大中華金融控股有限公司
GREATER CHINA FINANCIAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 431)

website: http://www.irasia.com/listco/hk/greaterchina/index.htm

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

SUMMARY OF RESULTS

The board (the "Board") of directors (the "Directors") of Greater China Financial Holdings Limited (the "Company") announces that the unaudited financial results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2018, together with the comparative figures for the corresponding period in 2017 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2018

		Six months ended 30 June	
		2018	2017
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Revenue	*3*	**58,106**	58,532
Cost of sales		**(20,846)**	(30,184)
Gross profit		**37,260**	28,348
Other income, gains and losses	*4*	**(22,111)**	88,488
Administrative and other operating expenses		**(56,336)**	(46,577)
Finance costs	*5*	**(7,966)**	(7,712)
(Loss) profit before tax		**(49,153)**	62,547
Income tax expense	*6*	**(2,294)**	(1,641)
(Loss) profit for the period	*7*	**(51,447)**	60,906

		Six months ended 30 June	
		2018	2017
	NOTES	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)
Other comprehensive (expense) income, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(5,675)**	3,702
Change in fair value of available-for-sale financial assets		**–**	(17,591)
Item that will not be reclassified subsequently to profit or loss:			
Change in fair value of financial assets at fair value through other comprehensive income		**(7,559)**	–
Other comprehensive expense for the period		**(13,234)**	(13,889)
Total comprehensive (expense) income for the period		**(64,681)**	47,017
(Loss) profit for the period attributable to:			
Owners of the Company		**(51,447)**	60,966
Non-controlling interests		**–**	(60)
		(51,447)	60,906
Total comprehensive (expense) income for the period attributable to:			
Owners of the Company		**(64,681)**	47,077
Non-controlling interests		**–**	(60)
		(64,681)	47,017
		HK cents	*HK cents*
(Loss) earnings per share	*9*		
– Basic		**(0.75)**	1.15
– Diluted		**(0.75)**	1.14

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2018

	NOTES	**30.6.2018** **HK$'000** **(unaudited)**	31.12.2017 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**104,915**	111,448
Prepaid lease payments		**23,593**	24,281
Goodwill	*10*	**151,122**	151,122
Intangible asset		**10,190**	10,906
Interests in associates		**–**	–
Available-for-sale financial assets		**–**	25,521
Financial assets at fair value through other comprehensive income		**18,017**	–
Financial assets at fair value through profit or loss		**84,162**	22,410
Contingent consideration receivables		**6,140**	9,879
Deferred tax assets		**11,836**	12,689
Deposits		**3,530**	3,325
		413,505	371,581
Current assets			
Loans and interests receivables	*11*	**225,855**	189,891
Trade and other receivables	*12*	**23,234**	34,877
Prepaid lease payments		**749**	759
Prepayments and deposits		**96,265**	46,888
Contingent consideration receivables		**6,840**	–
Tax receivables		**239**	–
Cash held on behalf of clients		**1,084**	2,066
Restricted bank deposits		**4,218**	9,064
Bank balances and cash		**158,401**	410,117
		516,885	693,662
Current liabilities			
Trade payables, other payables and accruals	*13*	**60,646**	60,095
Contract liabilities		**100**	–
Liability from financial guarantees		**51,004**	51,753
Deferred considerations		**19,180**	48,807
Borrowings		**5,926**	66,039
Tax payables		**894**	2,526
		137,750	229,220
Net current assets		**379,135**	464,442
Total assets less current liabilities		**792,640**	836,023

	NOTES	**30.6.2018**	31.12.2017
		HK$'000	*HK$'000*
		(unaudited)	(audited)
Non-current liabilities			
Deferred consideration		**4,875**	22,486
Convertible notes		**–**	5,654
Borrowings		**88,890**	93,054
		93,765	121,194
Net assets		**698,875**	714,829
Capital and reserves			
Share capital	*14*	**6,915**	6,870
Reserves		**691,960**	707,959
Total equity		**698,875**	714,829

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

1. BASIS OF PREPARATION

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfer of Investment Property

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

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

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations.

The Group recognises revenue from the following major sources:

- Warehouse storage income from operation of warehouse
- Trading income from trading of consumable goods
- Income from provision of financial guarantee, loan referral and consultancy services
- Interest income from money lending business
- Commission income from securities brokerage, underwriting and placement
- Interest income from margin financing
- Commission income from asset management
- Commission income from provision of the insurance brokerage and agency services.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, i.e. 1 January 2018. Any difference at the date of initial application is recognised in the opening accumulated loss and comparative information has not been restated.

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents goods and services (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or services.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

The results of the assessment and the impact thereof are detailed in Note 2.1.2.

2.1.2 Summary of effects arising from initial application of HKFRS 15

Based on the current business model, except described as below, no material impact is resulted from the adoption of HKFRS 15 on the amounts reported on the condensed consolidated financial statements of the Group as at 1 January 2018.

The following table summaries the impact of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 for each of the line item affected. Items that were not affected by the changes have not been included.

	Amounts before adoption of HKFRS 15 *HK$'000*	**Adjustment resulted from adoption of HKFRS 15** *HK$'000*	**As reported** *HK$'000*
Current liabilities			
Other payables and accruals	58,675	(100)	58,575
Contract liabilities	–	100	100
Balance at end of the period	58,675	–	58,675

2.2 Impacts and changes in accounting policies on application of HKFRS 9 "Financial Instruments" and related amendments

In the current period, the Group has applied HKFRS 9 and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 "Financial Instruments: Recognition and Measurement".

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39 except for the impact of ECL.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost of FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments/receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method, are recognised in profit or loss. All other changes in the carrying amount of these debt instruments are recognised in OCI and accumulated under the heading of Revaluation Reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments had been measured at amortised cost. When these debt instruments are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the Revaluation Reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "Other Income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

Impairment under ECL model

In relation to the impairment of financial assets, HKFRS 9 requires an ECL model, as opposed to an incurred credit loss model under HKAS 39. The ECL model requires an entity to account for ECL and changes in those ECL at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 including trade and other receivables, loans and interests receivables, deposits, cash held on behalf of clients, restricted bank deposits and bank balances and cash. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and loans and interests receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively with internal credit ratings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

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

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

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

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed below.

2.2.2 *Summary of effects arising from initial application of HKFRS 9*

The following table and the accompanying notes below explain the original measurement categories under HKAS 39 and the new measurement categories under HKFRS 9 for each class of the Group's financial assets as at 1 January 2018.

	Notes	Original classification under HKAS 39	New classification under HKFRS 9	Original carrying amount under HKAS 39 *HK$'000*	New carrying amount under HKFRS 9 *HK$'000*
Financial assets					
Equity securities	*(a)*	Available-for-sale	FVTOCI – equity instrument	25,521	25,521
Unlisted investment fund	*(b)*	Designated as at FVTPL	Mandatorily at FVTPL	22,410	22,410
Contingent consideration receivables		FVTPL	FVTPL	9,879	9,879
Loans and interests receivables		Loans and receivables	Amortised cost	189,891	189,891
Trade and other receivables		Loans and receivables	Amortised cost	34,877	34,877
Deposits		Loans and receivables	Amortised cost	49,028	49,028
Cash held on behalf of clients		Loans and receivables	Amortised cost	2,066	2,066
Restricted bank deposits		Loans and receivables	Amortised cost	9,064	9,064
Bank balances and cash		Loans and receivables	Amortised cost	410,117	410,117
Total financial assets				752,853	752,853

(a) These equity securities represent investments that the Group intends to hold for the long term strategic purposes. As permitted by HKFRS 9, the Group has designated these investments at the date of initial application as measured at FVTOCI. Unlike HKAS 39, the accumulated fair value reserve related to these investments will never be reclassified to profit or loss. The fair value losses of HK$127,344,000 relating to those investments previously carried at fair value continued to accumulate in equity.

(b) Under HKAS 39, these equity securities were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTPL under HKFRS 9.

New and revised HKFRSs in issue but not yet effective

At the date of this announcement, the following new and revised HKFRSs are not yet effective. The Group has not early applied these new and revised HKFRSs.

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[2]
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2019.
[2] Effective for annual periods beginning on or after 1 January 2021.
[3] Effective date to be determined.

3. SEGMENT INFORMATION

The Group's operations are organised into securities brokerage, asset management, insurance brokerage, loan financing, industrial property development business and general trading. Information reported to the chief operating decision maker ("CODM") for the purpose of resources allocation and assessment of segment performance is prepared on such basis. The Group is organised into the following reportable and operating segments:

– Industrial property development business segment represents the operation of warehouse in the People's Republic of China (the "PRC").

– General trading segment represents trading of consumable goods in the PRC.

– Loan financing segment represents the provision of financial guarantee, loan financing, loan referral and consultancy services in Hong Kong and the PRC.

– Securities brokerage segment represents the operation of securities brokerage, margin financing, underwriting and placements in Hong Kong.

– Asset management segment represents the provision of asset management services in Hong Kong.

– Insurance brokerage segment represents the provision of the insurance brokerage and agency services in Hong Kong.

Segment revenue and results

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

Six months ended 30 June 2018 (unaudited)

	Industrial property development *HK$'000*	General trading *HK$'000*	Loan financing *HK$'000*	Securities brokerage *HK$'000*	Asset management *HK$'000*	Insurance brokerage *HK$'000*	Total *HK$'000*
SEGMENT REVENUE	5,545	22,012	26,463	508	249	3,329	58,106
SEGMENT RESULTS	(4,089)	1,398	14,650	(797)	(615)	(517)	10,030
Unallocated corporate income							47
Unallocated corporate expenses							(25,430)
Unallocated finance costs							(3,059)
Fair value change on contingent consideration receivables							3,101
Fair value change on financial assets at fair value through profit or loss							6,471
Share-based payment expenses							(40,313)
Loss before tax							(49,153)
Income tax							(2,294)
Loss for the period							(51,447)

For the six months ended 30 June 2017 (unaudited)

	Industrial property development *HK$'000*	General trading *HK$'000*	Loan financing *HK$'000*	Securities brokerage *HK$'000*	Asset management *HK$'000*	Insurance brokerage *HK$'000*	Total *HK$'000*
SEGMENT REVENUE	1,990	30,894	14,254	2,218	4	9,172	58,532
SEGMENT RESULTS	(6,433)	701	9,293	(377)	–	(991)	2,193
Unallocated corporate income							2,542
Unallocated corporate expenses							(22,569)
Unallocated finance costs							(3,384)
Compensation received							20,297
De-recognition of deferred consideration							67,901
Fair value change on contingent consideration receivables							(4,153)
Fair value change on financial assets at fair value through profit or loss							709
Share-based payment expenses							(989)
Profit before tax							62,547
Income tax							(1,641)
Profit for the period							60,906

All of the segment revenue reported above are from external customers.

Segment assets and liabilities

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

At 30 June 2018 (unaudited)

	Industrial property development *HK$'000*	General trading *HK$'000*	Loan financing *HK$'000*	Securities brokerage *HK$'000*	Asset management *HK$'000*	Insurance brokerage *HK$'000*	Total *HK$'000*
ASSETS							
Segment assets	124,864	67,532	454,071	16,619	5,816	1,856	670,758
Unallocated assets							
Bank balances and cash							25,803
Property, plant and equipment							6,547
Other receivables, prepayments and deposits							5,460
Goodwill							151,122
Financial assets through other comprehensive income							16,225
Financial assets at fair value through profit or loss							41,495
Contingent consideration receivables							12,980
Consolidated total assets							930,390
LIABILITIES							
Segment liabilities	96,999	161	107,505	1,745	–	386	206,796
Unallocated liabilities							
Other payables and accruals							664
Deferred considerations							24,055
Consolidated total liabilities							231,515

At 31 December 2017 (audited)

	Industrial property development *HK$'000*	General trading *HK$'000*	Loan financing *HK$'000*	Securities brokerage *HK$'000*	Asset management *HK$'000*	Insurance brokerage *HK$'000*	Total *HK$'000*
ASSETS							
Segment assets	175,091	25,591	537,678	19,136	5,578	5,784	768,858
Unallocated assets							
Bank balances and cash							78,012
Property, plant and equipment							7,686
Other receivables, prepayments and deposits							6,697
Goodwill							151,122
Available-for-sale financial assets							20,579
Financial assets at fair value through profit or loss							22,410
Contingent consideration receivables							9,879
Consolidated total assets							1,065,243
LIABILITIES							
Segment liabilities	100,812	–	163,972	3,915	15	426	269,140
Unallocated liabilities							
Other payables							4,327
Convertible notes							5,654
Deferred considerations							71,293
Consolidated total liabilities							350,414

4. OTHER INCOME, GAINS AND LOSSES

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Compensation received *(Note a)*	**–**	20,297
De-recognition of deferred consideration *(Note b)*	**–**	67,901
Fair value change on financial assets at fair value through profit or loss	**6,471**	709
Fair value change on contingent considerations	**3,101**	(4,153)
Handling fee income	**41**	114
Investment income	**1,664**	–
Interest income	**7,564**	3,560
Impairment loss on other receivables	**(1,185)**	–
Loss on written off of property, plant and equipment	**(18)**	–
Net foreign exchange (loss) gain	**(86)**	32
Provision for guarantee losses	**(1,146)**	–
Share-based payment expenses	**(40,313)**	(989)
Sundry income	**1,398**	1,017
Write off of other payables	**566**	–
Write off of other receivables	**(168)**	–
	(22,111)	88,488

Notes:

(a) Compensation received represented the compensation received from the vendor in respect of the acquisition of 45% of issued capital of Intraday Financial Information Service Limited ("Intraday") according to the terms of Sales and Purchase Agreement dated 15 April 2015 as Intraday was not able to achieve the Performance Target as specified in the Sales and Purchase Agreement.

(b) According to the audited consolidated financial statements of Oriental Credit Holdings Limited and its subsidiaries ("Oriental Credit Group") for the year ended 31 December 2016 issued on 20 March 2017, the Oriental Credit Group made a loss for the financial year ended 31 December 2016. Based on the terms of the sales and purchase agreement for the acquisition, the deferred consideration ceased to become payable and, accordingly, the Group has derecognised the deferred consideration at the carrying amount of HK$67,901,000 and it was recognised as other income in the profit or loss for the six months ended 30 June 2017.

5. FINANCE COSTS

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Effective interest on convertible notes	**296**	289
Imputed interest on deferred consideration	**2,762**	3,094
Interest on bank loans	**3,081**	3,133
Interest on other loans	**1,827**	1,196
	7,966	7,712

6. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current tax		
PRC Enterprise Income Tax	**1,436**	1,641
Over provision in prior periods:		
PRC Enterprise Income Tax	**142**	–
Deferred tax:		
Current period	**716**	–
	2,294	1,641

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profits for the six months ended 30 June 2017 and 2018. No provision for Hong Kong Profits Tax has been made as its subsidiaries in Hong Kong incurred tax loss for the six months ended 30 June 2018.

PRC Enterprise Income Tax ("EIT") is calculated at the applicable rates based on estimated taxable income earned by the PRC subsidiaries of the Company with certain tax concession, based on existing legislation, interpretation and practice in respect thereof.

Under the Law of the PRC on Enterprises Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the applicable PRC EIT rate of the Group's PRC subsidiaries is 25% for both the six months ended 30 June 2017 and 2018.

7. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging the following items:

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Amortisation of prepaid lease payments	**389**	358
Amortisation of intangible assets	**604**	556
Depreciation of property, plant and equipment	**5,739**	5,345
Legal and professional fee	**1,904**	1,778
Staff costs including directors' emoluments	**24,352**	12,674

8. DIVIDENDS

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

9. (LOSS) EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
(Loss) earnings		
(Loss) earnings for the period attributable to owners of the Company for the purpose of basic (loss) earnings per share	**(51,447)**	60,966
Effect of dilutive potential ordinary shares:		
Interest on convertible notes (net of tax)	**–**	289
(Loss) earnings for the purpose of diluted (loss) earnings per share	**(51,447)**	61,255
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	**6,874,085**	5,317,246
Effect of dilutive potential ordinary shares:		
– Share options	**–**	17,161
– Convertible notes	**–**	31,851
Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share	**6,874,085**	5,366,258

The calculation of basic (loss) earnings per share is based on the (loss) profit attributable to owners of the Company, and the weighted average number of approximately 6,874,085,000 ordinary shares (six months ended 30 June 2017: 5,317,246,000) in issue.

Diluted loss per share for the six months period ended 30 June 2018 did not assume the exercise of the share options during the period since the exercise would have an anti-dilutive effect. No adjustment was made in calculating diluted loss per share for the six months period ended 30 June 2018 as conversion of convertible notes would result in a decrease in loss per share. Accordingly, the diluted loss per share is same as the basic loss per share for the six months ended 30 June 2018.

The calculation of diluted earnings per share was based on the profit attributable to the owners of the Company, adjusted to reflect the interest on the convertible notes for the six months period ended 30 June 2017.

The Company had dilutive potential ordinary shares on exercise of the convertible notes and share options. The convertible notes were assumed to have been converted into ordinary shares, and the net profit was adjusted to eliminate the interest expense less the tax effect for the six months ended 30 June 2017.

10. GOODWILL

	30.6.2018 ***HK$'000*** **(unaudited)**	31.12.2017 *HK$'000* (audited)
Cost		
Balance at beginning of the period/year	**165,772**	123,612
Arising on acquisition of subsidiaries	**–**	42,160
Balance at end of the period/year	**165,772**	165,772
Accumulated impairment losses		
Balance at beginning of the period/year	**14,650**	–
Impairment loss recognised for the period/year	**–**	14,650
Balance at end of the period/year	**14,650**	14,650
Carrying amounts		
Balance at end of the period/year	**151,122**	151,122

11. LOANS AND INTERESTS RECEIVABLES

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Secured loans	**256,839**	123,004
Unsecured loans	**31,436**	129,307
	288,275	252,311
Less: impairment allowances	**(62,420)**	(62,420)
	225,855	189,891

An ageing analysis of the loans and interests receivables that are individually not considered to be impaired as at the end of the reporting period, based on payment due date, is as follows:

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Neither past due nor individually impaired	**225,855**	181,461
Less than 1 month past due	**–**	8,430
	225,855	189,891

The movements in impairment allowance of loans and interests receivables are as follows:

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Balance at beginning of the period/year	**62,420**	62,420
Impairment allowance recognised during the period/year	**–**	–
Amounts written off during the period/year as uncollectible	**–**	–
Balance at end of the period/year	**62,420**	62,420

12. TRADE AND OTHER RECEIVABLES

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables arising from:		
Business of dealing in securities: *(Note a)*		
– Cash clients	**61**	483
– Margin clients	**1,242**	5,900
– Clearing house and brokers	**548**	–
Consultancy services *(Note b)*	**7,441**	3,724
Financial guarantee services *(Note c)*	**68**	35
Insurance brokerage business *(Note d)*	**265**	471
Asset management business *(Note e)*	**106**	1,281
	9,731	11,894
Less: Impairment loss	**(400)**	(405)
	9,331	11,489
Other receivables	**19,099**	27,487
Less: Impairment loss	**(5,196)**	(4,099)
	13,903	23,388
Total trade and other receivables	**23,234**	34,877

Notes:

(a) For the trade receivables from cash clients, it normally takes two days to settle after trade date of securities transactions. These outstanding unsettled trades due from clients are reported as trade receivables from clients.

Trade receivables from margin clients amounting to HK$1,242,000 as at 30 June 2018 (31 December 2017: HK$5,900,000) are secured by clients' pledged securities with fair value of HK$2,757,000 as at 30 June 2018 (31 December 2017: HK$9,196,000). Management has assessed the market value of the pledged securities of each individual customer who has margin shortfall regularly. No impairment allowance is considered necessary for the remaining margin loans based on the Group's evaluation of their collectability.

Trade receivables from margin clients arising from the securities brokerage business are repayable on demand subsequent to settlement date.

(b) The normal settlement terms of trade receivables from consultancy services are within 30 to 90 days upon the contractual obligation is performed.

(c) The normal settlement terms of trade receivables from financial guarantee services are mainly within 60 to 90 days upon contractual obligation is performed.

(d) The normal settlement terms of trade receivables from product issuers arising from the provision of insurance brokerage services are mainly within 45 to 60 days upon the execution of the insurance policies and/or receipt of statements from product issuers.

(e) Credit terms with customers of asset management are within 30 days or a credit period mutually agreed between the contracting parties.

No ageing analysis of margin loans is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of this business.

An ageing analysis of the remaining balance of trade receivables net of impairment loss as at the end of the reporting period, based on the trade date, is as follows:

	30.6.2018 ***HK$'000*** **(unaudited)**	31.12.2017 *HK$'000* (audited)
0 – 30 days	**5,383**	3,277
31 – 60 days	**378**	797
61 – 90 days	**1,743**	958
Over 90 days	**585**	557
	8,089	5,589

An ageing analysis of the remaining balance of trade receivables that are not individually nor collectively considered to be impaired is as follows:

	30.6.2018 ***HK$'000*** **(unaudited)**	31.12.2017 *HK$'000* (audited)
Neither past due nor impaired	**7,504**	4,471
Less than 1 month past due	**516**	1,051
1 to 3 months past due	**5**	1
3 to 6 months past due	**4**	11
6 months to less than 1 year past due	**60**	55
	8,089	5,589

The movements in impairment loss on trade receivables are as follows:

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Balance at beginning of the period/year	**405**	377
Amounts recognised during the period/year	**–**	–
Exchange realignment	**(5)**	28
Balance at end of the period/year	**400**	405

The movements in impairment loss on other receivables are as follows:

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Balance at beginning of the period/year	**4,099**	1,049
Amounts recognised during the period/year	**1,185**	2,971
Amounts written off during the period/year	**(37)**	–
Exchange realignment	**(51)**	79
Balance at end of the period/year	**5,196**	4,099

13. TRADE PAYABLES, OTHER PAYABLES AND ACCRUALS

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables arising from:		
Business of dealing in securities: *(Note a)*		
– Cash clients	**1,026**	467
– Margin clients	**670**	1,589
– Clearing houses	**–**	1,777
Insurance brokerage business *(Note b)*	**375**	423
	2,071	4,256
Other payables and accruals:		
Accrued expenses	**2,717**	8,758
Deposits received *(Note c)*	**46,893**	23,226
Receipts in advance	**–**	3,175
Other payables	**8,965**	20,680
	58,575	55,839
	60,646	60,095

Notes:

(a) Trade payables to securities brokerage clients represent the monies received from and repayable to brokerage clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have an enforceable right to offset these payables with the deposits placed.

The majority of the trade payables balance are repayable on demand except for certain balances relating to margin deposits received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

The settlement terms of trade payables, except for margin clients, arising from the securities brokerage business are two days after trade date.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value in view of the nature of business.

(b) Trade payables to consultants arising from provision of insurance brokerage service, are generally settled within 30 days to 120 days upon receipt of payments from product issuers by the Group.

An ageing analysis of trade payables from insurance brokerage business at the end of reporting period is as follows:

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(unaudited)	(audited)
0 – 30 days	**235**	320
31 – 60 days	**25**	101
61 – 90 days	**15**	2
Over 90 days	**100**	–
	375	423

(c) Included in deposits received, customer pledged deposits received amounted to HK$27,697,000 (31 December 2017: HK$10,298,000), represent deposits received from customers as collateral security for the financial guarantees issued by the Group. These deposits will be refunded to the customers upon expiry of the corresponding guarantee contracts. According to the contracts, these deposits are expected to be settled within one year.

14. SHARE CAPITAL

	Number of shares	Nominal amount
	'000	*HK$'000*
Authorised:		
Ordinary shares of HK$0.001 each		
At 1 January 2017, 30 June 2017, 1 January 2018 and 30 June 2018	2,109,890,000	2,109,890
Preference shares of HK$0.001 each		
At 1 January 2017, 30 June 2017, 1 January 2018 and 30 June 2018	110,000	110
Issued and fully paid:		
Ordinary shares of HK$0.001 each		
At 1 January 2017	4,380,214	4,380
Exercise of share options *(Note a)*	195,680	196
Issue of shares upon open offer *(Note b)*	2,287,947	2,288
At 30 June 2017 (unaudited)	6,863,841	6,864
At 1 January 2018	6,870,057	6,870
Exercise of share options *(Note c)*	13,170	13
Conversion of convertible notes *(Note d)*	31,850	32
At 30 June 2018 (unaudited)	6,915,077	6,915

Notes:

(a) On 9 February and 6 March 2017, upon the exercise of the share options at an exercise price of HK$0.232 per share, the Company allotted and issued 195,680,000 new shares of HK$0.001 each.

(b) On 21 June 2017, the Company allotted and issued 2,287,947,142 new shares of HK$0.001 each at a subscription price of HK$0.100 per share upon completion of the open offer.

(c) On 17 May and 19 June 2018, upon the exercise of the share options at an exercise price of HK$0.187 per share, the Company allotted and issued 11,670,000 new shares of HK$0.001 each.

On 19 June 2018, upon the exercise of the share options at an exercise price of HK$0.188 per share, the Company allotted and issued 1,500,000 new shares of HK$0.001 each.

(d) On 15 June 2018, upon the exercise of the conversion rights attached to the 2014 Convertible Note and 2015 Convertible Note in an aggregate principal amount of HK$7,644,000 at the conversion price of HK$0.24 per share, the Company allotted and issued 31,850,442 shares in aggregate to the noteholders.

All shares issued during the period rank pari passu with the existing shares in all respects.

15. GUARANTEES ISSUED

At 30 June 2018, the total maximum financial guarantees is RMB518,000,000 (approximately HK$614,000,000). The total maximum financial guarantees issued represent the maximum potential loss that would be recognised if counterparties failed completely to perform as contracted.

16. SHARE OPTIONS

On 20 March 2018, the Company granted a total of 457,580,000 share options under the 2011 Share Option Scheme to employees and consultants of the Group. The validity period of the options is 36 months from the date of grant of the options, i.e. from 20 March 2018 to 19 March 2021. The options entitled the grantees to subscribe for a total of 457,580,000 new shares of HK$0.001 each at an exercise price of HK$0.188 per share.

The fair value of the share options granted recognised as share-based payment expense of HK$40,313,000 (2017: HK$ Nil) during the six months ended 30 June 2018.

17. EVENTS AFTER THE REPORTING PERIOD

There is no significant event affecting the Company that have occurred since the end of the financial period.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business review and prospects

Revenue and segment results of the Group during the period under review are stated in the table below:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
Revenue from:		
Industrial property development	**5,545**	1,990
General trading	**22,012**	30,894
Securities brokerage	**508**	2,218
Insurance brokerage	**3,329**	9,172
Asset management	**249**	4
Loan financing	**26,463**	14,254
	58,106	58,532
Segment (loss) profit from:		
Industrial property development	**(4,089)**	(6,433)
General trading	**1,398**	701
Securities brokerage	**(797)**	(377)
Insurance brokerage	**(517)**	(991)
Asset management	**(615)**	–
Loan financing	**14,650**	9,293
	10,030	2,193

Industrial property development

Revenue generated from the warehouse in PRC increased from approximately HK$1,990,000 for the six months ended 30 June 2017 to HK$5,545,000 for the period under review.

The increase in turnover is a result of the improvement of occupancy rate from less than 50% in the same period last year to 100% as the repair and maintenance works of 2 warehouse units have been completed during the current period. Most of the warehouse units has been leased out early this year for storage of raw materials mainly. The average rent of our warehouse is in line with the market rate. The rental period of the agreements were ranged from 12-24 months and the majority of them were signed in 2018. We expected the rental income from our warehouse operation can provide a stable income and cash flow for the Group.

General Trading

Our co-operation with a distribution agent of Moutai (a reputable distilled Chinese liquor) to sell Moutai and other popular Chinese liquors established in the second half of 2016 continued. The revenue generated from the liquors trading amounted to approximately HK$22,012,000 (2017: HK$30,894,000), and the segment profit of HK$1,398,000 (2017: HK$701,000) for the period under review.

Due to the popularity of Moutai in the PRC and the limited number of authorized distribution agents, the key for such trading is to secure the supply of Moutai as the demand of Moutai in the PRC far exceeds its supply. It is the normal commercial practice that no credit term is granted from the supplier and to the wholesalers and/or re-sellers and the liquors will only be delivered upon full payment of the liquors ordered. Since the commencement of such co-operation in late 2016, our management has established a strong mutual trust with the supplier which is a reputable wine distributor and is able to obtain stable supply of Moutai from the wine producer, which is crucial to the long term stable development of our wine trading operation.

The demand for Moutai continued to grow since the beginning of the year and the price of which recorded a rapid increase and such increase in price is expected to be continued in the Chinese liquors market in general. The increase in price contributed to the increase in profit margin of the segment. However, turnover is reduced as compared to same period last year as there is insufficient supply of Moutai and other popular Chinese liquor allocated to us by our suppliers.

Subsequently, we have negotiated with our suppliers and adjusted the yearly minimum quantity of Moutai and other Chinese liquors supply upward to over RMB30,000,000 and will continue to follow up with them to ensure smooth supply of Chinese liquors in the second half of 2018.

Securities brokerage

The securities brokerage operation continues to provide a variety of securities related services including securities brokerage, securities trading, margin financing and placements in Hong Kong. Revenue from the segment for the 6 months ended 30 June 2018 was approximately HK$508,000 (2017: HK$2,218,000) and segment loss of HK$797,000 (2017: HK$377,000) has resulted.

Due to the keen competition in the securities brokerage operation, the profit margin on regular brokerage and securities trading is very slim. During the first six months, the securities brokerage operation were undergone a business restructuring process to streamline the operation. We are in the process of establishing new sales and operation teams in order to expand its business presence in the securities brokerage sector.

Insurance Brokerage

Revenue from insurance brokerage was approximately HK$3,329,000 with net loss HK$517,000 for the six months ended 30 June 2018 compared to revenue of HK$9,172,000 and net loss of HK$991,000 for the six month ended 30 June 2017. The performance of insurance brokerage still facing challenge of keen marketing competition as the number of authorized insurance brokers in Hong Kong was increased from 757 as at 31 March 2017 to 771 as at 31 March 2018 according to the Insurance Authority of Hong Kong. Thus, the Group will strengthen the existing sales team to develop various channels in different client segments and foster close relationship with insurance companies and offer diversified products to our customers to achieve a steady growth of the business.

Asset Management

The Group has completed the acquisition of a company under a license to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (the "SFO") together with its investment team at a consideration of HK$8 million and the result of which has been consolidated to the Group in the second half of 2017.

The fund under management is called "Spruce Light Absolute Return Fund" which is a hedge fund and the asset under management is approximately US$10 million as at 30 June 2018. Revenue of approximately HK$249,000 and segment loss of HK$615,000 were recorded for the six months ended 30 June 2018.

For the first half of 2018, China's economy growth has been slowing down in line with the implementation of "deleveraging" policy. In particular, fixed asset investments for the first half of the year increased 6.0% year-on-year with drop of 1.5% in growth as compared with the preceding quarter. The growth for total retail sales of consumer goods eased to 9.4% year-on-year with drop of 0.4% in growth as compared with the preceding quarter. Export of goods denominated in RMB increased 4.9% year-on-year with drop of 2.5% in growth as compared with the preceding quarter. In respect to securities markets, due to the slower economic growth, together with implementation of "deleveraging" policy in China and influence of Sino-US trade disputes, declines occurred to major Chinese stock indexes at home and abroad, among of which, CSI-300 Index slipped 12.9% in the first half of the year, while Hang Seng Index and Hang Seng China Enterprise Index fell 3.2% and 5.4%, respectively. Nonetheless, the return of the fund under management for the first six months of 2018 declined 3.2% which is less than the declined in relative market. Increased market volatility has lifted the difficulty in investment management business.

Looking ahead to the second half of 2018, it is estimated that economic policies and Sino-US trade disputes will continue to cause stock market fluctuation. However, certain Chinese companies with reasonable valuations, excellent management and good competitive landscape will still achieve outstanding performance growth, which will improve stock price. On the other hand, the stock price of some companies with higher valuations but without performance as its support will be probably challenged by downside risks. The asset management business segment will continue to seek growth in both scale and performance.

Loan Financing

Loan financing segment includes the provision of financing guarantee services, loan financing, financing consultancy and loan referral services in both Hong Kong and the PRC.

The segment revenue generated from loan financing for the six months ended 30 June 2018 was approximately HK$26,463,000 with segment profit of HK$14,650,000, compared to the segment revenue of approximately HK$14,254,000 and segment profit of HK$9,293,000 for the six months ended 30 June 2017. The increase in segment revenue and profit was mainly contributed by the newly acquired PRC financing guarantee and financing consultancy services business in 2017.

The State Council published the Measures for the Supervision and Administration of Financing Guarantee Companies (《融資擔保公司監督管理條例》) on 2 August 2017 which clarifies the development direction for financing guarantee business in form of administrative regulation. The financing guarantee business will maintain sustainable, stable and healthy development under the support of the new national regulation.

With the synergy between loan referral services and financing guarantee services in PRC, it will bring further business opportunity in relation to supply chain financing services to parallel import car business, as well as factoring business in PRC.

For the risk management prospective, loan financing team in PRC established corresponding credit policy and operation procedures. Due diligent and credit review will be performed to existing and potential customers. For financing guarantee services, our financing team will require sufficient pledge of assets.

In coming period, our financing team in PRC is planning to obtain a solid credit rating in order to expanding the financing guarantee business in different aspect.

The management will further explore the opportunity in the factoring operation and supply-chain financing operation with the objective to further develop the factoring business and broaden the income stream.

The loan financing operations in Hong Kong primarily involved in mortgage loan operation. To remain competitive while mitigating the overall credit risk, we adopted a stringent credit approval policy and before the loan was approved, we worked closely with reputable professionals for property valuation in valuing the property provided by customers for the mortgage loan application to ensure the loan to value ratio of the relevant properties are maintained at a reasonable level. Credit assessment including full review of credit history and personal TU credit report of the potential customers is performed. In addition, we installed tools to monitor the trend in the property market which will provide alert to our credit team in case of significant fluctuation or irregularity is noted in the mortgage under supervision.

The Group will continue to implement a prudent strategy and maintain its focus on high net worth customers through building closer partnership with our business partners which act as loan referral agents and has established stringent internal loan management system, including credit assessment and risk management as mentioned above. In addition, we cooperate tightly with external professionals for property valuation, credit check and legal counsel.

As at 30 June 2018, the balance of the loans and interest receivables was approximately HK$225,855,000 (2017: HK$189,891,000). Interest rate of the loans ranged from 6% to 24% (2017: 6.6% to 18%) per annum. As at 30 June 2018, the total guarantee issued by our financing guarantee operation was approximately RMB518 million (as at 31 December 2017: RMB349 million).

Litigation

PRC

The Company has appointed PRC legal advisers and the applications for arbitration to enforce the variable interest entity contracts (the "VIE Contracts") have been filed and accepted by 上海仲裁委員會 (Shanghai Arbitration Commission,"SAC") in August 2016 (the "Arbitration"). Details of the applications are set out in the announcement dated 18 August 2016. On 22 February 2017, the PRC legal advisers of the Company received three decisions issued by the SAC to suspend the Arbitration as (i) 上海新盛典當有限公司 (Shanghai Xinsheng Pawnshop Limited, "Xinsheng"), 上海快鹿投資(集團)有限公司 (Shanghai Kuailu Investment Group Company Limited, "Shanghai Kuailu") and 上海中源典當有限公司 (Shanghai Zhongyuan Pawnshop Company Limited, "Zhongyuan") are involved in a criminal investigation conducted by the public security authority of Shanghai City, PRC; and (ii) the shares of Xinsheng and Zhongyuan were freezed by PRC public security authority. As such, it was stated that such circumstances would create obstacles for submitting evidence to SAC, and SAC agreed to suspend the Arbitration with effect from 21 February 2017. As we are not a party of the criminal investigation in relation to Shanghai Kuailu conducted by the public security authority of Shanghai City, PRC, we have no access to the latest status nor the outstanding matters and the expected time of the completion of such investigation. Up to the date of this announcement, the Arbitration was still suspended and the PRC legal advisers of the Company has not received any oral or written updates from SAC on when the Arbitration will be resumed nor the status of the criminal investigation. Since the effective control of the Group over the two subsidiaries was governed by the VIE Contracts, the feasible way to re-gain control of the subsidiaries was to enforce such VIE Contracts through the Arbitration and the PRC legal advisers of the Company will closely monitor the latest development of the cases and would proceed to resume the Arbitration once the criminal investigation is completed. The financial impacts of the de-consolidation resulting from the incident has been fully reflected in the financial year of 2016 and the suspension of the Arbitration claim is not expected to create any adverse impact on the Group as whole. Up to the date of this announcement, there is no judicial decision for the case, and the Group will continue to follow up the progress of the incident and will keep Shareholders informed if there is any updates.

Financial Review

Administrative and Other Operating Expenses

Administrative and other operating expenses mainly consist of the operating expenses of each of industrial property development, general trading, loan financing, securities brokerage, insurance brokerage and asset management as well as the overall administrative expenses including but not limited to the office utilities and administration, legal and professional fee, operating lease payments, employee benefit expenses, depreciation and amortization, etc. Administrative and other operating expenses amounted to approximately HK$56,336,000 during the period under review, increase of HK$9,759,000 compared with last period. The increase mainly resulted from acquisition of a financing guarantee operation in Beijing and the asset management operation in Hong Kong, the increase in staff salary and overall expenses as a consequence of the growth in different operations of the Group.

Finance Costs

Finance costs have increased from approximately HK$7,712,000 for the six months ended 30 June 2017 to approximately HK$7,966,000 for the six month ended 30 June 2018. The increase in the finance costs was caused by the increase in other loans interest borrowed by our PRC subsidiaries.

Liquidity and Financial Resources

The Group adopts the policy of prudence in managing its working capital. The operation of the Group was primarily financed by internally generated cashflow and external financing. As at 30 June 2018, the shareholders' fund and net current assets of the Group amounted to approximately HK$698,875,000 (31 December 2017: HK$714,829,000) and HK$379,135,000 (31 December 2017: HK$464,442,000) respectively. On the same date, the Group's bank balances and cash amounted to HK$158,401,000 (31 December 2017: HK$410,117,000) and the current ratio was 3.75 (31 December 2017: 3.03).

As at 30 June 2018, the Group's total borrowings amounted to approximately HK$94,816,000 (31 December 2017: HK$159,093,000) of which approximately HK$5,926,000 is repayable within 1 year, approximately HK$11,852,000 is repayable between 1 to 2 years, approximately HK$35,556,000 is repayable between 2 to 5 years and approximately HK$41,482,000 is repayable over 5 years. The gearing ratio, measured on the basis of total borrowings over net assets, was 14% as at 30 June 2018 (31 December 2017: 22%).

There was no capital commitment in respect of the acquisition and construction of property, plant and equipment for the period under review (31 December 2017: nil).

The Group does not anticipate any material foreign exchange exposure since its cash, borrowings, revenue and expenses are mainly in Hong Kong dollars & Renminbi. Therefore the Group did not use any financial instruments for hedging purposes.

Actual use of proceeds of 2017 Open Offer

In June 2017, the Company has completed an open offer on the basis of one offer share for every two existing shares of the Company at a subscription price of HK$0.10 per offer shares ("2017 Open Offer") and a net amount of approximately HK$221.5 million was raised. The intended and actual use of the net proceeds from the 2017 Open Offer is stated as below:

	Amount (HK$million)	Intended use	Actual use
	25.0	For expansion of money lending business	Approximately HK$20 million has been used as loans to customers and the balance has not been utilised and is expected to be used as intended within 12 months
	20.0	For development of factoring business in the PRC	The amount has not been utilised and is expected to be used as intended within 12 months
	5.0	For expansion of insurance brokerage business	Approximately HK$2 million has been used in the insurance brokerage business and the balance has not been utilised and is expected be used as intended within 12 months
	21.5	For general working capital	Fully utilised as general working capital including but not limited to office and administrative expenses, rent, salary, etc.
	150.0	For future investment	The amount has been utilised as partial payment to the vendors for the acquisition of Sino Wealth Investment Co. Limited.
Total	221.5		

Assets impairment loss

The impairment loss on goodwill of approximately HK$15 million (the "Impairment") recorded for the year ended 31 December 2017 was mainly related to the impairment loss on goodwill of the Type 1 & 9 licensed operations (the "Impaired Operations"). The Impaired Operations were acquired by the Group in 2016 with the objective to expand the operations to the potential clients in the PRC as there was increasingly demand for the those clients to invest in the securities in the local market. However, despite the effort spent by the management and the operation team on developing the business, it has failed to meet the previous growth rate forecast in 2017 and thus the valuation conducted by our external valuer in 2017 has to be adjusted accordingly, resulting in the impairment loss for the year ended 31 December 2017.

Save as disclosed above, the Group has no asset impairment loss as at 30 June 2018.

Fund Investments

Our investment portfolio is classified as financial assets at fair value during the period, recorded carrying value of approximately HK$84,162,000 as at 30 June 2018 (as at 31 December 2017: HK$22,410,000). The investment portfolio represents the unlisted investment fund, investing primarily in equity and equity related instruments of companies listed in the PRC, Hong Kong or overseas, and investment in property development project in PRC.

Contingent liabilities

Save as disclosed in this announcement, the Group has no material contingent liabilities as at 30 June 2018.

Capital Structure

In May and June 2018, upon the exercise of the share options at an exercise prices of HK$0.187 and HK$0.188 per share, 13,170,000 new shares were issued.

On 14 June 2018, the Company received conversion notice from a Noteholder in respect of the exercise of the conversion rights attached to the 2014 Convertible Note and 2015 Convertible Note in an aggregate principal amount of HK$7,644,106 at the Conversion Price of HK$0.24 per share. As a result of the Conversion, on 15 June 2018, the Company allotted and issued 31,850,442 shares in aggregate to the Noteholder. Details of the change in share capital of the Group are set out in note 14 to the condensed consolidated financial statements.

Grant of Share Options

On 20 March 2018, the Company granted 457,580,000 share options to certain eligible persons. Share-based payment expenses of approximately HK$40,313,000 was recognised during the period under review. Such one-off non-cash expenses result in a material negative impact to the financial performance of the Group.

Charges on Assets

Assets with the following carrying amounts have been pledged to secure general banking facilities granted to the Group:

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
Property, plant and equipment	**97,208**	102,527
Prepaid lease payments	**24,342**	25,040
	121,550	127,567

Foreign currency exposure

As confirmed by the Directors, the Group's present operations are mainly carried out in PRC and HK, and all of the Group's receipts and payments in relation to the operations are basically denominated in Renminbi & HK dollars. In this respect, there is no significant currency mismatch in its operational cashflows and the Group is not exposed to any significant foreign currency exchange risk in its operations.

Employees and Remuneration Policies

As at 30 June 2018, the Group has 135 employees. Remuneration is determined by reference to their respective qualifications and experiences and according to the prevailing industry practice. Besides salary payments, other staff benefits include contribution of mandatory provident fund, a discretionary bonus program and a share option scheme.

Future Plans for material investments or capital assets

Save as disclosed in this announcement, as at 30 June 2018, there was no specific plan for material investments and acquisition of capital assets. However, the Group will continue to seek for new business development opportunities especially in developing financial services related business.

Events after the reporting period

Details of the events after the reporting period of the Group are set out in note 17 to the condensed consolidated financial statements.

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

During the period under review, there was no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE

During the period under review, the Company has complied with the code provisions (the "Code Provisions") as set out in the Corporate Governance Code (the "CG Code") and Corporate Governance Report contained in Appendix 14 of the Listing Rules, except for the following deviations:

– Code Provision A.5 stipulates that a nomination committee should be established to make recommendations to the Board on the appointment and reappointment of Directors and succession planning for Director.

The Company established the nomination committee on 28 August 2018. Prior to the nomination committee was established, the Board was responsible for the appointment of its own members. The chairman of the Board is responsible for identifying appropriate candidate and proposing qualified candidate to the Board for consideration. The Board will review profiles of the candidate recommended by the chairman and make recommendation of the appointment and re-election of the Directors. Candidates are appointed to the Board on the basis of their skill, competence and experience that they can contribute to the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the model code (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code of conduct regarding Directors' securities transactions. The Company has made specific enquiry of all Directors whether they have complied with the required standard set out in the Model Code regarding Directors' securities transactions and all Directors confirmed that they have complied with the Model Code throughout the period under review.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference in compliance with the Code Provisions of the CG Code. The Audit Committee currently comprises three independent non-executive Directors, including Mr. Kwan Kei Chor (Chairman), Dr. Lyu Ziang and Mr. Zhou Liangyu.

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2018 have been reviewed by the Audit Committee and the external auditors of the Company, HLM CPA Limited.

REVIEW OF INTERIM RESULTS

The unaudited condensed consolidated financial statements of the Group for the six-month period ended 30 June 2018 were prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have also been reviewed by the Audit Committees of the Company. Such financial information has been reviewed by HLM CPA Limited, the independent auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank our staff for their dedication, loyalty and integrity towards the Group. I would also like to express my gratitude to our Shareholders, customers and other business partners and professional consultants for their support to the Group.

By order of the Board of
Greater China Financial Holdings Limited
Liu Kequan
Chairman

Hong Kong, 28 August 2018

As at the date of this announcement, the Board comprises Mr. Liu Kequan, Mr. Yang Dayong and Mr. Zhang Peidong as executive Directors and Mr. Kwan Kei Chor, Dr. Lyu Ziang and Mr. Zhou Liangyu as independent non-executive Directors.