow and well defined objectives to provide investment opportunities to investors.

The table below describes the types of structured entities that the Group does not consolidate but in which it holds an interest:

Type of structured entity	**Nature and purpose**	**Interest held by the Group**
Quoted investment funds	To manage assets on behalf of third party investors and generate fees for the investment manager These vehicles are financed through the issue of units to investors	Investment in units issued by the funds
Unlisted investment funds	To manage assets on behalf of third party investors	Acting as limited partner

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27 INVOLVEMENT WITH UNCONSOLIDATED STRUCTURED ENTITIES (continued)

The table below sets out interests held by the Group in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the financial assets held.

	30 June 2018	
	Number of investment funds	**Carrying amount included in financial assets at fair value through profit or loss HK$'000**
Quoted investment funds	**2**	**73,513**
Unlisted investment funds	**2**	**193,549**
	4	**267,062**

	31 December 2017	
	Number of investment funds	Carrying amount included in financial assets at fair value through profit or loss HK$'000
Quoted investment funds	8	1,327,882

During the six months ended 30 June 2018, the Group did not provide financial support to the unconsolidated structured entities and has no intention of providing financial or other support.

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28 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

As disclosed in the Company's announcement dated 3 July 2018, the Company entered into the subscription agreement with CMBC International Investment Limited ("the Subscriber"). Pursuant to the subscription agreement, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 1,350,000,000 new shares, at the price of HK$0.363 per new share. The completion of the subscription is subject to, among others, the approval by the independent shareholder of the Company at the special general meeting.

As disclosed in the Company's announcement dated 20 July 2018, a total of 577,220,000 placing shares have been successfully placed to not less than six placees who and whose ultimate beneficial owners are independent third parties at the placing price of HK$0.363 per placing share. The net proceeds from the placing amounted to HK$205 million will be used for (i) the expansion of loan and financing business of the Group, (ii) to further strengthen the Group's brokerage service capability; (iii) the expansion of the Group's corporate finance advisory business; (iv) the development of asset management business and (v) general working capital.

As disclosed in the Company's announcement dated 30 July 2018, the Company, on behalf of the Group, entered into a deposit services agreement with CMBC HK Branch, in relation to the provision of deposit services by CMBC HK Branch to the Group, subject to the terms and conditions provided in the deposit services agreement.

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29 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted. Except for the amendments to HKFRS 9, *Prepayment features with negative compensation*, which have been adopted at the same time as HKFRS 9 (see note 2(b)), the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following update to the information provided in the last annual financial statements in respect of HKFRS 16, *Leases*, which may have a significant impact on the Group's consolidated financial statements.

HKFRS 16, Leases

As discussed in the 2017 annual financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of HKFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Group's accounting as a lessee of lease for a property which is currently classified as operating lease. The application of the new accounting model is expected to lead to an increase in both assets and liabilities and to impact on the timing of the expense recognition in the statement of profit or loss over the period of the lease.

The Group will need to perform a more detailed analysis to determine the amounts of new assets and liabilities arising from operating lease commitments on adoption of HKFRS 16, after taking into account the applicability of the practical expedient and adjusting for any leases entered into or terminated between now and adoption of HKFRS 16 and the effects of discounting.