SFUND INTERNATIONAL HOLDINGS LIMITED
廣州基金國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1367)

2018
Interim Report

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Jia Bowei *(Chairman)*
Mr. Lam Kwan Sing *(Chief Executive Officer)*
Mr. Liu Zhijun
Ms. Yi Sha
Mr. Wong Nga Leung
Mr. Hon Ming Sang

Independent Non-Executive Directors

Mr. Fok Ho Yin, Thomas
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

AUDIT COMMITTEE

Mr. Fok Ho Yin, Thomas *(Chairman)*
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

REMUNERATION COMMITTEE

Mr. Fok Ho Yin, Thomas *(Chairman)*
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

NOMINATION COMMITTEE

Mr. Fok Ho Yin, Thomas *(Chairman)*
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

COMPLIANCE COMMITTEE

Mr. Lam Kwan Sing *(Chairman)*
Mr. Jia Bowei
Mr. Wong Nga Leung
Mr. Hon Ming Sang
Mr. Fok Ho Yin, Thomas
Mr. Chan Wai Cheung, Admiral
Mr. Lam Ho Pong

COMPANY SECRETARY

Mr. Hon Ming Sang

AUTHORISED REPRESENTATIVES

Mr. Lam Kwan Sing
Mr. Hon Ming Sang

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 904-5
9/F., Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-4
33/F., Two Chinachem Exchange Square
338 King's Road
North Point
Hong Kong

Corporate Information

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
The Hongkong and
Shanghai Banking Corporation Limited

AUDITOR

Ernst & Young
Certified Public Accountants
22/F., CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

WEBSITE

www.1367.com.hk

STOCK CODE

1367

Management Discussion and Analysis

BUSINESS REVIEW

SFund International Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") was principally engaged in (i) apparel supply chain management services business; (ii) financial services business; (iii) money lending business; and (iv) securities investment during the period.

Apparel Supply Chain Management Services Business

For the six months ended 30 June 2018, the Group's revenue derived from apparel supply chain management services business was HK$83,066,000, representing a decrease of approximately 51% when compared to the corresponding period last year of HK$169,617,000. The decrease was mainly attributable to the significant decrease in the Group's sales to department and specialty stores in the United States of America ("USA") because of the loss of significant customers. Segment loss from the respective segment was HK$41,199,000 as compared to segment profit of HK$6,929,000 for the corresponding period last year. The decrease was mainly due to the decrease in sales and gross profit for this segment.

Financial Services Business

For the six months ended 30 June 2018, the Group carried out financial services business through its subsidiaries including Type 1 (Dealing in Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") in Hong Kong as well as equity interests investment management, investment consultancy services, investment management services, entrusted management of equity interests investment fund and corporate management consultancy services in the People's Republic of China (the "PRC").

In January 2018, 湖南匯垠天星股權投資私募基金管理有限公司 (Hunan Huiyin Tianxing Private Equity Investment Fund Management Co., Ltd*) ("Hunan Huiyin Tianxing"), a company incorporated in the PRC and a non-wholly owned subsidiary of the Group, entered into a sales and purchase agreement to acquire 49% equity interests in 湖南國開鐵路建設私募基金管理有限公司 (Hunan Guokai Railway Development Private Equity Fund Management Company Limited*) ("Hunan Guokai") from an independent third party for a consideration of RMB1,450,000, and Hunan Huiyin Tianxing will make a further capital contribution of RMB3,920,000 to Hunan Guokai, no later than 31 December 2025. The remaining 51% shareholder of Hunan Guokai is 湖南軌道交通控股集團有限公司 (Hunan Rail Transit Holding Group Co., Ltd.*) ("Hunan Rail"), an independent third party. Hunan Rail is wholly-owned by the Hunan Government and primarily engaged in the investment, construction, operation and management of various rail transit infrastructure projects in Hunan Province. Established in August 2015, Hunan Guokai is engaged in the management of private equity fund investing in railway construction, management of proprietary investments in assets (including equity) and investment consultancy services. At the date of this report, Hunan Guokai manages the 湖南國開鐵路建設私募基金合夥企業（有限合夥）(Hunan Guokai Railway Development Private Equity Fund (Limited Partnership)*) ("Railway Fund") as its general partner. The Railway Fund is currently the only policy-driven fund in Hunan Province that invests in railway infrastructure and is primarily engaged in the investment of railway projects run on a public-private partnership basis in Hunan Province involving land acquisition and relocation. The Railway Fund has a target fund size of RMB10 billion and has asset under management of approximately RMB1 billion. The acquisition of Hunan Guokai was completed in July 2018. Details of the acquisition is set out in the Company's announcement dated 1 February 2018.

For the six months ended 30 June 2018, revenue amounting to HK$8,555,000 (2017: nil) mainly consisted of management service income from Hunan Huiyin Tianxing and Type 9 licensed company. The operating profit generated in this segment were HK$883,000 (2017: operating loss of HK$27,000), which was mainly attributable to the fund management operation in the PRC derived from Hunan Huiyin Tianxing.

Management Discussion and Analysis

Money Lending Business

The Group engaged in the money lending business through Capital Strategic Partners Limited ("Capital Strategic"), an indirect wholly-owned subsidiary of the Company, which holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) to carry out money lending business in Hong Kong. During the six months ended 30 June 2018, the interest income and operating profit generated in this segment were HK$12,047,000 (2017: HK$1,285,000) and HK$8,600,000 (2017: operating loss of HK$8,272,000), respectively.

As at 30 June 2018, there were three transactions of loan advanced to customers. The loan was still outstanding as at 30 June 2018 with an aggregate outstanding loan principal of HK$231,008,000. The increase in interest income as well as increase in operating profit in this segment was due to the increase in loan advanced to customers.

On 24 November 2017, Capital Strategic entered into a loan agreement with Yuan Heng Gas Holdings Limited ("Yuan Heng"), a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 332). Pursuant to the loan agreement, Capital Strategic agreed to grant to Yuan Heng a loan of HK$180,000,000 for a term of 6 months from the date of the drawdown, which could be further extended for another 6 months with written consent of Capital Strategic (or any other date as may be agreed by Capital Strategic and Yuan Heng in writing). The loan is secured by the charge over the entire issued share capital of an indirect wholly-owned subsidiary of Yuan Heng and the floating charge over all or any part of the property and/or assets of an indirect wholly-owned subsidiary of Yuan Heng in favour of Capital Strategic. Further details of the transaction is also set out in the Company's announcements dated 24 November 2017 and 25 January 2018 and circular dated 22 December 2017, respectively. The transaction was completed on 25 January 2018 and the loan is still outstanding as at 30 June 2018.

On 14 February 2018, Capital Strategic entered into another loan agreement with China-HK Holdings Investment Limited ("China-HK"), a company incorporated in Hong Kong with limited liability, pursuant to which Capital Strategic had agreed to provide a loan facility to the China-HK in the principal amount of HK$40,000,000 for a term of 6 months from the dates of the relevant drawdown, which could be further extended upon the request of China-HK and subject to agreement of Capital Strategic in writing. The loan is secured by the charge over the entire issued share capital of Wide Merit Limited and 2 wholly-owned subsidiaries of China-HK. Further details of the transaction is set out in the Company's announcements dated 14 February 2018. The loan is still outstanding as at 30 June 2018.

Management had formulated a fundamental policy to establish its internal control systems. The Group would adopt a prudent approach and conduct regular reviews of the composition of the loans portfolio and lending rates charged to each customer to maximise the return of the money lending business as well as diversify the credit risk.

Management Discussion and Analysis

Securities Investment

During the six months ended 30 June 2018, the Group carried out the Group's investment business in securities investment.

As investment in securities is one of the operating businesses of the Group, the net realised and unrealised gain or loss on financial assets at fair value through profit or loss is recognised as a component of the revenue of the Group.

During the six months ended 30 June 2018, the revenue arising from this segment was negative revenue of HK$4,418,000 (2017: negative revenue of HK$2,256,000). Revenue was attributable to the net unrealised loss on listed securities investment of HK$4,418,000 (2017: net unrealised loss of HK$2,256,000). No realised gain or loss on listed securities investment was noted during the six months ended 30 June 2018.

The overall performance of the securities investment business recorded a loss of HK$4,418,000 for the six months ended 30 June 2018 (2017: loss of HK$2,260,000), which was primarily attributable to the unrealised loss on securities investment stated above. As at 30 June 2018, the market value of the Group's listed securities portfolio was HK$2,820,000 (31 December 2017: HK$7,238,000).

The Group is currently looking into other investment opportunities including private equities, debt securities, derivatives and funds. The management plans to revise its investment strategies and formulate new investment policies in the near future.

FINANCIAL REVIEW

During the period under review, the Group has diversified its operations into four segments, being

(a) apparel supply chain management services;

(b) financial services;

(c) money lending; and

(d) securities investment.

Management Discussion and Analysis

Financial results from the Group's operations are summarised as follows:

Revenue

Revenue by Business Segments

Ratio analysis by business segments for the Group's revenue for the six months ended 30 June 2018 is as follows:

- Apparel supply chain management services business: HK$83,066,000, 83.7% of revenue (2017: HK$169,617,000, 100.6%)
- Financial services business: HK$8,555,000, 8.6% of revenue (2017: nil)
- Money lending business: HK$12,047,000, 12.1% of revenue (2017: HK$1,285,000, 0.8%)
- Securities investment: negative revenue of HK$4,418,000, -4.4% of revenue (2017: negative revenue of HK$2,256,000, -1.4%)

Revenue by Geographical Segments

Ratio analysis by geographical segments for the Group's revenue for the six months ended 30 June 2018 is as follows:

- USA: HK$78,661,000, 79.3% of revenue (2017: HK$169,389,000, 100.4%)
- Mainland China: HK$9,279,000, 9.3% of revenue (2017: HK$197,000, 0.1%)
- Hong Kong: HK$7,809,000, 7.9% of revenue (2017: negative revenue of HK$940,000, -0.5%)
- Other countries: HK$3,501,000, 3.5% of revenue (2017: nil)

The Group's revenue for the six months ended 30 June 2018 was HK$99,250,000, being a decrease of HK$69,396,000 when compared to the corresponding period last year of HK$168,646,000. The decrease was mainly due to the net effect of (i) a decrease in revenue derived from apparel supply chain management services business to HK$83,066,000 (2017: HK$169,617,000) due to the significant decrease in the Group's sales to department and specialty stores in the USA because of the loss of significant customers; (ii) an increase in revenue derived from financial services business of HK$8,555,000 (2017: nil), which were mainly derived from the Group's fund management services and other consultancy services in Mainland China and Hong Kong; (iii) an increase in interest income from loans advanced to independent third parties of HK$12,047,000 (2017: HK$1,285,000); and (iv) an unrealised loss on an investment in listed equity investment at fair value through profit or loss of HK$4,418,000 (2017: unrealised loss of HK$2,256,000), which was arising from the Group's business segment on securities investment.

Management Discussion and Analysis

Cost of Sales

Cost of sales of the Group relates to (i) its apparel supply chain management services business and includes raw materials, subcontracting fees, and other costs. Raw materials were fabrics and ancillary raw materials, including buttons, zippers and threads that the Group purchased and supplied to the third-party manufacturers for their production. Subcontracting fees represented fees paid to the third-party manufacturers for production of apparel products. Other costs include miscellaneous costs such as freight charges, inspection charges, declaration fees, depreciation and insurance; and (ii) the direct cost of fund management services mainly consists of fund manager costs.

Subcontracting fees continues to be the major component of the Group's total cost of sales.

Gross Profit and Margin

The Group's gross profit for the period was HK$16,932,000, representing a decrease of approximately 45.6% from HK$31,110,000 in the corresponding period last year. The decrease in gross profit was due to decrease in sales and decrease in gross profit margin for its apparel supply chain management services business which was mainly attributable to relatively higher proportion of sales shifted to very low gross margin customers during the period.

Other Income

Other income for the period was HK$948,000, representing an increase of approximately 33.0% from the corresponding period last year of HK$713,000. The increase was mainly due to the increase in rental income, distribution income and bank interest income.

Selling and Distribution Costs

Selling and distribution costs primarily consist of (i) sample cost; (ii) air freight charges; (iii) staff cost; and (iv) other selling and distribution expenses. Selling and distribution costs decreased by approximately 11.5% from HK$1,881,000 to HK$1,665,000, which was mainly due to decrease in air freight charges.

Administrative Expenses

Administrative expenses mainly represented employee benefit expenses for the Group's management, finance and administrative personnel, rental expenses for the Group's office premises and travelling expenses. Administrative expenses increased by approximately 78.4% from HK$38,798,000 to HK$69,230,000, which was mainly due to the increase in salaries, consultancy fees for enhancement of IT system for apparel supply chain management services business and legal and professional fees for arrangement of loan transactions during the period.

Other Expenses, Net

Other expenses, net mainly represented the claims paid to customers. Other expenses, net for the period as HK$93,000, representing a decrease of approximately 87.9% from HK$771,000 in the corresponding period last year. The decrease was mainly due to increase in foreign exchange gain during the period.

Finance Costs

Finance costs increased by approximately 2,388.6% from HK$438,000 to HK$10,900,000. The increase was mainly due to increase in bonds interest expenses.

Loss for the Period

The net loss attributed to the owners of the parent for the period amounted to HK$66,717,000 (2017: HK$11,037,000), resulted in a basic loss per share for the period of HK13.90 cents (2017: HK2.30 cents), representing an increase in loss attributed to the shareholders of the Company (the "Shareholders") by 504.5%. The increase in loss was resulted from the effects of (i) decrease in sales and gross profits; (ii) increase in administrative expenses, mainly due to increase in staff costs, consultancy fees and legal and professional fees; and (iii) increase in finance costs (as stated above).

PROSPECTS

Apparel Supply Chain Management Services Business

The management of the Group expects the business environment for the apparel supply chain management services business in the second half of the year 2018 to remain uncertain. The USA and China rolled out waves of tariffs as the trade war between the two countries rolls on. The second tranche of tariffs that USA will impose 25% tariff on Chinese goods starting 23 August 2018 which will include apparels. Despite the Group has production base in Cambodia and Bangladesh, the impact to the USA customers is still unclear. The management has responded by exploring aggressively for new customers in Canada and Europe through competitive prices and shorter delivery time of the sales orders. The management also keeps on enhancing the ERP system through internal development and outsourcing to further strengthen our relationship with supply chain partners to improve efficiency.

Money Lending Businesses

The management expects that the money lending business segment will become one of the Group's stable income sources. In the future, the management is going to put more effort to develop the money lending business and aim to gain a higher level of loan advance balance with significant returns. It is believed that the expansion of money lending business segment will help the Group to lay a solid capital foundation for the development of financial sector and maintain a healthy cash flow. The management will go on paying close attention to the development of this business segment and promptly react to the demand in the market.

Financial Services Businesses

The management continues looking into possible acquisitions of asset management companies and other financial service platforms located in both Hong Kong and the PRC, in order to build a strong, growing and diversified financial services sector.

In addition, the Group is currently looking into other financial service platforms such as fund management companies and plans to further expand this segment via business combination.

The management expects that the contribution from financial services business segment will increase significantly in the near future.

Management Discussion and Analysis

Securities Investment

During the period, the Hong Kong stock market was highly volatile due to both domestic and worldwide social and economic issues. To cope with such situations, the Group will continue to closely monitor the market conditions and may consider to change its investment portfolio from time to time. We will also explore other investment opportunities including but not limited to investment in private equities, debt securities, derivatives and funds.

CAPITAL STRUCTURE

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to Shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, including bonds, interest-bearing bank and other borrowings, and equity attributable to owners of the Company, comprising issued capital and reserves. The management of the Group reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issuance of debts and redemption of existing debt. The Group's overall strategy remains unchanged throughout the period.

As at 30 June 2018, the interest-bearing other borrowings were HK$5,626,000 (31 December 2017: interest-bearing bank and other borrowings of HK$7,770,000) and bonds payables were HK$305,111,000 (31 December 2017: HK$80,000,000). As at 30 June 2018, all borrowings are carried at fixed interest rates ranging from 5% to 8% per annum and repayable from 2018 to 2020 (31 December 2017: HK$85,668,000). No borrowings are carried at floating interest rates during the period (31 December 2017: HK$2,102,000).

LIQUIDITY AND FINANCIAL RESOURCES

During the period, the Group's working capital was financed by both internal resources and bank and other borrowings.

As at 30 June 2018, cash and cash equivalents amounted to HK$58,954,000, which decreased by approximately 41% as compared to HK$99,841,000 as at 31 December 2017.

As at 30 June 2018, the Group's total borrowings amounted to HK$310,737,000 (31 December 2017: HK$87,770,000), mainly consist of finance lease liabilities amounting to HK$126,000 (31 December 2017: HK$168,000), other borrowings amounting to HK$5,500,000 (31 December 2017: bank and other borrowings of HK$7,602,000) and bonds payable amounting to HK$305,111,000 (31 December 2017: HK$80,000,000). The bank and other borrowings of the Group as at 30 June 2018 and 31 December 2017 were incurred for trade finance and investment purpose.

The current ratio of the Group as at 30 June 2018 was 5.3 (31 December 2017: 3.7). The gearing ratio (being the total liabilities divided by the total assets) of the Group as at 30 June 2018 was approximately 90.4% (31 December 2017: 56.8%).

The Group's net current assets and net assets of HK$296,987,000 (31 December 2017: HK$135,958,000) and HK$40,994,000 (31 December 2017: HK$107,392,000), respectively.

TREASURY POLICIES

The Group has adopted a prudent treasury policy and thus maintained a healthy liquidity position throughout the period. The Group strives to reduce credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

FOREIGN EXCHANGE EXPOSURE

The Group's foreign currency transactions are mainly denominated in RMB and United States dollars ("US$"). The Group has currency exposure as certain income and expenses incurred in the PRC were denominated in RMB. The Group is subject to foreign exchange rate risk arising from future commercial transactions and recognised assets and liabilities which are denominated in RMB. During the period, the Group did not commit to any financial instruments to hedge its exposure to foreign currency risk.

CAPITAL EXPENDITURES

During the period, the Group's capital expenditures consisted of additions to property, plant and equipment amounting to HK$1,431,000 (2017: HK$1,747,000).

CAPITAL COMMITMENT

As at 30 June 2018, the Group had a capital commitment of HK$4,840,000 (31 December 2017: nil) in relation to the further capital contribution to Hunan Guokai.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2018, the Group had a total of 216 employees, including the Directors. Total staff costs (including Directors' remuneration) was HK$36,371,000 for the period, as compared to HK$22,116,000 for the corresponding period last year.

Remuneration is determined with reference to market norms and individual employees' performance, qualification and experience.

On top of the basic salaries, bonuses may be paid by reference to the Group's performance as well as individual's performance. Other major staff benefits include contributions to Mandatory Provident Fund retirement benefits scheme in Hong Kong and the provision of social insurances for employees who are employed by the Group pursuant to the applicable PRC rules and regulations.

The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme adopted by the Company on 20 June 2014 where options to subscribe for shares of the Company may be granted to the Directors and employees of the Group.

Management Discussion and Analysis

FUTURE PLANS FOR MATERIAL INVESTMENTS

Save as disclosed in the section headed "Material Acquisitions and Disposals of Subsidiaries" below, the Group did not have any plans for material investments during the period.

The Group will finance the future acquisitions through internally generated funds and other fund raising activities, including but not limited to issue of new debts or equity instruments.

SIGNIFICANT INVESTMENT

Save as disclosed in this report, there were no significant investments held during the period.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

In January 2018, Hunan Huiyin Tianxing entered into a sales and purchase agreement to acquire 49% equity interests in Hunan Guokai from an independent third party for a consideration of RMB1,450,000, and Hunan Huiyin Tianxing will make a further capital contribution of RMB3,920,000 to Hunan Guokai, no later than 31 December 2025. The remaining 51% shareholder of Hunan Guokai is Hunan Rail, an independent third party. Hunan Rail is wholly-owned by the Hunan Government and primarily engaged in the investment, construction, operation and management of various rail transit infrastructure projects in Hunan Province. Established in August 2015, Hunan Guokai is engaged in the management of private equity fund investing in railway construction, management of proprietary investments in assets (including equity) and investment consultancy services. At the date of this report, Hunan Guokai manages the Railway Fund as its general partner. The Railway Fund is currently the only policy-driven fund in Hunan Province that invests in railway infrastructure and is primarily engaged in the investment of railway projects run on a public-private partnership basis in Hunan Province involving land acquisition and relocation. The Railway Fund has a target fund size of RMB10 billion and has asset under management of approximately RMB1 billion. The acquisition of Hunan Guokai was completed in July 2018. Details of the acquisition is set out in the Company's announcement dated 1 February 2018.

The Group has not disposed of any of its subsidiaries during the period.

RISK MANAGEMENT

The Group adopts the following risk management policies and monitoring system to mitigate the risks associated with interest rate, foreign currency, credit, liquidity and equity price in its major operation.

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates incurred for trade finance. The Group reviews interest rate risk regularly and monitors closely the fluctuation of interest rates and will make proper adjustment if necessary.

Foreign Currency Risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. The Group has currency exposure as income earned and expenses subcontracting fees incurred in Mainland China were denominated in RMB.

The RMB is not a freely convertible currency. Future exchange rates of the RMB could vary significantly from the current or historical exchange rates as a result of controls that could be imposed by the PRC government. The exchange rates may also be affected by economic developments and political changes domestically and internationally, and the demand and supply of the RMB. The appreciation or devaluation of RMB against US$ may have impact on the operating results of the Group.

The Group has not entered into any hedging arrangement as the foreign currency risk is considered not material. The management has monitored the Group's foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Credit Risk

The accounts receivable and loan receivable balances included in the condensed consolidated statement of financial position of the Group represent the Group's maximum exposure to credit risk in relation to the Group's accounts receivable and loan receivables. Concentrations of credit risk are managed by customer and borrower.

The Group performs ongoing credit evaluations of its debtors' financial conditions and requires no collateral from its customers. The allowance for doubtful debts is based on a review of the expected collectability of all accounts receivable and loan receivables.

The Group seeks to maintain strict control over its outstanding receivables and has its credit control policy to minimise the credit risks. In addition, all receivable balances are monitored on an ongoing basis and overdue balances are followed up by management.

Liquidity Risk

Liquidity risk is the risk of non-availability of funds to meet all contractual financial commitments as they fall due. The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

Equity Price Risk

Equity price risk is the risk that the fair values of equity securities decrease as a result of changes in the levels of equity indices and the value of individual securities. The Group is exposed to equity price risk arising from individual equity investment classified as financial asset at fair value. The Group's listed investment is listed on the Stock Exchange and is valued at quoted market prices at the end of the reporting period. Management manages this exposure by assessing the risk associated with each individual investment and maintaining a portfolio of investments with different risks in the future if necessary.

Management Discussion and Analysis

CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 June 2018.

CHARGE ON THE GROUP'S ASSETS

No charges on the Group's assets was noted as at 30 June 2018.

DIVIDEND

The Board does not recommend the distribution of any dividends for the six months ended 30 June 2018 (2017: nil).

FINANCIAL ASSISTANCE FROM SUBSTANTIAL SHAREHOLDER

On 27 October 2017, the Company, as the issuer (the "Issuer"), entered into a subscription agreement (the "Subscription Agreement A") with a company indirectly wholly-owned by 廣州產業投資基金管理有限公司 (Guangzhou Industry Investment Fund Management Co., Ltd.*), a substantial Shareholder, as the subscriber (the "Subscriber"), in relation to the subscription of unsecured bonds to be issued by the Company (the "Bonds"). The issue of Bonds constituted an exempt connected transaction of the Company under Rule 14A.90 of the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange. Pursuant to and subject to the satisfaction (or waiver) of the conditions precedent set out in the Subscription Agreement A, the Company agreed to issue, and the Subscriber agreed to subscribe, for the Bonds in the principal amount of up to HK$80,000,000 with a coupon rate of 8% per annum payable quarterly in arrears for a term of 23 months from the date of issue of the Bonds. The net proceeds from the issuance of the Bonds are used by the Group as general working capital of the Group, in particular towards money lending and financial services business and to finance suitable investment opportunities if and when they arise.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

On 15 December 2017, the Company, as the issuer, entered into a subscription agreement (the "Subscription Agreement B") with GF Investments (Hong Kong) Company Limited, as the subscriber, in relation to the issuance of notes (the "Notes") in the aggregate principal amount of HK$230,000,000. Pursuant to the Subscription Agreement B, the Notes will be issued in the aggregate principal amount of HK$230 million, at the issue price of 100% of the face value of their principal amount, at interest rate of 7.5% per annum. The Notes will be issued in one or two tranches, as determined by the Company in its sole discretion, with the maturity date of each tranche falling 720 days after the related issue date. The subscription of the first tranche of the Notes may be requested by the Company, in its sole discretion, for all or part of the Notes within the first month after the date of the Subscription Agreement B. GF Investments (Hong Kong) Company Limited is an independent third party to the Group. The Notes with principal amounts of HK$180,000,000 and HK$40,000,000 were issued in January 2018 and February 2018, respectively.

Save as disclosed above and in the section headed "Financial assistance from substantial shareholder" above, there had not been any other equity or debt fund raising activity conducted by the Group in the past twelve months.

PROVISION OF FINANCIAL ASSISTANCE AND ADVANCE TO AN ENTITY

Provision of Financial Assistance Amounting to HK$20,000,000

On 19 December 2016, Capital Strategic (as lender) entered into a loan agreement (the "DT Loan Agreement") with a third party independent of the Company and its connected person (as defined under the Listing Rules) (the "Borrower"), pursuant to which, Capital Strategic agreed to provide a loan to the Borrower in the principal amount of HK$20,000,000 (the "DT Loan") for a period of 6 months following the date of the first drawdown at an interest rate of 13% per annum payable on the date falling 6 months from the first drawing of the DT Loan (the "Provision of the Loan").

As at 19 June 2017, the DT Loan was drawn down by the Borrower and a repayment of HK$1,800,000 was made by the Borrower pursuant to the DT Loan Agreement. As the term of the DT Loan Agreement had expired on 18 June 2017, Capital Strategic and the Borrower had entered into a supplemental deed (the "First Supplement Deed") to, among other matters, (i) extend the maturity date from 19 June 2017, being the immediate following business day of the maturity date which falls on a non-business day, to 18 December 2017; and (ii) revise the DT Loan granted under the DT Loan Agreement down to HK$18,200,000. Other than the maturity date which had been extended to 18 December 2017 and the amount of the DT Loan had been revised down to HK$18,200,000 pursuant to the First Supplemental Deed, the principal terms of the DT Loan Agreement remains applicable to Capital Strategic and the Borrower in connection with the DT Loan.

Subsequent to the date of First Supplemental Deed, a repayment on the DT Loan principal amount of approximately HK$2,566,000 was made by the Borrower pursuant to the DT Loan Agreement and the First Supplemental Deed. As at 18 December 2017, the outstanding DT Loan principal and interest amounts in total was approximately HK$16,275,000. As the term of the First Supplement Deed had expired on 18 December 2017, Capital Strategic and the Borrower had on 18 December 2017 entered into the second supplemental deed (the "Second Supplemental Deed") to, among other matters, (i) extend the maturity date from 18 December 2017 to 18 June 2018; and (ii) revise the DT Loan granted under the DT Loan Agreement down to approximately HK$16,275,000. Other than the maturity date which had been extended to 18 June 2018 and the amount of the DT Loan had been revised down to approximately HK$16,275,000 pursuant to the Second Supplemental Deed, the principal terms of the DT Loan Agreement remains applicable to Capital Strategic and the Borrower in connection with the DT Loan.

Subsequent to the date of Second Supplemental Deed, a repayment on the DT Loan principal amount of approximately HK$5,113,000 was made by the Borrower pursuant to the DT Loan Agreement, the First Supplemental Deed and the Second Supplemental Deed. As at 18 June 2018, the outstanding DT Loan principal and interest amounts in total was approximately HK$11,265,000. As the term of the Second Supplemental Deed had expired on 18 June 2018, Capital Strategic and the Borrower had on 18 June 2018 entered into the third supplemental deed (the "Third Supplemental Deed") to, among other matters, (i) extend the maturity date from 18 June 2018 to 18 June 2019; and (ii) revise the DT Loan granted under the DT Loan Agreement down to approximately HK$11,265,000. Other than the maturity date which had been extended to 18 June 2019 and the amount of the DT Loan had been revised down to approximately HK$11,265,000 pursuant to the Third Supplemental Deed, the principal terms of the DT Loan Agreement remains applicable to Capital Strategic and the Borrower in connection with the DT Loan.

Management Discussion and Analysis

As at 30 June 2018, the DT Loan was still outstanding with a loan principal of approximately HK$11,265,000. The grant of the DT Loan under the DT Loan Agreement is a financial assistance provided by the Company within the meaning of the Listing Rules.

Provision of Loan to an Entity Amounting to HK$180,000,000

On 24 November 2017, Capital Strategic, as the lender, entered into a loan agreement (the "MT Loan Agreement") with Yuan Heng, as the borrower, pursuant to which, Capital Strategic would provide a loan of HK$180,000,000 (the "MT Loan") to Yuan Heng for a term of 6 months from the date of drawdown, which could be further extended for another 6 months with written consent of Capital Strategic (or any other dates as may be agreed by Capital Strategic and Yuan Heng in writing) at the interest rate of 10% per annum which will be paid monthly.

The MT Loan is secured by (i) a share charge (the "Share Charge") executed by Firmwill Investments Limited ("Firmwill"), a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of Yuan Heng, in favor of Capital Strategic, whereby, Firmwill would execute the charge over 1 share in Fully World Limited ("Fully World"), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of Firmwill, representing the entire issued share capital of Fully World, to Capital Strategic; and (ii) a floating charge ("Floating Charge") over all or any part of the property and/or assets of Fully World created by Fully World in favour of Capital Strategic.

The provision of MT Loan would constitute a major transaction of the Company under Chapter 14 of the Listing Rules. Therefore, the MT Loan Agreement and the transactions contemplated thereunder would be subject to the reporting, announcement, circular and the Shareholders' approval requirements under Chapter 14 of the Listing Rules. Details of the transaction are set out in the announcements of the Company dated 24 November 2017 and 25 January 2018 and circular dated 22 December 2017, respectively. The transaction was completed on 25 January 2018.

Provision of Financial Assistance Amounting to HK$40,000,000

On 14 February 2018, Capital Strategic, as the lender, entered into a loan agreement (the "Loan Agreement") with China-HK, as the borrower, pursuant to which Capital Strategic would provide a loan facility of HK$40,000,000 (the "Loan") to China-HK for a term of 6 months from the date of the relevant drawdown, which could be extended upon the requested of China-HK and subject to agreement of Capital Strategic in writing, at the interest rate of 12% per annum which will be paid on the relevant repayment dates of the Loan drawn down.

On 14 August 2018, Capital Strategic entered into a supplemental loan agreement with China-HK to, among other matters, extend the maturity date from 14 August 2018 to 14 February 2019. Other than the maturity date which had been extended to 14 February 2019 pursuant to the supplemental loan agreement, the principal terms of the Loan Agreement remains applicable to Capital Strategic and China-HK in connection with the Loan. Details of the transaction are set out in the announcement of the Company dated 14 August 2018.

The Loan is secured by (i) charge over 10,000 shares of China-HK, being the entire issued share capital of the China-HK, in favour of Capital Strategic, by Wide Merit Limited, a company incorporated in the British Virgin Islands, being the holding company of China-HK; and (ii) charges over the entire share capital of 長三角徐州石油科技有限公司(Changsanjiao Xuzhou Petroleum Technology Company Limited*), being a wholly-owned subsidiary of China-HK, and 鹽城賽孚石油化工有限公司 (Yancheng Saifu Petroleum & Chemical Company Limited*), being a wholly-owned subsidiary of Changsanjiao Xuzhou Petroleum Technology Company Limited.

The provision of the Loan under the Loan Agreement is a financial assistance provided by the Company within the meaning of the Listing Rules and the Loan constituted a discloseable transaction for the Company under Chapter 14 of the Listing Rules. Details of the Loan are set out in the announcement of the Company dated 14 February 2018.

Save as disclosed above, the Group did not have any other provision of financial assistance and advance to an entity.

Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 30 June 2018, none of the Directors or Chief Executive of the Company or their respective associates had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were required, to be recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the period or up to the date of this report were there any rights to acquire benefits by means of the acquisition of shares of the Company in or debentures of the Company granted to any of the Directors or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company adopted a share option scheme on 20 June 2014 (the "Share Option Scheme") which became effective on 11 July 2014. The purpose of the Share Option Scheme is to motivate certain eligible persons to optimise their future contributions to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such eligible persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of the Group, and additionally in the case of executives, to enable the Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions. Eligible persons of the Share Option Scheme, amongst others, include any executives, any employee (including proposed, full-time or part-time employee), a director or proposed director (including an Independent Non-executive Director) of any member of the Group, a direct or indirect shareholder of any member of the Group and an associate of any of the aforementioned persons.

The maximum number of shares which may be issued under the Share Option Scheme and any other schemes of the Group must not exceed 48,000,000 shares, representing 10% of the total number of shares in issue as at the date of listing of the shares of the Company on the Stock Exchange.

The maximum number of shares issued and to be issued upon exercise of the options granted to any one eligible person (including exercised and outstanding options) under the Share Option Scheme in any 12-month period must not exceed 1% of the issued shares from time to time unless approved in advance by the Shareholders in general meeting with such eligible person and his close associates (as defined in the Listing Rules) (if such eligible person is a connected person) abstaining from voting.

Any offer of an option under the Share Option Scheme proposed to be made to a Director, Chief Executive or substantial Shareholder or to any of their respective associates must first be approved by the Independent Non-executive Directors (excluding Independent Non-executive Director who or whose associate is the grantee of the option). In addition, where any grant of options to a substantial Shareholder (as defined in the Listing Rules) or an Independent Non-executive Director or to any of their respective associates which would result in the relevant class of securities in issue and to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) in excess of 0.1% of the relevant class of securities in issue; and (ii) with an aggregate value (based on the closing price of the securities at the date of each grant) in excess of HK$5,000,000, such further grant of options is subject to approval by the Shareholders in general meeting, with such person, his associates and all core connected persons (as defined in the Listing Rules) of the Company abstaining from voting.

The offer of a grant of options under the Share Option Scheme may be accepted by the eligible person for a period of 28 days from the date of the offer and by payment received by the Company of HK$1.00 as consideration for the grant of an option. An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as to be determined and notified by the Directors to each grantee, but shall end in any event not later than 10 years from the date on which the option is deemed to be granted and accepted in accordance with the Share Option Scheme.

The Share Option Scheme will be valid and effective for a period of ten years from 20 June 2014.

The exercise price is determined by the Board and shall be at least the highest of: (i) the nominal value of a share; (ii) the closing price of a share as stated in the Stock Exchange's daily quotations sheet on the offer date; and (iii) the average closing price of a share as stated in the Stock Exchange's daily quotations sheet for the five business days (as defined in the Listing Rules) immediately preceding the offer date.

As at 30 June 2018, no share options were granted, cancelled, lapsed or forfeited under the Share Option Scheme and there were no outstanding share options under the Share Option Scheme as at 30 June 2018.

EQUITY-LINKED AGREEMENTS

For the period, save for the Share Option Scheme previously mentioned, the Company has not entered into any equity-linked agreements, and there did not subsist any equity-linked agreement entered into by the Company as at 30 June 2018.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

No director nor a connected entity of a director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the holding company of the Company, or any of the Company's subsidiaries and fellow subsidiaries was a party during the period.

Other Information

DIRECTORS' INTERESTS IN COMPETING BUSINESS

Save as disclosed below, during the period and up to the date of this report, none of the Directors are considered to have interests in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group required to be disclosed under the Listing Rules.

Name of the Director	Position(s) within Company	Position(s) in other companies which may compete with the Group
Mr. Liu Zhijun	Executive Director	Guangzhou Industry Investment Fund Management Co., Ltd – Deputy General Manager
Ms. Yi Sha	Executive Director	Guangzhou Industry Investment Fund Management Co., Ltd – Financial Controller SFund International Investment Fund Management Limited – Director

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, so far as is known to the Directors or Chief Executive of the Company, the following persons (other than Directors or Chief Executive of the Company), who had interests or short positions in the shares and the underlying shares of the Company which were recorded in the register required to be kept under Section 336 of the SFO were as follows.

LONG POSITIONS IN ORDINARY SHARES OF HK$0.01 EACH OF THE COMPANY

		Number of Shares held		Approximate Shareholding Percentage	
Name of Shareholder	Capacity/Nature of Interest	Long position	Short position	Long position	Short position
SFund International Investment Fund Management Limited (Note 1)	Beneficial owner	360,000,000	90,000,000	75%	18.75%
廣州產業投資基金管理有限公司 Guangzhou Industry Investment Fund Management Co., Ltd.* (Note 1)	Interest in a controlled corporation	360,000,000	90,000,000	75%	18.75%
廣州滙垠天粵股權投資基金管理有限公司 Guangzhou Huiyin Tianye Equity Investment Fund Management Co., Ltd.* (Note 1)	Interest in a controlled corporation	360,000,000	90,000,000	75%	18.75%
廣州科技金融創新投資控股有限公司 Guangzhou Technology Financial Innovation Investment Holdings Ltd.* (Note 1)	Interest in a controlled corporation	360,000,000	90,000,000	75%	18.75%
Plus Value International Limited (Note 2)	Beneficial owner	177,300,000	–	36.93%	–
Lai Leong (Note 2)	Interest in a controlled corporation	177,300,000	–	36.93%	–

Other Information

Note:

1. Based on the filing information from the disclosure of interests form, SFund International Investment Fund Management Limited is wholly-owned by Guangzhou Huiyin Tianye Equity Investment Fund Management Co., Ltd.*, which is owned as to 95% by Guangzhou Technology Financial Innovation Investment Holdings Ltd.* and as to 5% by Guangzhou Industry Investment Fund Management Co., Ltd*. Guangzhou Technology Financial Innovation Investment Holdings Ltd. is wholly-owned by Guangzhou Industry Investment Fund Management Co., Ltd.

2. Plus Value International Limited is wholly-owned by Mr. Lai Leong. By virtue of the SFO, Mr. Lai Leong is deemed to be interested in the Shares held by Plus Value International Limited.

Save as disclosed above, as at 30 June 2018, no person, other than the Directors and Chief Executive of the Company, whose interests are set out in the section headed "Directors' and Chief Executive's Interests and Short Positions in shares and Underlying Shares and Debentures of the Company" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE PRACTICES

The Company is committed to achieving and maintaining high standards of corporate governance consistent with the needs and requirements of its business and the Shareholders. The Company has adopted the code provisions (the "Code Provisions") as set out in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules. The corporate governance principles of the Company emphasise a quality board, sound internal controls, and transparency and accountability to all the Shareholders.

Save as disclosed below, the Company has complied with the Code Provisions during the six months ended 30 June 2018.

Other Information

CHANGE IN INFORMATION OF DIRECTORS

During the period and up to the date of this interim report, pursuant to Rule 13.51B(1) of the Listing Rule, there is no changes in information of the Directors.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with the requirements as set out in the Listing Rules for the purposes of reviewing and supervising the financial reporting process, risk management and internal controls systems of the Group. The Audit Committee comprises three independent non-executive Directors, namely Mr. Fok Ho Yin, Thomas, Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong. The chairman of the Audit Committee is Mr. Fok Ho Yin, Thomas.

The Audit Committee has reviewed with the accounting principles and practices adopted by the Group and discussed the auditing, internal control and risk management and financial reporting matters including the review of the unaudited condensed interim consolidated financial statements of the Group for the six months ended 30 June 2018 with the management and the Company's external auditor, Ernst & Young.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 20 June 2014 with specific written terms of reference which is available on the websites of the Stock Exchange and the Company.

The primary duties of the Remuneration Committee are to make recommendations to the Board on the Group's policy and structure for the overall remuneration of directors and management, including the policy of granting of share options to employees under the Company's share option scheme. No director or any of his/her associates may be involved in any decisions as to his/her own remuneration.

The Remuneration Committee currently comprises the three independent non-executive Directors, namely Mr. Fok Ho Yin, Thomas, Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong. The chairman of the Remuneration Committee is Mr. Fok Ho Yin, Thomas.

NOMINATION COMMITTEE

The Nomination Committee has reviewed the structure, size, composition and diversity of the Board, identifying suitable individuals qualified to become Board members, assessing the independence of the independent non-executive directors of the Company and making recommendations to the Board on the appointment or re-appointment of Directors of the Company.

The Nomination Committee currently comprises the three independent non-executive Directors, namely Mr. Fok Ho Yin, Thomas, Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong. The chairman of the Nomination Committee is Mr. Fok Ho Yin, Thomas.

Other Information

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2018 (six months ended 30 June 2017: Nil). No dividend was paid during the period under review.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement and interim report are published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.1367.com.hk. Printed copies in both languages are posted to Shareholders.

BOARD OF DIRECTORS

As at the date of this report, the Board of the Company comprises six executive Directors, namely Mr. Jia Bowei, Mr. Lam Kwan Sing, Mr. Liu Zhijun, Ms. Yi Sha, Mr. Wong Nga Leung and Mr. Hon Ming Sang; three independent non-executive Directors, namely, Mr. Fok Ho Yin, Thomas, Mr. Chan Wai Cheung, Admiral and Mr. Lam Ho Pong.

By Order of the Board
SFund International Holdings Limited
Jia Bowei
Chairman

Hong Kong, 28 August 2018

The English translation of Chinese names or words in this report, where indicated by "", are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2018

		Six months ended 30 June	
	Notes	**2018**	2017
		HK$'000	HK$'000
		(Unaudited)	(Unaudited)
Revenue	4&5	**99,250**	168,646
Cost of sales and services rendered		**(82,318)**	(137,536)
Gross profit		**16,932**	31,110
Other income	5	**948**	713
Selling and distribution costs		**(1,665)**	(1,881)
Administrative expenses		**(69,230)**	(38,798)
Other expenses, net		**(93)**	(771)
Finance costs	6	**(10,900)**	(438)
Loss before tax	7	**(64,008)**	(10,065)
Income tax	8	**(1,329)**	(972)
Loss for the period		**(65,337)**	(11,037)
Attributable to:			
Owners of the parent		**(66,717)**	(11,037)
Non-controlling interests		**1,380**	–
		(65,337)	(11,037)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	9	**HK(13.90) cents**	HK(2.30) cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Loss for the period	**(65,337)**	(11,037)
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(881)**	(22)
Other comprehensive loss for the period	**(881)**	(22)
Total comprehensive loss for the period	**(66,218)**	(11,059)
Attributable to:		
Owners of the parent	**(67,219)**	(11,059)
Non-controlling interests	**1,001**	–
	(66,218)	(11,059)

Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	10	**5,724**	5,514
Right-of-use assets	11	**10,028**	11,494
Goodwill		**12,320**	12,320
Intangible assets		**17,100**	17,100
Available-for-sale investments	12	**–**	2,713
Equity investments at fair value through profit or loss	12	**5,497**	7,238
Deposits and other receivables		**7,936**	6,219
Total non-current assets		**58,605**	62,598
CURRENT ASSETS			
Inventories		**–**	20
Accounts receivable	14	**33,168**	51,177
Loans receivable	15	**230,931**	16,275
Prepayments, deposits and other receivables	13	**43,556**	18,765
Tax recoverable		**106**	106
Cash and cash equivalents		**58,954**	99,841
Total current assets		**366,715**	186,184
CURRENT LIABILITIES			
Trade payables	16	**2,463**	12,304
Other payables and accruals	13	**51,598**	20,247
Interest-bearing bank and other borrowings	17	**5,583**	7,684
Tax payable		**10,084**	9,991
Total current liabilities		**69,728**	50,226
NET CURRENT ASSETS		**296,987**	135,958
TOTAL ASSETS LESS CURRENT LIABILITIES		**355,592**	198,556

Condensed Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
NON-CURRENT LIABILITIES			
Other payables and accruals		**6,496**	8,100
Interest-bearing other borrowing	17	**43**	86
Bonds payable	18	**305,111**	80,000
Deferred tax liabilities		**2,948**	2,978
Total non-current liabilities		**314,598**	91,164
Net assets		**40,994**	107,392
EQUITY			
Equity attributable to owners of the parent			
Issued capital	19	**4,800**	4,800
Reserves		**14,400**	81,776
		19,200	86,576
Non-controlling interests		**21,794**	20,816
Total equity		**40,994**	107,392

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Attributable to owners of the parent							
	Issued capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Legal reserve HK$'000	Merger reserve HK$'000	Retained profits HK$'000	Total equity HK$'000
At 1 January 2017	4,800	48,873	10,071	(691)	49	8,417	58,581	130,100
Loss for the period	–	–	–	–	–	–	(11,037)	(11,037)
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations	–	–	–	(22)	–	–	–	(22)
Total comprehensive loss for the period	–	–	–	(22)	–	–	(11,037)	(11,059)
At 30 June 2017 (unaudited)	4,800	48,873*	10,071*	(713)*	49*	8,417*	47,544*	119,041

	Attributable to owners of the parent									
	Issued capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Exchange fluctuation reserve HK$'000	Legal reserve HK$'000	Merger reserve HK$'000	Retained profits/ (accumulated loss) HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 31 December 2017	**4,800**	**48,873**	**10,071**	**(56)**	**49**	**8,417**	**14,422**	**86,576**	**20,816**	**107,392**
Effect of change in accounting policy (note 3)	**-**	**-**	**-**	**-**	**-**	**-**	**(157)**	**(157)**	**(23)**	**(180)**
At 1 January 2018	**4,800**	**48,873**	**10,071**	**(56)**	**49**	**8,417**	**14,265**	**86,419**	**20,793**	**107,212**
Profit/(loss) for the period	**-**	**-**	**-**	**-**	**-**	**-**	**(66,717)**	**(66,717)**	**1,380**	**(65,337)**
Other comprehensive loss for the period:										
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**(502)**	**-**	**-**	**-**	**(502)**	**(379)**	**(881)**
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**(502)**	**-**	**-**	**(66,717)**	**(67,219)**	**1,001**	**(66,218)**
At 30 June 2018 (unaudited)	**4,800**	**48,873***	**10,071***	**(558)***	**49***	**8,417***	**(52,452)***	**19,200**	**21,794**	**40,994**

* These reserve accounts comprise the reserves of HK$14,400,000 (30 June 2017: HK$114,241,000) in the condensed consolidated statement of financial position as at 30 June 2018.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	**(248,360)**	15,433
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(1,431)**	(1,747)
Capital injection of an available-for-sale investment	**–**	(95)
Deposit paid for the acquisition of an associate	**(1,717)**	–
Decrease in non-pledged time deposits with original maturity of more than three months when acquired	**1,201**	–
NET CASH FLOWS USED IN INVESTING ACTIVITIES	**(1,947)**	(1,842)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of bonds	**217,800**	–
New trade finance loans	**3,588**	30,371
Proceeds from a loan from a third party	**–**	3,000
Repayment of trade finance loans	**(5,690)**	(42,459)
Lease payments	**(2,632)**	(2,889)
Capital element of finance lease rental payments	**(47)**	(36)
Interest paid	**(2,832)**	(438)
NET CASH FLOWS FROM/(USED) IN FINANCING ACTIVITIES	**210,187**	(12,451)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(40,120)**	1,140
Cash and cash equivalents at the beginning of the period	**98,640**	49,286
Effect of foreign exchange rate changes, net	**434**	(4)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD	**58,954**	50,422
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**49,147**	50,422
Non-pledged time deposits with original maturity of less than three months when acquired	**9,807**	–
Cash and cash equivalents as stated in the condensed consolidated statement of financial position	**58,954**	50,422

1. CORPORATE INFORMATION

SFund International Holdings Limited ("Company") was incorporated in the Cayman Islands on 30 September 2013 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. In the opinion of the directors, the immediate holding company and the ultimate holding company of the Company is Plus Value International Limited, which is incorporated in the British Virgin Islands (the "BVI"). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is located at Suites 904-5, 9/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong.

During the six months ended 30 June 2018, the Group was principally engaged in (i) trading of a apparel products and provision of apparel supply chain management services; (ii) money lending business; (iii) provision of financial services; and (iv) securities investment. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing").

2. BASIS OF PRESENTATION AND PREPARATION

These unaudited condensed consolidated financial statements for the six months ended 30 June 2018 (the "Interim Financial Statements") have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRS") (which also included HKASs and interpretations) that affect the Group and are adopted for the first time for the current period's financial information.

The Group has adopted the following new and revised HKFRSs for the first time for the current period's financial information.

Amendments to HKFRS 2	*Classification and Measurement of Share – based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

Other than as explained below regarding the impact of HKFRS 9, the adoption of the above new and revised standards has had no significant financial effect on these financial information.

The Group has adopted HKFRS 9 on 1 January 2018. HKFRS 9 introduces new requirements for classification and measurement, impairment and hedge accounting which have resulted in the following changes in accounting policies.

The Group has not restated comparative information for financial instruments in the scope of HKFRS 9. Therefore, the comparative information for 2017 would follow the requirements under HKAS 39 *Financial Instruments: Recognition and Measurement* and is not comparable to the information presented for 2018. Differences arising from the adoption of HKFRS 9 have been recognised directly in relevant items of the condensed consolidated statement of financial position as of 1 January 2018.

The following adjustments were made to the condensed consolidated statement of financial position at the date of initial application (i.e. 1 January 2018). The impact on adopting HKFRS 9 is as follows:

	Notes	31 December 2017 (Audited) Under HKAS 39	Reclassification*	Remeasurement**	1 January 2018 (Unaudited) Under HKFRS9
		HK$'000	HK$'000	HK$'000	HK'000
Available-for-sale investments	(a)	2,713	(2,713)	–	**-**
Equity investments at fair value through profit or loss	(a)	7,238	2,713	–	**9,951**
Accounts receivable	(b)	51,177	–	(88)	**51,089**
Loans receivable	(b)	16,275	–	(21)	**16,254**
Prepayments, deposits and other receivables	(b)	18,765	–	(71)	**18,694**
Equity					
Retained profits	(b)	14,422	–	(157)	**14,265**
Non-controlling interests	(b)	20,816	–	(23)	**20,793**

* Available-for-sale investments measured at cost under HKAS 39 was reclassified to equity investments at fair value through profit or loss under HKFRS 9.

** Impairment allowances of accounts receivable, loans receivable and other financial assets at amortised cost were remeasured based on a forward-looking expected credit loss ("ECL") approach under HKFRS 9, resulting in decreases in accounts receivable, loans receivable, other receivables, retained earnings and non-controlling interests.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(a) Classification and measurement

Except for accounts receivable, under HKFRS 9, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

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

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

- Debt instruments at amortised cost for financial assets – that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's accounts receivable, loans receivable and other financial assets at amortised cost.

- Financial assets at FVTPL – comprise unlisted and listed equity investments which the Group had not irrevocably elected, at initial recognition or transition, to classify at FVTOCI. Under HKAS 39, the Group's unlisted equity investments were classified as available-for-sale investments stated at cost.

The assessment of the Group's business model was made as of the date of initial application, i.e., 1 January 2018. The assessment of whether contractual cash flows on debt instruments are solely comprised of principal and interest was made based on the facts and circumstances as at the initial recognition of the assets.

The accounting for the Group's financial liabilities remains largely the same as it was under HKAS 39.

3. CHANGES IN ACCOUNTING POLICIES *(Continued)*

(b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking ECL approach. HKFRS 9 requires the Group to record an allowance for ECLs for all loans and other debt financial assets not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For accounts receivable, the Group has applied the standard's simplified approach and has calculated ECLs based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group has applied the general approach and recorded twelve-month ECLs that are estimated based on the possible default events on its loan receivables and other financial assets at amortised cost within the next twelve months. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 1 month past due. The Group considers a financial asset in default when contractual payments are 12 months past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

The adoption of the ECL requirements of HKFRS 9 resulted in increase in impairment allowance of the Group's debt financial assets. The increase in allowance resulted in adjustments to retained earnings and non-controlling interests.

4. OPERATING SEGMENT INFORMATION

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

(a) apparel trading and related services segment engages in trading of apparel products and provision of the apparel supply chain management services;

(b) financial services segment engages in securities dealing business, provision of asset management services, corporate finance and related advisory services;

(c) money lending segment engages in the provision of loan financing; and

(d) securities investment segment engages in investment in listed and unlisted investments.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that bank interest income, finance costs as well as head office and corporate expenses are excluded from such measurement.

For the purposes of monitoring segment performance and allocating resources between segments:

(a) all assets are allocated to operating segments other than unallocated assets, cash and cash equivalents and tax recoverable; and

(b) all liabilities are allocated to operating segments other than unallocated liabilities, interest-bearing bank and other borrowings, bonds payable, tax payable, deferred tax liabilities and other head office and corporate liabilities as these liabilities are managed on a group basis.

4. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2018 (Unaudited)

	Apparel trading and related services HK$'000	Financial services HK$'000	Money lending HK$'000	Securities investment HK$'000	Total HK$'000
Revenue from contracts with customers:					
Recognised at a point in time	**83,066**	**–**	**–**	**–**	**83,066**
Recognised over time	**–**	**8,555**	**–**	**–**	**8,555**
	83,066	**8,555**	**–**	**–**	**91,621**
Revenue from other sources	**–**	**–**	**12,047**	**(4,418)**	**7,629**
Segment revenue	**83,066**	**8,555**	**12,047**	**(4,418)**	**99,250**
Segment results	**(41,199)**	**883**	**8,600**	**(4,418)**	**(36,134)**
Reconciliation:					
Interest income					**192**
Corporate and other unallocated expenses					**(17,166)**
Finance costs					**(10,900)**
Loss before tax					**(64,008)**
As at 30 June 2018 (Unaudited)					
Segment assets	**35,124**	**83,586**	**235,241**	**2,825**	**356,776**
Reconciliation:					
Corporate and other unallocated assets					**68,544**
Total assets					**425,320**
Segment liabilities	**8,795**	**94,741**	**228,708**	**8,127**	**340,371**
Reconciliation:					
Elimination of intersegment payables					**(296,349)**
Corporate and other unallocated liabilities					**340,304**
Total liabilities					**384,326**

4. OPERATING SEGMENT INFORMATION *(Continued)*

For the six months ended 30 June 2017 (Unaudited)

	Apparel trading and related services HK$'000	Financial services HK$'000	Money lending HK$'000	Securities investment HK$'000	Total HK$'000
Revenue from contracts with customers – recognised at a point in time	169,617	–	–	–	169,617
Revenue from other sources	–	–	1,285	(2,256)	(971)
Segment revenue	169,617	–	1,285	(2,256)	168,646
Segment results	6,929	(27)	(8,272)	(2,260)	(3,630)
Reconciliation:					
Interest income					6
Corporate and other unallocated expenses					(6,003)
Finance costs					(438)
Loss before tax					(10,065)
As at 31 December 2017 (Audited)					
Segment assets	70,671	41,014	17,724	7,243	136,652
Reconciliation:					
Corporate and other unallocated assets					112,130
Total assets					248,782
Segment liabilities	19,239	59,549	17,046	8,127	103,961
Reconciliation:					
Elimination of intersegment payables					(80,349)
Corporate and other unallocated liabilities					117,778
Total liabilities					141,390

4. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical Information

During the period, approximately 75.9% (six months ended 30 June 2017: 99.1%) of the Group's total revenue from external customers, based on the locations of the products shipped to/locations of customers, were attributed to the United States of America ("USA"). For the purpose of identifying total revenue from external customers, revenue derived from fair value changes on equity investment at fair value through profit or loss are excluded.

An analysis of disaggregation of revenue from apparel trading and related services segment based on the locations of the products shipped to is as follows:

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Unaudited)
USA	**78,661**	169,389
Mainland China	**904**	197
Hong Kong	**–**	31
Others	**3,501**	–
	83,066	169,617

Revenue from financial services segment amounting to HK$8,375,000 (six months ended 30 June 2017: nil) and HK$180,000 (six months ended 30 June 2017: nil), based on the locations of customers, were derived in the Mainland China and Hong Kong, respectively. Revenue from money lending segment, based on location of the customers, were derived in Hong Kong.

Information about major customers

Revenue from each major customer which accounted for 10% or more of the Group's revenue for the year is set out below:

	Six months ended 30 June	
	2018 HK$'000 (Unaudited)	2017 HK$'000 (Unaudited)
Customer A*	**–**	78,854
Customer B	**44,059**	40,873
Customer C*	**–**	26,172
Customer D	**29,604**	–

* *Less than 10% of revenue during the six months ended 30 June 2018*

5. REVENUE AND OTHER INCOME

Revenue represents (i) the aggregate of the net invoiced value of apparel products sold, after allowances for returns and trade discounts; (ii) interest income from money lending business; (iii) services income from advisory and fund management services; and (iv) change in fair value of an equity investment.

An analysis of the Group's revenue and other income is as follows:

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Revenue		
Sale of goods	**83,066**	169,617
Interest income from money lending business	**12,047**	1,285
Advisory service income	**180**	–
Fund management fee income	**8,375**	–
Unrealised loss on an equity investment at fair value through profit or loss	**(4,418)**	(2,256)
	99,250	168,646
Other income		
Bank interest income	**192**	6
Rework and compensation income	**129**	523
Rental income	**252**	–
Distribution income	**138**	–
Sundry income	**237**	184
	948	713

6. FINANCE COSTS

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest on trade finance loans	**30**	182
Interest on a finance lease	**4**	5
Interest on bonds payable	**10,518**	–
Interest on other borrowings	**137**	–
Unwinding of finance costs on lease liabilities	**211**	251
	10,900	438

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	**81,890**	137,536
Depreciation of property, plant and equipment	**1,186**	717
Depreciation of right-of-use assets	**2,446**	2,942
Minimum lease payments under operating leases	**1,828**	704
Expected credit loss, net	**304**	–
Reversal of provision for slow-moving inventories	**–**	(12)
Foreign exchange differences, net	**(773)**	142

8. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

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

8. INCOME TAX *(Continued)*

The subsidiary of the Company established in Mainland China is subject to the People's Republic of China (the "PRC") corporate income tax at a standard rate of 25% (six months ended 30 June 2017: 25%) during the period.

No provision for Macao complementary tax has been made as the Company's subsidiary established in Macao is exempted from Macao complementary tax pursuant to Macao's relevant tax legislations (six months ended 30 June 2017: nil).

Cambodian tax on profit has been provided at the rate of 20% (six months ended 30 June 2017: 20%) on the taxable profits or a minimum tax of 1% (six months ended 30 June 2017: 1%) of total revenues, whichever is higher, arising during the period.

No provision for Bangladesh income tax has been made on the liaison office of the Company's subsidiary as no assessment profit in Bangladesh was generated during the period (six months ended 30 June 2017: nil).

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current:		
– Hong Kong	**103**	670
– Elsewhere	**1,226**	302
Total tax charge for the period	**1,329**	972

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share for the six months ended 30 June 2018 is based on the loss attributable to owners of the parent of HK$66,717,000 (six months ended 30 June 2017: HK$11,037,000), and the weighted average number of ordinary shares of 480,000,000 (six months ended 30 June 2017: 480,000,000) in issue during the period.

Diluted loss per share equals to basic loss per share as there was no potentially dilutive ordinary shares in issue during the six months ended 30 June 2018 and 2017.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired items of property, plant and equipment at costs of HK$1,431,000 (six months ended 30 June 2017: HK$1,747,000).

11. RIGHT-OF-USE ASSETS

	30 June 2018 HK$'000 (Unaudited)
At 1 January 2018	**11,494**
Additions	**980**
Depreciation provided during the period (note 7)	**(2,446)**
At 30 June 2018	**10,028**
At 30 June 2018:	
Cost	**27,215**
Accumulated depreciation	**(17,187)**
Net carrying amount	**10,028**

	31 December 2017 HK$'000 (Audited)
At 1 January 2017	–
Recognition upon initial application of HKFRS 16	16,555
Additions	851
Depreciation provided during the year	(5,912)
At 31 December 2017	11,494
At 31 December 2017:	
Cost	26,235
Accumulated depreciation	(14,741)
Net carrying amount	11,494

12. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS/ AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Listed equity investment	**2,820**	7,238
Unlisted equity investments	**2,677**	–
	5,497	7,238

The listed equity investment at 31 December 2017 was, upon initial recognition, designated by the Group as financial asset at fair value through profit or loss.

As at 31 December 2017, the available-for-sale investments represented the Group's investments in various unlisted equity investments in the PRC. The unlisted equity investments with an aggregate carrying amount of HK$2,713,000 were stated at cost less impairment. Upon adoption of HKFRS 9, in the opinion of directors, it is appropriate to reclassify the investment to equity investments at fair value through profit or loss to align with the Group's business model for managing these investments and their contractual cash flows.

The Group does not intend to dispose of them in the near future.

As at the date of this report, the fair value of the listed equity investment amounted to HK$2,256,000.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES/OTHER PARABLES AND ACCRUALS

During the current period, a substantial shareholder of the Company ("Substantial Shareholder"), through a 51% owned subsidiary of the Group, advanced an amount of HK$33,683,000 ("Advance") to an independent third party (the "Borrower") for the purpose of capital contribution to two investment funds managed by the Group (the "Pass-through Arrangement"). The Advance is unsecured, bears interest at 1.5% per month with maturity on 21 August 2018. Under this Pass-through Arrangement, the Group should bear no responsibilities as to the repayment of the Advance by the Borrower and other liabilities as well as the interest associated to the Advance. As at 30 June 2018, the amount of proceed received from the Substantial Shareholder and the Advance to the Borrower amounting to HK$33,683,000 were presented on a gross basis and included in "other payables and accruals" and "prepayments, deposits and other receivables", respectively, on the condensed consolidated statement of financial position as the associated document/agreement in connection with the Pass-through Arrangement did not establish the Group's right of off-set.

14. ACCOUNTS RECEIVABLE

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Trade receivables	**19,435**	42,742
Bills receivables	**–**	686
Fund management fee receivables	**14,377**	7,991
	33,812	51,149
Less: allowance for expected credit loss	**(644)**	(242)
	33,168	51,177

Trade and bills receivables

Trade and bills receivables relate to the Group's apparel trading and related services business. The Group's trading terms with its customers are mainly on credit. The credit period generally ranges from 30 to 90 days (2017: 40 to 90 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department in order to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over these balances. Trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables, net of allowance of expected credit loss of HK$559,000 (2017: HK$242,000), as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Within 1 month	**13,197**	25,260
1 to 2 months	**3,360**	8,333
2 to 3 months	**2,319**	9,593
	18,876	43,186

14. ACCOUNTS RECEIVABLE *(Continued)*

Fund management fees receivables

Fund management fees receivables relate to the Group's fund management business and are due from investment funds in which the Group acts as the fund manager. Pursuant to the respective fund management agreements, the fund management fee shall be paid in advance at the beginning of each year. As at 30 June 2018, the fund management fee receivables net of allowance for expected credit loss of HK$85,000 (2017: nil), based on the period in which services were rendered, amounting to HK$163,000 (31 December 2017: HK$820,000), HK$13,271,000 (31 December 2017: HK$7,171,000) and HK$858,000 (31 December 2017: nil) were not yet due, less than 12 months past due and more than 12 months past due, respectively.

The movements in allowance for expected credit loss of accounts receivable are as follow:

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
At beginning of year as previously stated	**242**	305
Recognition upon initial application of HKFRS 9 (note 3)	**88**	–
At beginning of year (restated)	**330**	305
Impairment loss recognised/(reversed)	**314**	(63)
	644	242

15. LOANS RECEIVABLE

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Loans receivable	**231,008**	16,275
Less: allowance for expected credit loss	**(77)**	–
	230,931	16,275

Loans receivable arising from the money lending business of the Group bears interest at rates ranging from 10% to 13% (31 December 2017: 13%) per annum. The grants of these loans were approved and monitored by the Group's management. As at 30 June 2018, loans receivable with an aggregate carrying amount of HK$219,694,000 (31 December 2017: nil) were secured by the pledge of collaterals.

The loans receivable as at 30 June 2018 and 31 December 2017, based on the payment due date, was neither past due nor impaired and relate to borrowers for whom there was no recent history of default.

16. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Within 1 month	**2,463**	12,304

The trade payables are non-interest-bearing and are normally settled on an average term of 30 days.

17. INTEREST-BEARING BANK AND OTHER BORROWINGS

	30 June 2018 (Unaudited)			31 December 2017 (Audited)		
	Effective interest rate (%)	**Maturity**	**HK$'000**	Effective interest rate (%)	Maturity	HK$'000
Current						
Finance lease payable	**5.00**	**2018-2019**	**83**	5.00	2018	82
Other loan						
– unsecured	**5.00**	**2018**	**3,000**	5.00	2018	3,000
Loan from a shareholder						
– unsecured	**5.00**	**2018**	**2,500**	5.00	2018	2,500
Trade finance loans						
– secured	**–**	**–**	**–**	3.64	2018	2,102
			5,583			7,684
Non-current						
Finance lease payable	**5.00**	**2019**	**43**	5.00	2019	86
			43			86
			5,626			7,770

17. INTEREST-BEARING BANK AND OTHER BORROWINGS *(Continued)*

Notes:

(a) Certain of the Group's bank and other loans were secured by:

(i) certain security deposits placed to banks by a director of a subsidiary of the Group;

(ii) personal guarantees given by a director of a subsidiary of the Group;

(iii) corporate guarantees given by certain subsidiaries of the Group;

(iv) a promissory note executed by a subsidiary of the Group and a director of a subsidiary of the Group of HK$75,000,000; and

(v) certain properties pledged by a director of a subsidiary of the Group.

(b) Except for finance lease payable of HK$126,000 (31 December 2017: HK$168,000) which is denominated in RMB, all other loans are denominated in HK$. As at 30 June 2018, there are no trade finance loans which are denominated in United States dollar (31 December 2017: HK$2,102,000).

18. BONDS PAYABLE

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Unlisted bonds repayable within five years	**305,111**	80,000

At the end of the reporting period, the particulars of the straight bonds issued by the Company are as follows:

Issue date	**Maturity from issue date**	**Coupon rate**	**Effective interest rate**	**Principal outstanding**	
				2018 *HK$'000* **(Unaudited)**	2017 *HK$'000* (Audited)
30 October 2017*	23 months	8%	7.95%	**80,000**	80,000
24 January 2018	720 days	7.5%	7.91%	**180,000**	–
14 February 2018	720 days	7.5%	7.92%	**40,000**	–

All bonds are unsecured and contain no conversion feature.

* The bond is issued to a company indirectly wholly-owned by a substantial shareholder of the Company.

19. SHARE CAPITAL

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Authorised:		
1,000,000,000 ordinary shares of HK$0.01 each	**10,000**	10,000
Issued and fully paid:		
480,000,000 ordinary shares of HK$0.01 each	**4,800**	4,800

20. NOTE TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transaction

During the period, the Group recognised the right-of-use assets and the corresponding lease liabilities in respect of the rights and obligations for using the rental leases, with aggregate amounts of HK$980,000 (2017: HK$17,406,000) and HK$980,000 (2017: HK$17,845,000), respectively.

21. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group subleased a property under an operating lease arrangement, with a lease negotiated for a term of two years.

As at the end of the reporting period, the Group had total future minimum lease receivables under a non-cancellable operating lease with its tenant falling due as follows:

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Within one year	**378**	504
In the second to fifth years	**–**	126
	378	630

21. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

The Group leases certain of its office premises and staff quarter under operating lease arrangements. The leases are negotiated for terms ranging from 6 months to two years which are cancellable with notice periods ranging from one to three months.

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases failing due as follows:

	30 June 2018 HK$'000 (Unaudited)	31 December 2017 HK$'000 (Audited)
Within one year	**129**	200

22. COMMITMENTS

In addition to the operating lease commitments detailed in note 21(b) above, the Group had a capital commitment of HK$4,840,000 in relation to capital injection in Hunan Guakai Railway Development Private Equity Fund Management Company Limited ("Hunan Guokai") (31 December 2017: nil). Further details of the transaction is also disclosed in note 25 of this Interim Financial Statements.

23. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these Interim Financial Statements, the Group had the following significant transactions with related parties during the period:

		Six months ended 30 June	
	Notes	**2018 HK$'000 (Unaudited)**	2017 HK$'000 (Unaudited)
Interest expense payable to Kapok Spirit Investment Limited ("Kapok Spirit")	(i)	**3,193**	–
Referral fee to SFund International Investment Fund Management Limited ("SFund Investment")	(ii)	**2,900**	–

23. RELATED PARTY TRANSACTIONS *(Continued)*

(a) *(Continued)*

Notes:

(i) The interest expense on a bond payable was paid to Kapok Spirit, a company indirectly wholly-owned by a substantial shareholder of the Company. Details of which are included in note 18 to the Interim Financial Statements.

(ii) The referral fee was paid to SFund Investment, a substantial shareholder of the Group, for services rendered during the period.

(b) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2018	2017
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Short term employee benefits	**4,680**	4,082
Post-employment benefits	**36**	68
Total compensation paid to key management personnel	**4,716**	4,150

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	Carrying amount		Fair value	
	30 June 2018	31 December 2017	**30 June 2018**	31 December 2017
	HK$'000	HK$'000	**HK$'000**	HK$'000
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Financial asset				
Equity investments at fair value through profit or loss	**5,497**	7,238	**5,497**	7,238

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

(Continued)

Management has assessed that the fair values of accounts receivable, loans receivable, the current portion of financial assets included in prepayments, deposits and other receivables, cash and cash equivalents, trade payables, the current portion of financial liabilities included in other payables and accruals and interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

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

The fair values of the non-current portion of financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, interest-bearing other borrowing and bonds payable have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing other borrowing and bonds payable as at 30 June 2018 was assessed to be insignificant. In the opinion of the directors, their carrying amounts are not significantly different from their respective fair values.

The fair values of listed and unlisted equity investments are based on quoted market price and net asset value, respectively.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's financial instrument:

Assets measured at fair value:

	Fair value measurement using			
	Quoted prices in active markets (Level 1) HK$'000	**Significant observable inputs (Level 2)** HK$'000	**Significant unobservable inputs (Level 3)** HK$'000	**Total** HK$'000
As at 30 June 2018 (Unaudited)				
Financial assets at fair value through profit or loss:				
Listed equity investments	2,820	–	–	2,820
Unlisted equity investments	–	–	2,677	2,677
	2,820	–	2,677	5,497
As at 31 December 2017 (Audited)				
Financial assets at fair value through profit or loss:				
Listed equity investments	7,238	–	–	7,238

24. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(Continued)*

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

During the six months ended 30 June 2018 and the year ended 31 December 2017, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

25. EVENT AFTER THE REPORTING PERIOD

On 17 January 2018, the Group entered into an agreement to acquire a 49% equity interest in Hunan Guokai from an independent third party (the "vendor") for a consideration of RMB1,450,000 (equivalent to HK$1,668,000). Hunan Guokai is principally engaged in management of private equity fund investing in railway construction, management of proprietary investments in assets (including equity) and investment consultancy services. A deposit of HK$1,717,000 was made during the period and included in deposits and other receivables in the condensed consolidated statement of financial position. The acquisition of Hunan Guokai was completed in July 2018.

26. APPROVAL OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The condensed consolidated interim financial statements were approved and authorised for issue by the board of directors on 28 August 2018.

Independent Review Report

TO THE BOARD OF DIRECTORS OF SFUND INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 24 to 51, which comprises the condensed consolidated statement of financial position of SFund International Holdings Limited (the "Company") and its subsidiaries as at 30 June 2018 and the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows 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 a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made 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 interim financial information consists of making inquiries, 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.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants

22/F, Citic Tower
1 Tim Mei Avenue
Central, Hong Kong

28 August 2018