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INTERIM REPORT 2018

Value

Excellence

華金國際資本
HJ Capital

HJ Capital (International) Holdings Company Limited

Stock Code: 982

Contents

Corporate Information

Board of Directors

Executive directors

Mr. Li Guangning *(Chairman)*
Mr. Xie Wei *(Chief Executive Officer)*
Ms. Guo Jin
(appointed with effect from 18 April 2018)
Mr. Wu Jiang *(Chief Financial Officer)*
(resigned with effect from 18 April 2018)

Non-executive directors

Ms. Zhang Kuihong
Mr. Shong Hugo
Mr. Qie Yan

Independent non-executive directors

Dr. Chen Jieping
Dr. Sun Mingchun
Mr. Tse Yung Hoi

Audit Committee

Dr. Chen Jieping *(Chairman)*
Dr. Sun Mingchun
Mr. Tse Yung Hoi

Remuneration Committee

Dr. Sun Mingchun *(Chairman)*
Dr. Chen Jieping
Mr. Tse Yung Hoi
Mr. Xie Wei
Ms. Guo Jin
(appointed with effect from 18 April 2018)
Mr. Wu Jiang
(resigned with effect from 18 April 2018)

Nomination Committee

Mr. Tse Yung Hoi *(Chairman)*
Dr. Chen Jieping
Dr. Sun Mingchun

Legal Adviser

Mayer Brown JSM

Auditor

PricewaterhouseCoopers

Company Secretary

Ms. Li Yanmei

Head Office and Principal Place of Business in Hong Kong

Room 3605, 36/F
Cheung Kong Center
2 Queen's Road Central
Central, Hong Kong

Registered Office

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Bermuda Principal Share Registrar and Transfer Office

MUFG Fund Services (Bermuda) Limited

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited

Principal Bankers

Standard Chartered Bank (Hong Kong) Limited
Hang Seng Bank Limited

Bermuda Resident Representative

Conyers Corporate Services (Bermuda) Limited

Authorised Representatives

Mr. Xie Wei
Ms. Li Yanmei

Place of Listing

The Stock Exchange of Hong Kong Limited

Stock Code

982

Website Address

www.huajinci.com

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

	Note	Six months ended 30 June 2018 HK$'000 (Unaudited)	2017 HK$'000 (Restated) (Note 20) (Unaudited)
Revenue	4	81,049	110,079
Cost of sales	6	(65,425)	(56,715)
Gross profit		15,624	53,364
Other income and other gains, net	5	2,655	3,429
Selling and distribution expenses	6	(6,208)	(5,140)
Administrative expenses	6	(40,745)	(38,755)
Operating (loss)/profit		(28,674)	12,898
Finance expenses, net	7	(839)	(715)
Share of results of associates		(151)	–
(Loss)/profit before income tax		(29,664)	12,183
Income tax expense	8	–	(886)
(Loss)/profit for the period		(29,664)	11,297
Other comprehensive loss for the period, net of tax			
Item that will not be reclassified subsequently to profit or loss:			
Change in fair value of a financial asset at fair value through other comprehensive income		(208)	–
Total comprehensive (loss)/income for the period attributable to owners of the Company		(29,872)	11,297
(Loss)/earnings per share attributable to owners of the Company (HK cents)	9	(0.295)	0.123
Basic and diluted (loss)/earnings per share		(0.295)	0.123

Interim Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Note	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	11	3,892	5,232
Intangible assets	12	11,628	11,628
Interest in associates		39,846	39,997
Financial asset at fair value through other comprehensive income	13	9,000	–
Available-for-sale investments	3	–	24,481
Deposits and other receivable		7,687	9,288
		72,053	90,626
Current assets			
Contract assets	3	7,672	–
Amounts due from customers on services contracts	3	–	5,663
Margin loans receivable		65,199	32,149
Trade receivables	14	48,323	31,415
Other receivables, deposits and prepayments		14,215	14,318
Amount due from a related party	17	–	3,660
Income tax recoverable		2,829	2,829
Client trust bank balances		20,411	17,391
Cash and cash equivalents		124,870	99,846
		283,519	207,271
Total assets		355,572	297,897
Equity			
Share capital		2,515	2,515
Reserves		162,405	192,277
Total equity		164,920	194,792
Non-current liabilities			
Deferred tax liabilities		171	163
		171	163
Current liabilities			
Trade payables	15	39,592	34,852
Other payables and accruals	3	21,978	31,580
Contract liabilities	3	18,310	–
Amount due to a related party	17	–	401
Loan from a related party	17	–	35,500
Bank borrowings	18	110,000	–
Income tax payable		601	609
		190,481	102,942
Total liabilities		190,652	103,105
Total equity and liabilities		355,572	297,897

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the Company						
	Share capital *HK$'000*	Share premium *HK$'000*	Special reserve *HK$'000*	Other reserve *HK$'000*	Merger reserve *HK$'000*	Retained earnings *HK$'000*	Total *HK$'000*
At 1 January 2018 (Audited)	2,515	169,105	4,451	872	–	17,849	194,792
Loss for the period	–	–	–	–	–	(29,664)	(29,664)
Other comprehensive income							
Change in fair value of a financial asset at fair value through other comprehensive income	–	–	–	(208)	–	–	(208)
Realization of reserves upon disposal of a financial assets at fair value through other comprehensive income	–	–	–	698	–	(698)	–
Total comprehensive loss for the period	–	–	–	490	–	(30,362)	(29,872)
At 30 June 2018 (Unaudited)	2,515	169,105	4,451	1,362	–	(12,513)	164,920
At 1 January 2017 (Audited)	2,300	39,914	4,451	862	76,468	17,505	141,500
Profit for the period (Restated)	–	–	–	–	–	11,297	11,297
Total comprehensive income for the period (Restated)	–	–	–	–	–	11,297	11,297
At 30 June 2017 (Unaudited)	2,300	39,914	4,451	862	76,468	28,802	152,797

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended 30 June 2018 HK$'000 (Unaudited)	2017 HK$'000 (Restated) (Note 20) (Unaudited)
Cash flows from operating activities		
Cash used in operations	(62,847)	(16,392)
Income tax paid	–	(55)
Net cash used in operating activities	(62,847)	(16,447)
Cash flows from investing activities		
– Dividend received	–	450
– Interest received	512	95
– Acquisition of a subsidiary, net of cash acquired	–	(4,653)
– Purchase of property, plant and equipment	(733)	(323)
– Proceeds from disposal of financial asset at fair value through other comprehensive income	15,010	–
– Proceeds from disposal of asset and liabilities classified as held for sale	–	178
Net cash generated from/(used in) investing activities	14,789	(4,253)
Cash flows from financing activities		
– Interest paid	(1,418)	(809)
– Proceeds from borrowings	110,000	24,053
– Repayment of borrowings	(35,500)	(10,608)
Net cash generated from financing activities	73,082	12,636
Net increase/(decrease) in cash and cash equivalents	25,024	(8,064)
Cash and cash equivalents at beginning of the period	99,846	138,553
Cash and cash equivalents at end of the period	124,870	130,489

Notes to the Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2018

1. General Information of the Group

HJ Capital (International) Holdings Company Limited (the "Company") is a limited liability company incorporated in Bermuda. Its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its head office and principal place of business in Hong Kong is at Room 3605, 36/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong.

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in the provision of financial printing services and financial services in Hong Kong.

This interim condensed consolidated financial information is presented in Hong Kong dollars ("HK$") unless otherwise stated.

This interim condensed consolidated financial information is unaudited and has been reviewed by the audit committee of the Company (the "Audit Committee"). This interim condensed consolidated financial information was approved for issue by the board of directors of the Company (the "Board" or the "Directors") on 9 August 2018.

2. Basis of Preparation

This interim condensed consolidated financial information for the six months ended 30 June 2018 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim financial reporting". The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS").

3. Accounting Policies

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2017, as described in those annual financial statements, except for the estimation of income tax using the tax rate that would be applicable to expected total annual earnings and the adoption of new and amendments to HKFRSs effective for the financial year ending 31 December 2018.

3. Accounting Policies *(continued)*

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies and make retrospective adjustments as a result of adopting the following standards:

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed below. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

Below explains the impact of the adoption of HKFRS 9, "Financial Instruments" and HKFRS 15, "Revenue from Contracts with Customers", on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(i) Impact on the financial statements

The Group elected to adopt HKFRS 9 and HKFRS15 without restating comparative. The reclassifications and the adjustments are therefore not reflected in the consolidated statement of financial position as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

Statement of financial position (extract)	31 December 2017 As originally presented *HK$'000*	HKFRS 9 *HK$'000*	HKFRS 15 *HK$'000*	1 January 2018 Restated *HK$'000*
Non-current assets				
Available-for-sale financial assets	24,481	(24,481)	–	–
Financial assets at fair value through other comprehensive income	–	24,481	–	24,481
Current assets				
Amounts due from customers on services contracts	5,663	–	(5,663)	–
Contract assets	–	–	5,663	5,663
Current liabilities				
Trade and other payables	31,580	–	(12,277)	19,303
Contract liabilities	–	–	12,277	12,277

3. Accounting Policies *(continued)*

(a) New and amended standards adopted by the Group (continued)

(ii) HKFRS 9 Financial Instruments – Impact of adoption

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

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in (iib) below. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

There is no impact on the Group's retained earnings as at 1 January 2018.

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group. The Group elected to present changes in the fair value of all its previously classified as available-for-sale investments in other comprehensive income ("OCI") as they are long-term and strategic investments. As a result, available-for-sale investments with aggregated fair value of approximately HK$24,481,000 were reclassified to financial assets at fair value through other comprehensive income on 1 January 2018. Other than that, the classification of other financial assets and liabilities remained unchanged.

Gains or losses realised in the sale of the financial assets at fair value through other comprehensive income will no longer be transferred to profits or loss on sale, but instead reclassified from other reserve to retained earnings. During the period ended, the Group disposed of a financial asset at fair value through other comprehensive income. Upon disposal, the related investment revaluation reserve of approximately HK$698,000 was transferred to retained earnings.

(iia) HKFRS 9 Financial Instruments – Impairment of financial assets

The Group has four types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables
- contract assets
- margin loans receivable; and
- other receivables

3. Accounting Policies *(continued)*

(a) New and amended standards adopted by the Group (continued)

(ii) HKFRS 9 Financial Instruments – Impact of adoption (continued)

(iia) HKFRS 9 Financial Instruments – Impairment of financial assets (continued)

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The Group makes estimates and assumption concerning the futures which are discussed below:

Significant estimates and judgements

Impairment of financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

By using the expected credit losses model, management concluded there is no effect on the Group's retained earnings as at 1 January 2018.

(iib) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

(a) Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

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

3. Accounting Policies *(continued)*

(a) New and amended standards adopted by the Group (continued)

(ii) HKFRS 9 Financial Instruments – Impact of adoption (continued)

(iib) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (continued)

(b) Measurement

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

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

Debt instruments

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

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

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

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

3. Accounting Policies *(continued)*

(a) New and amended standards adopted by the Group (continued)

(ii) HKFRS 9 Financial Instruments – Impact of adoption (continued)

(iib) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018 (continued)

(b) Measurement (continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(c) Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

3. Accounting Policies *(continued)*

(a) New and amended standards adopted by the Group (continued)

(iii) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption and presentation of assets and liabilities related to contracts with customers

The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies and reclassification to the amounts recognised in the financial statements as mentioned in (i).

Except for the reclassification of amounts due from customers on services contracts of approximately HK$5,663,000 to contact asset and deposits received from customers of approximately HK$12,277,000 which is included in other payables and accruals to contract liabilities as at 1 January 2018. The management concluded there is no effect on the Group's retained earnings as at 1 January 2018.

(b) Impact of standards issued but not yet applied by the Group

HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the consolidated statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$71,744,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

4. Revenue and Segment Information

The chief operating decision-maker has been identified as the executive directors of the Company (the "Executive Directors"). The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group's operating businesses are structured and managed separately according to the nature of operations. Each of the Group's reportable segments represents a strategic business unit that is subject to risks and returns that are different from other reportable operating segments.

The Group is principally engaged in the following:

- Financial printing services and investments holding – provision of financial printing and investments holding; and

- Financial services – securities underwriting, securities and future brokerage and consultancy and advisory services.

The Executive Directors consider all assets and revenue relating to the operations are primarily located in Hong Kong.

Segment assets mainly exclude interests in associates, financial asset at fair value through other comprehensive income, cash and cash equivalents, income tax recoverable and other assets that are managed on a central basis.

Segment liabilities mainly exclude loan from a related party, bank borrowings, income tax payable, deferred tax liabilities, and other liabilities that are managed on a central basis.

None of the Group's customers had individually accounted for over 10% of the Group's revenue for the six months ended 30 June 2018 and 2017, respectively.

The Executive Directors assess the performance of the operating segments based on their underlying profits, which is measured by profit before income tax, excluding income and expenses that are managed on a central basis.

	Financial printing services and investments holding		Financial services		Total	
	30 June 2018 HK$'000 (Unaudited)	30 June 2017 HK$'000 (Unaudited)	30 June 2018 HK$'000 (Unaudited)	30 June 2017 HK$'000 (Restated) (Unaudited)	30 June 2018 HK$'000 (Unaudited)	30 June 2017 HK$'000 (Restated) (Unaudited)
Revenue from external customers	60,854	72,361	20,195	37,718	81,049	110,079
Segment results	(10,202)	3,131	(16,658)	11,753	(26,860)	14,884
Unallocated income					332	727
Unallocated expenses					(2,985)	(3,428)
Share of results of associates					(151)	–
Income tax expense					–	(886)
(Loss)/profit for the period					(29,664)	11,297

4. Revenue and Segment Information *(continued)*

	Financial printing services and investments holding		Financial services		Total	
	30 June 2018 *HK$'000* (Unaudited)	31 December 2017 *HK$'000* (Audited)	30 June 2018 *HK$'000* (Unaudited)	31 December 2017 *HK$'000* (Audited)	30 June 2018 *HK$'000* (Unaudited)	31 December 2017 *HK$'000* (Audited)
Segment assets	56,727	43,028	120,905	86,577	177,632	129,605
Unallocated assets					177,940	168,292
Total assets					355,572	297,897
Segment liabilities	47,617	28,966	30,441	35,896	78,058	64,862
Unallocated liabilities					112,594	38,243
Total liabilities					190,652	103,105

	Financial printing services and investments holding		Financial services		Total	
	30 June 2018 *HK$'000* (Unaudited)	30 June 2017 *HK$'000* (Unaudited)	30 June 2018 *HK$'000* (Unaudited)	30 June 2017 *HK$'000* (Restated) (Unaudited)	30 June 2018 *HK$'000* (Unaudited)	30 June 2017 *HK$'000* (Restated) (Unaudited)
Other segment information:						
Additions to non-current assets	41	142	692	181	733	323
Cost of sales	(49,121)	(47,908)	(16,304)	(8,807)	(65,425)	(56,715)
Depreciation (Note 6)	669	785	1,401	1,325	2,070	2,110

5. Other Income and Other Gains, Net

	Six months ended 30 June	
	2018 *HK$'000* (Unaudited)	2017 *HK$'000* (Restated) (Unaudited)
Other income:		
Dividend income	–	450
Other gains, net:		
Net foreign exchange gain	82	183
Others	2,573	2,796
	2,655	2,979
Other income and other gains, net	2,655	3,429

6. Expenses by Nature

Expenses including cost of sales, selling and distribution expenses and administrative expenses are analysed as follows:

	Six months ended 30 June 2018 HK$'000 (Unaudited)	2017 HK$'000 (Restated) (Unaudited)
Service costs	22,739	23,437
Employee benefit expenses (including directors' emoluments)	56,110	45,205
Depreciation of property, plant and equipment	2,070	2,110
Legal and professional fees	869	1,919
Operating leases in respect of:		
– rental of office premises	13,791	13,937
– office equipment	315	363
(Reversal of)/impairment of trade receivables	(502)	1,023
Others	16,986	12,616
	112,378	100,610

7. Finance expenses, net

	Six months ended 30 June 2018 HK$'000 (Unaudited)	2017 HK$'000 (Restated) (Unaudited)
Interest expense:		
– Bank borrowings	(206)	–
– Loan from a related party	(883)	(809)
– Bank overdraft	–	–
	(1,089)	(809)
Interest income:		
– Bank deposits	63	94
– Subordinated notes	187	–
	250	94
Finance expenses, net	(839)	(715)

8. Income Tax Expense

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

	Six months ended 30 June 2018 HK$'000 (Unaudited)	2017 HK$'000 (Restated) (Unaudited)
Current income tax		
– Hong Kong profits tax	–	886

9. (Loss)/Earnings Per Share

The calculation of basic (loss)/earnings per share is based on the (loss)/earnings for the period attributable to owners of the Company of approximately HK$29,664,000 (30 June 2017 (restated): profit of approximately HK$11,297,000) and the weighted average number of ordinary shares in issue during the period of 10,060,920,000 (30 June 2017: 9,200,000,000).

	Six months ended 30 June 2018 HK$'000 (Unaudited)	2017 HK$'000 (Restated) (Unaudited)
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company	(29,664)	11,297
Total	(29,664)	11,297
Shares		
Weighted average number of ordinary shares in issue	10,060,920,000	9,200,000,000

	Six months ended 30 June 2018 (Unaudited)	2017 (Restated) (Unaudited)
Basic and diluted (loss)/earnings per share (HK cents)	(0.295)	0.123

Diluted (loss)/earnings per share equals to basic (loss)/earnings per share as there are no potential dilutive ordinary shares outstanding for the six months ended 30 June 2018 and 2017, respectively.

10. Dividend

The Directors did not propose the payment of any interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

11. Property, Plant and Equipment

The Group has property, plant and equipment with an aggregate cost of approximately HK$3,892,000 (31 December 2017: HK$5,232,000).

12. Intangible Assets

	30 June 2018 *HK$'000* (Unaudited)	31 December 2017 *HK$'000* (Audited)
Goodwill	10,628	10,628
Trading rights	1,000	1,000
	11,628	11,628

The recoverable amount of a CGU is determined based on a value-in-use calculation. The calculation uses pre-tax cash flow projection based on five-year financial budget approved by management using the estimated growth rate of 5% (2017: 5%). Cash flows beyond the five-year period are extrapolated assuming a terminal growth rate of 3% (2017: 3%) and no material change in the existing scope of business, business environment and market conditions. The discount rate applied to the cash flow projections is 15% (2017: 15%) and management believes it reflects specific risks relating to the segment. Management believes that any reasonably possible change in any of the key assumptions would not result in an impairment provision of goodwill.

13. Financial asset at fair value through other comprehensive income

	30 June 2018 *HK$'000* (Unaudited)	31 December 2017 *HK$'000* (Audited)
Reclassified from available-for-sale investment	24,481	–
Disposal *(Note (a))*	(15,481)	–
	9,000	–

13. Financial asset at fair value through other comprehensive income *(continued)*

(a) For the period ended 30 June 2018, the Group sold a 3.876% tier 2 subordinated notes in the principal amount of US$2,000,000 at a total consideration of US$1,943,134.00 (equivalent to HK$15,156,000) issued by Chong Hing Bank Limited with maturity date on 26 July 2027.

(b) The ending balance of a financial asset at fair value through other comprehensive income includes the following:

	30 June 2018 *HK$'000* (Unaudited)	31 December 2017 *HK$'000* (Audited)
Unlisted equity investment – in Hong Kong *(Note (c))*	9,000	–

The financial asset at fair value through other comprehensive income are denominated in HKD.

(c) The balance represented fair value of the Group's 3% equity interest in Johnson Cleaning.

Valuation of a financial asset at fair value through other comprehensive income

The fair value of the unlisted equity investment that is not traded in an active market is determined by an independent qualified valuer, APAC Asset Valuation and Consulting Limited on 31 December 2017.

The valuation of a financial asset at fair value through other comprehensive income determined using discounted cash flow projections and are within level 3 of fair value hierarchy. The most significant unobservable input is the rate of return on the investment. The lower the rate of return, the higher the fair value of a financial asset at fair value through other comprehensive income.

Due to the stable operation of Johnson Cleaning, according to the management, there is no material fluctuation of its valuation as at 30 June 2018 when it was compared to the valuation performed on 31 December 2017.

14. Trade Receivables

The Group's sales are mainly made on credit terms of 90 days. The ageing analysis of trade receivables based on invoice date at the end of reporting period is as follows:

	30 June 2018 *HK$'000* (Unaudited)	31 December 2017 *HK$'000* (Audited)
Up to 90 days	44,092	25,045
91–180 days	4,963	6,194
181–270 days	1,834	2,305
271–365 days	96	2,098
Over 365 days	10,226	9,163
	61,211	44,805
Less: provision for impairment of receivables	(12,888)	(13,390)
Trade receivables, net	48,323	31,415

15. Trade Payables

The average credit period from the Group's trade creditors is of 30 to 60 days. The ageing analysis of trade payables based on invoice date at the end of reporting period is as follows:

	30 June 2018 *HK$'000* (Unaudited)	31 December 2017 *HK$'000* (Audited)
Up to 90 days	38,027	33,900
91–180 days	1,082	128
181–365 days	195	112
Over 365 days	288	712
	39,592	34,852

16. Operating Leases

As lessees

The Group leases a number of office premises and office equipment under operating leases. The leases generally run for a period of two to five years. None of the leases includes contingent rentals.

At the end of reporting period, the Group was committed to make the following future minimum lease payments in respect of rented office premises and equipment under non-cancellable operating leases, which fall due as follows:

	30 June 2018 *HK$'000* (Unaudited)	31 December 2017 *HK$'000* (Audited)
Not later than one year	33,457	24,712
Later than one year but not later than five years	38,287	16,816
	71,744	41,528

17. Related Party Transactions

The following is a summary of significant related party transactions which, in the opinion of the Directors are entered into in the ordinary course of business between the Company and its related parties in addition to the related party information shown elsewhere in these financial statements.

(a) Significant related party transactions

	Six months ended 30 June	
	2018 *HK$'000* (Unaudited)	2017 *HK$'000* (Restated) (Unaudited)
Consultancy fee paid to Hong Kong Huafa Investment Holdings Ltd. ("Huafa HK")	–	30,374
Recharge of administrative expenses to Huafa HK	1,995	–
Interest expense paid to Huafa HK	883	809

17. Related Party Transactions *(continued)*

(b) Balance with related party

In addition to those disclosed elsewhere, particulars of the amount due from/(to) a related party and major controlling shareholder and loan from major controlling shareholder are as follows:

	30 June 2018 *HK$'000* (Unaudited)	31 December 2017 *HK$'000* (Audited)
Amount due from/(to) a related party – Amount due from Huafa HK	–	3,660
Amount due to Huafa HK Classified as a current liability	–	(401)
Loan from a related party – Huafa HK	–	(35,500)

(c) Compensation of key management personnel

The remuneration of the Directors and other members of key management during the period are as follows:

	Six months ended 30 June 2018 *HK$'000* (Unaudited)	2017 *HK$'000* (Restated) (Unaudited)
Short-term benefits	12,510	11,041

The remuneration of the Directors and key management is determined having regard to the performance of individuals and market trends.

18. Bank Borrowings

Bank borrowings are revolving loans repayable within 12 months with the interest bearing at the rate of applicable Hong Kong Interbank Offered Rate plus 2.8% per annum.

19. Fair Value Measurement of Financial Instruments

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

(a) Fair value hierarchy

To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The following table presents the Group's financial assets measured and recognised at fair value at 30 June 2018 and 31 December 2017 on a recurring basis:

At 30 June 2018	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Financial assets				
Financial assets at fair value through other comprehensive income (FVOCI)*				
Unlisted equity investment	–	–	9,000	9,000
Total financial assets	–	–	9,000	9,000

At 31 December 2017	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
Financial assets				
Available-for-sale investments				
Listed subordinated notes	15,481	–	–	15,481
Unlisted equity investment	–	–	9,000	9,000
Total financial assets	15,481	–	9,000	24,481

* See note 3 for details regarding the reclassification as a result of a change in accounting policy.

19. Fair Value Measurement of Financial Instruments *(continued)*

(a) Fair value hierarchy (continued)

The different levels have been defined as follows:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted (unadjusted) market prices at the end of the reporting period. The quoted marked price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

There were no transfer of financial assets in the fair value hierarchy classification during the period.

The valuation technique used for level 3 instruments is referred to note 13.

20. Restatement of comparative figures with respect to common control business combinations

On 13 September 2017, the Company acquired 100% equity interest in Huajin Financial (International) Holdings Limited and its wholly-owned subsidiaries ("Huajin Group") at a consideration of HK$76.5 million which was satisfied by cash (the "Acquisition") to Zhuhai Financial Investment Holdings Group Company Limited ("Zhuhai Financial Investment"). Zhuhai Financial Investment was a subsidiary of Zhuhai Huafa Group Company Limited ("Zhuhai Huafa"), a company established in the People's Republic of China (the "PRC") and a state-owned enterprise controlled by State-Owned Assets Supervision and Administration Commission of Zhuhai Municipality. Since the Company and Huajin Group were both controlled by Zhuhai Huafa before and after the Acquisition, the Acquisition is regarded as "common control combination". Accordingly, the Group has applied merger accounting to account for the Acquisition of Huajin Group in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants. In accordance with the requirements under merger accounting, the statement of comprehensive income for the six months period ended 30 June 2017 has been restated on an "as if" combined basis. As a consequence, total revenue and profit for the six months period ended 30 June 2017 has been increased by HK$32.6 million and HK$11.2 million respectively.

21. Event occurred after the date of statement of financial position

As disclosed in the Company's announcement ("Announcement") dated 10 July 2018, the Company entered into the Financial Services Master Agreement, pursuant to which the Group will provide to Zhuhai Huafa Group certain Financial Services which constitute a series of continuing connected transactions, and the Office Sharing Agreement. Terms used herein shall have the same meanings as those defined in the Announcement unless the context requires otherwise. A SGM will be convened to seek the approval of the Independent Shareholders in respect of the Financial Services Master Agreement and the proposed annual caps thereof. For details, please refer to the Announcement.

Management Discussion and Analysis

Business Review

Facing the complicated global business environment and rigorous competition in the market, the Group's overall revenue decreased by 26% to HK$81,049,000 for the six months ended 30 June 2018 from HK$110,079,000 of the corresponding period in 2017.

Subsequent to the completion of the acquisition of Huajin Group, the Group carries out regulated activities through its wholly-owned subsidiaries, Huajin Group and WAG Worldsec Corporate Finance Limited, including Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), and also holds a Money Lender's Licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong). As at the date of this report, the Company is an investment holding company and together with its subsidiaries are principally engaged in the provision of financial advisory services, securities underwriting and consultancy, securities and futures brokerage, equity research business, money lending business and financial printing services in Hong Kong. In the first half of 2018, the Group has been focusing on sponsor work for a number of Initial Public Offering ("IPO") projects as well as financial advisory and compliance advisory work for various companies listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). In particular, the corporate finance department has sponsored two IPO projects which have launched a share offer and a global offering respectively in June 2018 and has also completed a financial advisory engagement in respect of a very substantial disposal. The department also concluded a number of sponsor agreements and compliance adviser agreements as its reserves for forthcoming period.

The Group's revenue decreased for the six months ended 30 June 2018 by 26% as compared with the previous six months ended 30 June 2017, and revenue contributed by financial service's operation amounted to approximately HK$20,195,000 for the six months ended 30 June 2018 (six months ended 30 June 2017 (restated): approximately HK$37,718,000).

Financial Review

For the six months ended 30 June 2018, the Group recorded a revenue of approximately HK$81,049,000 (six months ended 30 June 2017 (restated): approximately HK$110,079,000), representing a decrease of approximately 26% as compared with the corresponding period in 2017. The Group's loss before income tax amounted to approximately HK$29,664,000 (six months ended 30 June 2017 (restated): profit before income tax was approximately HK$12,183,000).

For the six months ended 30 June 2018, total comprehensive loss attributable to owners of the Company was approximately HK$29,872,000 (six months ended 30 June 2017 (restated): total comprehensive income attributable to owners of the Company was approximately HK$11,297,000). Basic and diluted loss per share was approximately HK0.30 cent (six months ended 30 June 2017 (restated): basic and diluted earnings per share of HK0.12 cent).

Management Discussion and Analysis *(continued)*

Financial Review *(continued)*

The decrease in total comprehensive income for the period attributable to owners of the Company was mainly attributable to the decrease in revenue, but cost of sales increased compared with the corresponding period in 2017 causing the overall gross profit margin to drop from 48% to 19%.

Liquidity and Financial Resources

As at 30 June 2018, the Group's cash and cash equivalents amounted to approximately HK$124,870,000 (31 December 2017: approximately HK$99,846,000) with HK$110,000,000 borrowings from banks (31 December 2017: Nil). The Group had total current assets of approximately HK$283,519,000 (31 December 2017: approximately HK$207,271,000) and total current liabilities of approximately HK$190,481,000 (31 December 2017: approximately HK$102,942,000). The Group's current ratio, being total current assets over total current liabilities, was 1.49 (31 December 2017: 2.01).

Total equity of the Group as at 30 June 2018 amounted to approximately HK$164,920,000 (31 December 2017: approximately HK$194,792,000). The Group's gearing ratio, being total liabilities over total assets, was 53.6% (31 December 2017: 34.6%).

Pledge of Assets

As at 30 June 2018, the Group had no pledge of assets.

Capital Structure

Save as disclosed, the Group's capital structure remained unchanged during the six months ended 30 June 2018.

Contingent Liabilities

As at 30 June 2018, the Group did not have any material contingent liabilities.

Management Discussion and Analysis *(continued)*

Business Plan

Financial Services

The Group will strive to participate in more IPO underwriting and equity financing transactions in order to build up its reputation, enlarge its customer base and increase its revenue with a view to becoming one of the leading players in assisting fund raising activities for small to medium enterprises in Hong Kong and the PRC. The Group will continue to provide comprehensive one-stop financial services to customers. Moreover, while the Group will further expand its brokerage business, it will also actively expand its margin financing business. Capitalising on the previous successful experience of Huajin Group participating in debt issuance program of Zhuhai Huafa, the Group will strive to expand its customer base to include other PRC corporations.

Financial Printing Service

In light of tough market conditions, the Group will strive to optimize the business structure and materialize the consolidation of internal resources to enhance the overall operating efficiency of the financial printing service.

Employees

As at 30 June 2018, the Group had a total of about 171 employees (31 December 2017: approximately 176). The staff costs of the Group for the six months ended 30 June 2018 were approximately HK$56,110,000 (six months ended 30 June 2017 (restated): approximately HK$45,205,000), which comprised salaries, commissions, bonuses, other allowances and contributions to the retirement benefit scheme. The Group operates a defined contribution scheme under the Mandatory Provident Fund Schemes Ordinance and provides medical insurance to all employees. In general, the Group structured its employee remuneration packages with reference to general market practice, employees' duties and responsibilities and the Group's financial performance. The Group provides training courses and training programmes to equip staff with the necessary skills, techniques and knowledge in order to enhance their productivity and administrative efficiency.

Interim Dividend

The Board did not propose the payment of any interim dividend for the six months ended 30 June 2018.

Management Discussion and Analysis *(continued)*

Interest Rate Risk

The Group had interest-bearing cash and bank balances calculated by variable interest rates. As there was no significant financial risk arising from changes in interest rates, the Group had no interest rate hedging policies in place.

Foreign Exchange Risk

The Group conducted its business transactions principally in HK$. As at 30 June 2018, most of the Group's cash and bank deposits balances were mainly denominated in HK$ and United States dollars ("US$"). As HK$ is pegged to US$, the Group's foreign exchange risk exposure is minimal. As such, the Group did not adopt any foreign exchange derivatives for hedging purpose as at 30 June 2018.

Credit Risk

The Group's credit risks mainly arise from bank balances, deposits, client trust bank balances, margin loans receivable, trade and other receivables and amounts due from customers on services contracts. The Group strives to manage the risk exposure of trade receivables by closely monitoring the payment records of its customers and requesting customers deposits wherever necessary. The credit risk on the bank deposits is limited because of their high credit rating.

Liquidity Risk

The Group's financial services are required to meet various statutory liquidity requirements as prescribed by the relevant regulatory authorities. The Group has put in place monitoring system to ensure that it maintains adequate liquid capital to comply with the relevant Securities and Futures (Financial Resources) Rules (Chapter 571N of the Laws of Hong Kong).

Operation Risk

The financial services of the Group operate in a highly regulated sector. The risk of non-compliance with regulatory requirements could lead to the loss of operating licenses. The Group has actively implemented policies and procedures to ensure compliance with the relevant laws and regulations. To the best of the management's knowledge, the Group has complied with the relevant regulations for the financial services in Hong Kong and the management did not identify any material non-compliance or breach of the relevant rules and regulations.

Significant Acquisitions and Disposals of Investments

Save as disclosed in note 13 to the Interim Condensed Consolidated Financial Information, the Group did not acquire or dispose of any significant investments during the six months ended 30 June 2018.

Other Information

Share Option Scheme

Pursuant to the resolution passed by the shareholders of the Company on 25 June 2008, the Company approved and adopted a share option scheme whereby selected classes of participants may be granted options to subscribe for shares at the discretion of the Board. No options were granted under the share option scheme during the six months ended 30 June 2018.

Purchase, Sale or Redemption of the Company's Listed Securities

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

Audit Committee

The Group has established the Audit Committee consisting of three independent non-executive Directors, namely Dr. Chen Jieping, Dr. Sun Mingchun and Mr. Tse Yung Hoi. Dr. Chen Jieping is the chairman of the Audit Committee. The primary duty of the Audit Committee is to review and monitor the financial reporting process and effectiveness of the internal control and risk management systems of the Group. The Audit Committee has reviewed the Group's unaudited interim results and interim report for the six months ended 30 June 2018.

Directors' and Chief Executive's Interests and Short Positions in Shares

As at 30 June 2018, none of the Directors or the chief executive of the Company or their close associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO 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 or short positions which were taken or deemed to have been taken under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Other Information *(continued)*

Interest of Substantial Shareholders

As far as was known to the Directors, as at 30 June 2018, the interests or short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Long position in ordinary shares of HK$0.00025 each of the Company

Name of Substantial Shareholders	Capacity/Nature of interest	Number of shares held	Approximate percentage of interested shares to the issued share capital of the Company (%)
Zhuhai Huafa *(Note 1)*	Interest in controlled corporations	3,710,750,000	36.88
Ho Chi Sing *(Note 2)*	Interest in controlled corporations	860,920,000	8.56
IDG Light Solutions Limited *(Note 2)*	Beneficial owner	860,920,000	8.56

Notes:

1. Zhuhai Huafa holds 100% of the issued share capital of Huafa HK, which in turn holds 100% of the issued share capital of Huajin Investment Company Limited ("Huajin"). Since Huajin holds 3,710,750,000 shares of the Company, Zhuhai Huafa is deemed to be interested in 3,710,750,000 shares of the Company by virtue of its shareholding in Huajin.

2. Mr. Ho Chi Sing directly holds 100% of the issued share capital of IDG Light Solutions Limited (incorporated in the British Virgin Islands), which holds 860,920,000 shares of the Company.

   Therefore, Mr. Ho Chi Sing is deemed to be interested in a total of 860,920,000 shares of the Company by virtue of his shareholding in IDG Light Solutions Limited.

Save as disclosed above, as at 30 June 2018, no person had any interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or otherwise notified to the Company and the Stock Exchange.

Other Information *(continued)*

Outlook

It is expected the global financial markets remain volatile for the rest of 2018. While facing with a complicated business environment, looking ahead, the Group is still cautiously optimistic about its business prospects. Going forward, the Group will adhere to the restructuring of its businesses against the upcoming opportunities and challenges of Hong Kong's financial market. The Group also strives to strengthen the development of the financial services segment and seeks for potential investment and development opportunities, re-deploying the financial licensing business for a wider range of financial service business. Through the above-mentioned moves, the Group targets to further diversify and broaden its income stream and secure its sustainable development with efforts to improve the overall operational performance of the Group in the future. To maximise profits and returns for the Group and its shareholders, the Group will focus on enhancing the competitiveness of its current business and simultaneously continue exploring new business opportunities.

Corporate Governance

During the six months ended 30 June 2018, the Company has, in the opinion of the Directors, complied with the code provisions set out in the Corporate Governance Code as contained in Appendix 14 to the Listing Rules.

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries, all Directors confirmed that they have complied with the Model Code during the six months ended 30 June 2018.

Environmental, Social And Governance ("ESG") Reporting

To prepare for the ESG report in compliance with the Stock Exchange's requirements, the Company has already engaged an ESG consultant, namely RSM Consulting (Hong Kong) Limited, to assist its preparation which include scope identification, materiality analysis, data collection and report content development.

Other Information *(continued)*

Change of Director's Information

Mr. Tse Yung Hoi has been appointed as an independent non-executive director of Vico International Holdings Limited (stock code: 01621) with effect from 16 January 2018 and China Tower Corporation Limited (stock code: 00788) with effect from 3 May 2018, both are listed on the Stock Exchange.

Mr. Shong Hugo ("Mr. Shong") has been appointed as an independent non-executive director of China United Network Communications Limited, a company listed on the Shanghai Stock Exchange (stock code: 600050) with effect from 8 February 2018. Mr. Shong has resigned as a non-executive director of WPP plc, a company listed on the Main Market of the London Stock Exchange (stock code: WPP) with effect from 31 July 2018.

Change of Composition of the Board and Remuneration Committee

As disclosed in the Company's announcement dated 18 April 2018, Mr. Wu Jiang resigned as an Executive Director and a member of the Remuneration Committee of the Company with effect from 18 April 2018 but continues to act as the chief financial officer of the Company.

Ms. Guo Jin has been appointed as an Executive Director and a member of the Remuneration Committee of the Company with effect from 18 April 2018.

Appreciation

The Company would like to express its sincere gratitude to its clients and shareholders for their continuous and valuable support. The Company would also like to take this opportunity to thank the Board, the Group's management team and staff for their dedication and hard work.

By order of the Board
HJ Capital (International) Holdings Company Limited
Li Guangning
Executive Director and Chairman

Hong Kong, 9 August 2018