絲路投資

Asia Pacific Silk Road Investment Company Limited
亞 太 絲 路 投 資 有 限 公 司

(Incorporated in Bermuda with limited liability)

(Stock code: 767)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

The board (the "**Board**") of directors (the "**Directors**") of Asia Pacific Silk Road Investment Company Limited (the "**Company**") is pleased to announce the unaudited interim condensed consolidated results and financial position of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2018 with comparative figures for the previous periods as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
Revenue			
— Interest revenue from money lending business		**50,232**	52,468
— Revenue from operating activities		**71,453**	163,466
Total revenue	*5*	**121,685**	215,934
Other income and gains	*6*	**2,935**	14,222
Selling and distribution expenses		**—**	(95)
Administrative expenses		**(103,147)**	(72,734)
Other expenses		**(1,717,000)**	(18,782)
(LOSS)/PROFIT BEFORE TAX	*7*	**(1,695,527)**	138,545
Income tax expense	*8*	**(15,207)**	(38,885)
(LOSS)/PROFIT FOR THE PERIOD		**(1,710,734)**	99,660
Attributable to:			
Owners of the parent		**(1,712,839)**	94,649
Non-controlling interests		**2,105**	5,011
		(1,710,734)	99,660
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*10*		
Basic		**HK(44.26) cents**	HK2.45 cents
Diluted		**HK(44.26) cents**	HK0.64 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(LOSS)/PROFIT FOR THE PERIOD	**(1,710,734)**	99,660
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income may be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**—**	54,928
Impairment losses	**—**	18,359
Exchange differences on translation of foreign operations	**(4,645)**	9,662
	(4,645)	82,949
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity instruments through other comprehensive income	**(206,784)**	—
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	**(211,429)**	82,949
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	**(1,922,163)**	182,609
Attributable to:		
Owners of the parent	**(1,924,083)**	177,212
Non-controlling interests	**1,920**	5,397
	(1,922,163)	182,609

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2018

	Notes	30 June 2018 (Unaudited) HK$'000	31 December 2017 (Audited) HK$'000
NON-CURRENT ASSETS			
Plant and equipment	11	**1,287**	1,748
Goodwill	12	**465,663**	2,182,663
Available-for-sale investments		**—**	731,435
Equity instruments at fair value through other comprehensive income		**550,444**	—
Deposits and prepayments		**94**	19,689
Financial assets at amortised costs	13	**231,611**	—
Total non-current assets		**1,249,099**	2,935,535
CURRENT ASSETS			
Loan and interest receivables	14	**958,415**	1,117,669
Trade receivables	15	**50,000**	—
Deposits, prepayments and other receivables		**15,651**	27,733
Tax recoverable		**188**	5,549
Cash and cash equivalents		**126,630**	218,956
Total current assets		**1,150,884**	1,369,907
CURRENT LIABILITIES			
Other payables and accruals		**150,909**	121,327
Tax payable		**2,005**	3,849
Total current liabilities		**152,914**	125,176
NET CURRENT ASSETS		**997,970**	1,244,731
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,247,069**	4,180,266
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**—**	34
Net assets		**2,247,069**	4,180,232
EQUITY			
Equity attributable to owners of the parent			
Share capital		**3,870**	3,870
Reserves		**2,217,680**	4,152,763
		2,221,550	4,156,633
Non-controlling interests		**25,519**	23,599
Total equity		**2,247,069**	4,180,232

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2018

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The registered address of the Company is located at Canon's Court, 22 Victoria Street, Hamilton, HM 12, Bermuda. The principal place of business of the Company is located at 35/F, Bank of China Tower, 1 Garden Road, Hong Kong and has been subsequently changed to Units 3301–03, 33/F, West Tower Shun Tak Centre, 168–200 Connaught Road Central, Sheung Wan, Hong Kong with effect from 1 July 2018.

During the period, the Group was involved in the following principal activities:

- Operation of peer-to-peer ("**P2P**") financing platform under the "CAIJIA" brand and other loan facilitation services
- Money lending
- Securities and other financial assets investments

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Huarong Financial Services Asset Management L.P., an exempted limited partnership, which is incorporated in the Cayman Islands.

2. BASIS OF PREPARATION

These unaudited interim condensed consolidated 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**") and the disclosure requirements of Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The unaudited interim condensed consolidated 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, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which also include HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in note 3 below.

These unaudited interim condensed consolidated financial statements have been prepared under the historical cost convention, except for certain financial instruments which are measured at fair value. These unaudited interim condensed consolidated financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current periods in unaudited interim condensed consolidated financial statements.

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*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
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

Other than as further explained below, the Directors do not anticipate that the application of the new and revised HKFRSs above will have a material effect on these unaudited interim condensed consolidated financial statements.

HKFRS 9 "Financial Instruments"

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The Group has applied HKFRS 9 retrospectively, with the initial application date of 1 January 2018.

(a) Classification and measurement

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

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

— *Debt instruments at amortised cost* that are held within a business model with the objective to hold the financial assets in order to collect contractual cash flows that meet the SPPI criterion. This category includes the Group's cash and cash equivalents, loan and interest receivables, trade receivables, financial assets at amortised costs and financial assets included in deposits, prepayments and other receivables.

— *Equity instruments at FVOCI*, with no recycling of gains or losses to profit or loss on derecognition. This category only includes equity instruments, which the Group intends to hold for the foreseeable future and which the Group has irrevocably elected to so classify upon initial recognition or transition. The Group classified its listed equity instruments as equity instruments at FVOCI. Equity instruments at FVOCI are not subject to an impairment assessment under HKFRS 9. Under HKAS 39, the Group's listed equity instruments were classified as available-for-sale investments.

— Financial assets at FVPL include debt instruments whose cash flow characteristics fail the SPPI criterion or are not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell. Under HKAS 39, the Group's debt instruments were classified as financial assets at fair value through profit or loss.

The assessment of the Group's business model was made as of initial application, i.e. 1 January 2018, and then applied retrospectively to those financial assets that were not derecognised before 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 Group elected to present in other comprehensive income for the fair value changes of all its equity investments previously classified as available-for-sale investments, which related to listed equity investments, because these investment are not held for trading and not expected to be sold in the foreseeable future. Accordingly, the statement of financial position as at 1 January 2018 was adjusted, resulting in a reclassification of available-for-sale investments to equity instruments at FVOCI of HK$731,435,000 at the date of initial application of HKFRS 9.

(b) Impairment

The adoption of HKFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing HKAS 39's incurred loss approach with a forward-looking expected credit loss ("**ECL**") approach. The Group records an allowance for ECL on financial assets which are subject to impairment under HKFRS 9, including financial assets at amortised costs, loan and interest receivables, trade and other receivables, cash and cash equivalents.

For financial assets at amortised cost and loan and interest receivables, the Group applied different expected loss rates to different classes of receivables according to their respective risk characteristics for measuring ECL under HKFRS 9 and recognised lifetime ECL expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all these receivables.

As 1 January 2018, the credit loss allowance of HK$11,000,000 has been recognised against retained earnings. The loss allowance for loan and interest receivables at amortised cost as at 31 December 2017 reconciled to the opening loss allowance as at 1 January 2018 is as follows:

	Loan and interest receivables *HK$'000*
At 31 December 2017	1,117,669
Amount remeasured under ECL model	(11,000)
At 1 January 2018	1,106,669

Loss allowances for other financial assets at amortised costs are measured on the general approach and record 12-month ECL that are estimated based on the possible defaults within the next twelve months after the reporting date unless when there has been a significant increase in credit risk since initial recognition. The loss allowances as at 1 January 2018 for trade and other receivables were not significant.

For short-term time deposits and cash at bank balances, the Group only transacts with reputable banks with high credit ratings assigned by international credit-rating agencies and consider the risk of default is regard as low and 12-month ECL is insignificant.

HKFRS 15 Revenue from contracts with customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The adoption of HKFRS 15 does not have any significant financial effect and change to the accounting policies in the unaudited interim condensed consolidated financial statements.

4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, which have been issued but are not yet effective, in these unaudited interim condensed consolidated financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)–Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	Amendments to a number of HKFRSs[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 No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

5. SEGMENT INFORMATION

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

(a) Loan facilitation services: operation of P2P financing platform under the "CAIJIA" brand and other loan facilitation services

(b) Money lending: provision of loan financing for interest income

(c) Securities and other financial assets investments: trading of securities and investment in long-term securities and other financial assets

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources 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 (loss)/profit before tax is measured consistently with the Group's (loss)/profit before tax except that bank interest income as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude tax recoverable and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Six months ended 30 June 2018

	Loan facilitation services (Unaudited) *HK$'000*	Money lending (Unaudited) *HK$'000*	Securities and other financial assets investments (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue				
Sales to external customers	**62,986**	**50,232**	**8,467**	**121,685**
Segment results	**(1,663,553)**	**51,436**	**9,186**	**(1,602,931)**
Reconciliation:				
Bank interest income				**409**
Corporate and other unallocated expenses, net				**(93,005)**
Loss before tax				**(1,695,527)**
Other segment information included in condensed consolidated statement of profit and loss				
Depreciation	**234**	**—**	**—**	**234**
Impairment of goodwill	**1,717,000**	**—**	**—**	**1,717,000**
Reversal of impairment of loan and interest receivables	**—**	**1,450**	**—**	**1,450**
Dividend income	**—**	**—**	**567**	**567**
Loss on disposal of items of plant and equipment	**235**	**—**	**—**	**235**
Capital expenditure	**44**	**—**	**—**	**44**

Six months ended 30 June 2017

	Loan facilitation services (Unaudited) *HK$'000*	Money lending (Unaudited) *HK$'000*	Securities and other financial assets investments (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment revenue				
Sales to external customers	163,466	52,468	—	215,934
Segment results	146,747	26,973	(18,252)	155,468
Reconciliation:				
Bank interest income				465
Corporate and other unallocated expenses, net				(17,388)
Profit before tax				138,545
Other segment information included in condensed consolidated statement of profit and loss				
Depreciation	498	—	—	498
Impairment of available-for-sale investments	—	—	18,359	18,359
Impairment of other receivables	423	—	—	423
Loss on disposal of items of plant and equipment	249	—	—	249
Capital expenditure	—	—	—	—

30 June 2018

	Loan facilitation services (Unaudited) *HK$'000*	Money lending (Unaudited) *HK$'000*	Securities and other financial assets investments (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
Segment assets	**624,377**	**971,006**	**783,391**	**2,378,774**
Reconciliation:				
Tax recoverable				**188**
Corporate and other unallocated assets				**21,021**
Total assets				**2,399,983**
Segment liabilities	**54,621**	**85,000**	**—**	**139,621**
Reconciliation:				
Tax payable				**2,005**
Corporate and other unallocated liabilities				**11,288**
Total liabilities				**152,914**

31 December 2017

	Loan facilitation services (Audited) *HK$'000*	Money lending (Audited) *HK$'000*	Securities and other financial assets investments (Audited) *HK$'000*	Total (Audited) *HK$'000*
Segment assets	2,331,723	1,149,193	745,224	4,226,140
Reconciliation:				
Tax recoverable				5,549
Corporate and other unallocated assets				73,753
Total assets				4,305,442
Segment liabilities	7,125	110,000	—	117,125
Reconciliation:				
Tax payable				3,849
Deferred tax liabilities				34
Corporate and other unallocated liabilities				4,202
Total liabilities				125,210

6. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Bank interest income	**409**	465
Dividend income	**567**	—
Agency services fee income	**—**	13,000
Reversal of impairment of loan and interest receivables	**1,450**	—
Others	**509**	757
	2,935	14,222

7. (LOSS)/PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation	**2,872**	593
Impairment of goodwill*	**1,717,000**	—
Impairment of available-for-sale investments*	**—**	18,359
Impairment of other receivables*	**—**	423
Loss on disposal of items of plant and equipment#	**25,571**	249
Employee benefit expenses (including directors' and chief executive's remuneration)		
— Wages and salaries	**21,865**	11,926
— Pension scheme contributions	**1,005**	1,570
	22,870	13,496
Foreign exchange difference, net	**—**	(2)

* *Included in "Other expenses" on the face of the condensed consolidated statement of profit or loss.*

\# *Included in "Administrative expenses" on the face of the condensed consolidated statement of profit or loss.*

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2017: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current — Hong Kong		
Charge for the period	**64**	188
Current — People's Republic of China ("**PRC**")		
Charge for the period	**15,157**	38,884
Under/(over)-provision in prior periods	**20**	(166)
Deferred	**(34)**	(21)
Total tax expense for the period	**15,207**	38,885

9. DIVIDENDS

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

10. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of the basic and diluted (loss)/earnings per share are based on:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
(Loss)/earnings:		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted (loss)/earnings per share calculations	**(1,712,839)**	94,649

	Number of shares Six months ended 30 June **2018** **(Unaudited)** ***'000***	 2017 (Unaudited) *'000*
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic (loss)/earnings per share calculation	**3,870,102**	3,870,102
Effect of dilution — weighted average number of ordinary shares:		
Mandatory convertible notes	**—**	10,912,000
Weighted average number of ordinary shares in issue during the period used in the diluted (loss)/earnings per share calculation	**3,870,102**	14,782,102

The computation of diluted loss per share for the six months ended 30 June 2018 does not assume the impact of the conversion of mandatory convertible notes outstanding since their assumed conversion would result in a decrease in loss per share.

11. PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group has addition and disposal of plant and equipment at total cost of HK$29,285,000 and HK$29,714,000, respectively.

12. GOODWILL

	HK$'000 (Unaudited)
At 1 January 2018	2,182,663
Impairment loss recognised during the period *(note)*	(1,717,000)
At 30 June 2018	465,663

Note: The recoverable amount in relation to the loan facilitation cash generating unit (the "**Loan Facilitation CGU**") has been determined by value in use approach adopted by BMI Appraisals Limited, an independent qualified valuer, based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management.

Due to changes in market condition and national policies and decrease in revenue from loan facilitating services during the six months ended 30 June 2018, the carrying amount of goodwill exceeded its recoverable amount. The carrying amount of goodwill was reduced to its recoverable amount through recognition of an impairment loss against goodwill of approximately HK$1,717,000,000.

13. FINANCIAL ASSETS AT AMORTISED COSTS

During the six months ended 30 June 2018, the Group invested in trust beneficiary rights (the "**Trust**"). The Trust include loans provided to individuals in the PRC. The Group is entitled to an investment income of 12% on the Trust outstanding balance per annum. The Trust will mature on 23 March 2021.

14. LOAN AND INTEREST RECEIVABLES

The term of loans entered with its customers are on credit. The credit period is generally within one year, extending up to two years, after monitoring assessment and further creditworthiness analysis on the debtors reviewed by senior management. The loan receivables carried fixed interest rate ranging from 9% to 15% (31 December 2017: 9% to 15%) per annum. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's loan and interest receivables are related to a large number of diversified customers, there is no significant concentration risk. The Group held collateral or other credit enhancements over its certain of its loan and interest receivable balances.

An aged analysis of the loan and interest receivables at the end of the reporting period, based on commencement of loan agreement entered and the date of interest income accrued, and net of provision, is as follows:

	30 June 2018 (Unaudited) ***HK\$'000***	31 December 2017 (Audited) *HK\$'000*
Within 30 days	**—**	—
31 to 90 days	**62,555**	—
91 to 180 days	**—**	—
181 to 365 days	**—**	361,078
Over 365 days	**895,860**	756,591
	958,415	1,117,669

15. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit. The credit periods are ranging from 30 to 45 days for its trade receivables. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk and overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Over 90 days	**50,000**	—

16. OPERATING LEASES ARRANGEMENTS

The Group leases certain of its office premises under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

At 30 June 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2018 (Unaudited) ***HK$'000***	31 December 2017 (Audited) *HK$'000*
Within one year	**1,395**	39,725
In the second to fifth years, inclusive	**240**	64,263
	1,635	103,988

17. CAPITAL COMMITMENT

The Group did not have any capital commitment as at 30 June 2018 (31 December 2017: HK$20,761,000).

18. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

In the opinion of the Directors, the directors and chief executive of the Company represented the key management personnel of the Group and whose compensation are set out as follows:

	Six months ended 30 June	
	2018	2017
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short-term employee benefits	**1,804**	1,149

19. EVENT AFTER THE END OF THE REPORTING PERIOD

There has been no major subsequent event of the Company from 30 June 2018 to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDENDS

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

BUSINESS REVIEW

During the six months ended 30 June 2018, the Group was principally engaged in the business of operation of P2P financing platform and other loan facilitation services, money lending and securities and other financial assets investments.

Operation of P2P Financing Platform and Other Loan Facilitation Services Business

Since the completion of the acquisition of Katar Global Limited and its subsidiaries on 20 October 2015, the Group, through relevant structured contracts (the "**Structured Contracts**"), has been engaging in the operation of a P2P financing platform in the PRC, matching borrowers with private lenders for various financial products through the internet under the "CAIJIA" brand, which is conducted via the website (www.91caijia.com). During the six months ended 30 June 2018, a segment revenue of approximately HK$62,986,000 (six months ended 30 June 2017: HK$163,466,000) and a segment loss of approximately HK$1,663,553,000 (six months ended 30 June 2017: segment profit of HK$146,747,000) were recorded.

The drop in this segment revenue generated during the six months ended 30 June 2018 was mainly because of the significant decrease of operation of P2P financing platform and other loan facilitation services resulted from the adverse effect of the tightening financial regulations and increasing financial risk. It is expected that cash inflow from the operation of P2P financing platform services would decrease for the coming years and therefore an impairment loss of approximately HK$1,717,000,000 in respect of goodwill was recognised, which resulted in a significant segment loss during the six months ended 30 June 2018. Details of the impairment of goodwill are set out in note 12 to the condensed consolidated financial statements.

Compliance of the Structured Contracts with the PRC Laws, Rules and Regulations for Operation of P2P Financing Platform

As set out in the announcement of the Company dated 5 January 2017 and the circular of the Company dated 6 July 2017, the Company plans and intends to adopt a revised business model in order to reduce its reliance on, and henceforth the risks associated with the adoption of, the Structured Contracts in the operation of the P2P financing platform (the "**Revised Business Model**"). The Group has entered into a cooperation agreement with Beijing Juxin Wealth Management Consultant Company Limited# (北京

\# *The English translation of Chinese names is included for information purpose only, and should not be regarded as the official English translation of such Chinese names.*

聚信財富管理諮詢有限公司) (being an internet content provider ("**ICP**") licensee and an independent third party). While the Group's ICP license has been revoked, the Company was still in course of implementing the Revised Business Model, including without limitation, the unwinding of the Structured Contracts.

During the six months ended 30 June 2018 and up to the date of this announcement, no evidence has come to the attention of the Company that the parties to the Structured Contracts have not performed their obligations in compliance with the Structured Contracts. Moreover, as at the date of this announcement, the Group has not encountered any interference or encumbrance from any governing bodies in operating its business under the Structured Contracts. Thus, the Board considered that the implementation of the Structured Contracts is satisfactory and in compliance and the Structured Contracts shall be enforceable under the PRC laws and regulations.

Money Lending Business

Since obtaining the money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) in 2011, Joy Wealth Finance Limited ("**Joy Wealth**"), a wholly-owned subsidiary of the Company, has provided a wide variety of loans with an accumulated amount of approximately HK$2,536,000,000. Interest rates ranged from 9% to 15% per annum during the six months ended 30 June 2018 (six months ended 30 June 2017: 9% to 15%). For the six months ended 30 June 2018, interest income recorded by Joy Wealth was approximately HK$44,920,000 (six months ended 30 June 2017: HK$43,394,000). Details on the loan and interest receivables are set out in note 14 to the condensed consolidated financial statements.

Securities and Other Financial Assets Investments Business

As at 30 June 2018, the Group was holding several investments which are equity securities listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") for long term investment with fair value of approximately HK$550,444,000 (31 December 2017: HK$731,435,000). During the six months ended 30 June 2018, these investments in listed securities led to a net fair value loss of approximately HK$206,784,000 (six months ended 30 June 2017: net fair value gain of HK$73,287,000) recognised in the consolidated statement of comprehensive income. Significant investments in listed securities are discussed as below.

Investment in shares of Imperial Pacific

The Group held 5,426,900,000 shares of Imperial Pacific International Holdings Limited (a company whose shares are listed on the Stock Exchange with stock code: 1076) ("**Imperial Pacific**"), representing approximately 3.8% of the then issued share capital of Imperial Pacific as at 30 June 2018. Imperial Pacific, through its subsidiaries, is mainly engaged in gaming and resort business, including the development and operation of integrated resort on the Island of Saipan, Commonwealth of the Northern Mariana Islands.

As at 30 June 2018, the fair value of the shares of Imperial Pacific held by the Group amounted to approximately HK$434,152,000 (31 December 2017: HK$586,105,000), representing approximately 78.9% (31 December 2017: 80.1%) of the Group's total investment in the listed securities. There was no disposal nor addition of shares of Imperial Pacific during the six months ended 30 June 2018 and 2017. The net fair value loss recognised as an other comprehensive loss for the investment in shares of Imperial Pacific for the six months ended 30 June 2018 was approximately HK$151,953,000 (six months ended 30 June 2017: net fair value gain of HK$86,830,000).

Investment in shares of Huarong Int Fin

The Group also held 36,786,000 shares of Huarong International Financial Holdings Limited (a company whose shares are listed on the Stock Exchange with stock code: 993) ("**Huarong Int Fin**"), representing approximately 1.0% of the then issued share capital of Huarong Int Fin as at 30 June 2018. Huarong Int Fin, through its subsidiaries, is principally engaged in brokerage and dealing of securities, futures and options contracts, margin financing, loan financing, financial advisory, investment, provision of management and consultancy services.

As at 30 June 2018, the fair value of the shares of Huarong Int Fin held by the Group amounted to approximately HK$51,500,000 (31 December 2017: HK$93,069,000), representing approximately 9.4% (31 December 2017: 12.7%) of the Group's total investment in the listed securities. There was no disposal nor addition of shares of Huarong Int Fin during the six months ended 30 June 2018 and 2017. The net fair value loss recognised as an other comprehensive loss for the investment in shares of Huarong Int Fin for the six months ended 30 June 2018 was approximately HK$41,569,000 (six months ended 30 June 2017: HK$8,461,000).

OUTLOOK

As a result of the continuing non-performance of the P2P financing platform and other loan facilitation services business, as well as the expected decrease in its revenue growth, the Directors expect that the unfavorable market trend and tightening financial regulations of the loan facilitation services business will continue. So the Group will closely monitor the development of market liquidity situation and the update of requirements and regulations about loan facilitation services business in the PRC, to ensure the compliance of relevant laws, rules and regulations. The Group will also continue to strengthen its corporate governance and risk prevention and control mechanisms to improve the overall system management and achieve steady growth and development of the Group.

Besides, the Group will continue to expand its business varieties in order to broaden our income sources and to seek potential investment opportunities which could enhance its value to the shareholders.

PRINCIPAL RISKS AND UNCERTAINTIES

The operation of P2P financing platform and other loan facilitation services business and the money lending business are two of the principal activities of the Group and they expose to a number of risks and uncertainties including exchange rate risk, policy risk, credit risk and liquidity risk.

Besides, the slowdown of China's economic growth and tightening financial regulations may adversely affect the operation of the P2P financing platform and other loan facilitation services business and the money lending business. The volatile and unpredictable stock market in Hong Kong also raises uncertainty on the Group's returns from the securities investment business.

The Board believes that maintaining the "CAIJIA" brand is critical to maintaining its competitive advantage. The ability to maintain its brand reputation depends on a number of factors including but not limited to borrowers' and lenders' satisfaction with the P2P platform's products, lawsuits, web server's stability and web interface quality, timely repayments by the borrowers and the growth rate of the macro-economy, all of which are beyond the Group's control.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2018, the Group had recorded net current assets of approximately HK$997,970,000 (31 December 2017: HK$1,244,731,000); and cash and bank balances of approximately HK$126,630,000 (31 December 2017: HK$218,956,000). The Group did not enter into any financial instruments for hedging purpose.

Capital Structure

As at 30 June 2018, the total number of the issued ordinary shares with the par value of HK$0.001 each was 3,870,102,650 (31 December 2017: 3,870,102,650).

Significant Investment, Acquisition and Disposal

Save for disclosed elsewhere in this announcement, there was no significant investment, acquisition or disposal of subsidiaries and associated companies that should be notified to the shareholders of the Company (the "**Shareholders**") for the six months ended 30 June 2018 incurred. The performance and prospect of the significant investments of the Group during the period under review are discussed under the sections of "Securities and Other Financial Assets Investments Business" above.

Segment Information

Details of segment information of the Group for the six months ended 30 June 2018 are set out in note 5 to the condensed consolidated financial statements.

Employees and Remuneration Policy

As at 30 June 2018, the Group had 38 employees which were mainly stationed in Hong Kong and the PRC. In-house training programs were provided for its employees to enhance their skills and job knowledge. The management of the Company would continue to foster close co-operation among the employees.

The remuneration policies of the Company aim at ensuring that remuneration levels are appropriate and in line with the Company's target, mission and business performance. To do so, the Company considers various relevant factors such as the remuneration levels of its market competitors, market practices, job duties, responsibilities and scope, financial and non-financial performance, as well as the suitability of performance-based remuneration arrangements.

Details of Charges on Assets

As at 30 June 2018, the Group did not pledge any assets to banks or other financial institutions (31 December 2017: Nil).

Future Plans for Material Investment or Capital Assets

It is the Group's corporate mission to continue to explore ways to improve its financial performance, to diversify its operations into new and more profitable businesses and to broaden the sources of revenue within acceptable risk level. Hence, the Company does not rule out the possibility of investing in or changing to other profitable business as long as it is in the interest of the Company and the Shareholders as a whole. Also, as part of its routine exercise, the Company reviews the performance of its existing investment portfolio and evaluates the investment potentials of other investment opportunities available to the Company from time to time. Subject to the results of such reviews, the Company may make suitable investment decisions according to the then circumstance and information available which may involve the disposal of the whole or part of its existing investment portfolio and/or change of the asset allocation of its investment portfolio and/or expanding its investment portfolio with a view of realising and/or optimising the expected return and minimising the risks. Meanwhile, the Company does not preclude the possibility that the Company may implement debt and/or equity fund raising plan(s) to satisfy the financing needs arising out of any business development of the Group as well as to improve its financial position in the event that suitable fund raising opportunities arise, as the Company has from time to time been approached by investors for potential investment projects.

Save as disclosed elsewhere in this announcement, as at the date of this announcement, the Company had not entered into any agreement, arrangement, understanding, intention or negotiation that should be disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**").

Treasury Policy

The Group has adopted a treasury policy on 24 May 2011 in relation to the Group's investment in securities of other listed companies on the Stock Exchange. The objective of the policy is to enable the Group to control and govern the possible future securities investments (if any, which may or may not occur).

Working Capital and Gearing Ratio

As the Group had a net cash position as at 30 June 2018 and as at 31 December 2017 with no borrowing, the gearing ratios were not applicable.

Foreign Exchange Exposures

Business transactions of the Group are mainly denominated in Hong Kong dollars and Renminbi. The Group has not implemented any foreign currency hedging policy at the moment. However, in view of the fluctuation of Renminbi in recent years, continuous monitoring on the foreign exchange exposure is carried out and the management will consider hedging the foreign exchange exposure if it has material impact on the Group.

Capital Commitment

As at 30 June 2018, the Group did not have any capital commitment (31 December 2017: HK$20,761,000).

Contingent Liability

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

EVENT AFTER THE END OF THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in note 19 to the condensed consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2018, none of the Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 Part XV of the SFO and none of the Directors, the chief executive of the Company nor their associates (as defined in the Listing Rules) had any other interests or short positions in the shares of the Company, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors or the chief executive of the Company is taken or deemed to have under such provisions of the SFO); or (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or (c) were required to be notified to the Company or the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

To the best knowledge of the Directors, none of the Directors and their respective associates (as defined in the Listing Rules) is considered to have any interests in the businesses which compete or are likely to compete, either directly or indirectly, with the business of the Group, other than those businesses where the Directors were appointed as directors to represent the interests of the Company and/or the Group.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

The register of substantial Shareholders required to be kept under section 336 of Part XV of the SFO shows that as at 30 June 2018, the Company had been notified of the following substantial Shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

Long position in ordinary shares of the Company:

Name	Capacity and nature of interest	Number of shares interested	Percentage of the Company's issued share capital (%)
Huarong Financial Services Asset Management L.P.	Beneficial owner	2,129,143,068	55.00
Su Weibiao *(Note)*	Held by controlled corporation	580,659,755	15.00
Allied Summit Inc. *(Note)*	Beneficial owner	580,659,755	15.00

Note: Allied Summit Inc. is owned as to 80% by Mr. Su Weibiao and as to remaining 20% by Mr. Ng Kwok Fai.

SHARE OPTIONS

The Company has adopted the share option scheme (the "**Share Option Scheme**") pursuant to an ordinary resolution passed on 12 June 2012 (the "**Adoption Date**") and terminated the previous share option scheme which had expired on 21 June 2012. The purpose of the Share Option Scheme is to provide incentives to the grantee, including employee, officer, agent, consultant or representative of the Group (including any executive or non-executive director of any member of the Group), to contribute to the Group and to enable the Group to recruit high-calibre employees and attract resources that are valuable to the Group. The Share Option Scheme shall be valid and effective for a period of ten years commencing from the Adoption Date and will expire on 11 June 2022.

During the annual general meeting held on 2 June 2017, the Shareholders duly approved that, subject to and conditional upon the listing committee of the Stock Exchange granting listing of and permission to deal in the shares of the Company to be issued upon the exercise of options which may be granted under the Share Option Scheme, the existing scheme mandate limit in respect of the granting of options to subscribe for shares of the Company under the Share Option Scheme be refreshed and renewed provided that the total number of shares of the Company which may be allotted and issued pursuant to the grant or exercises of the options under the Share Option Scheme (excluding options previously granted, outstanding, cancelled, lapsed or exercised under the Share Option Scheme) shall not exceed 10% of the shares of the Company in issue as at 2 June 2017, that is 387,010,265 shares of the Company. The Directors are authorised, subject to compliance with the Listing Rules, to grant options under the Share Option Scheme up to the refreshed limit and to exercise all the powers of the Company to allot, issue and deal with shares of the Company pursuant to the exercise of such options granted under the Share Option Scheme. The subscription price will be a price determined by the Board and at least the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of grant of the option, which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option; and (c) the nominal value of the shares. The total number of shares which may be issued upon exercise of options must not exceed 30% of the number of shares in issue from time to time. No options may be granted if such grant would result in the 30% limit being exceeded. Details were shown in the circular of the Company dated 28 April 2017.

No share option has been granted or exercised since the adoption of the Share Option Scheme. The total number of shares of the Company for issue under the Share Option Scheme as at the date of this announcement was 387,010,265 shares, representing 10.0% of the issued share capital of the Company as at the date of this announcement.

CORPORATE GOVERNANCE

The Company has complied with the code provisions (the "**Code Provisions**") set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Listing Rules for the six months ended 30 June 2018 except the following deviations:

Code Provision A.4.1

Code Provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term and subject to re-election. One independent non-executive Director who was appointed in previous years is not appointed for a specific term but is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-Laws of the Company. As such, it is considered that such provisions are sufficient to meet the underlying objectives of the relevant provisions of the CG Code. Also, the Board does not believe that arbitrary term limits on Director's service are appropriate given that Directors ought to be committed to representing the long-term interests of the Shareholders.

CODE OF CONDUCT REGARDING DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the terms contained in the Model Code for Security Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the Company's code of conduct for security transactions and dealing (the "**Model Code**"). All existing Directors, upon specific enquiry, have confirmed that they have complied with the Model Code during the six months ended 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF SHARES

For the six months ended 30 June 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares. As at 30 June 2018, 3,870,102,650 ordinary shares with the par value of HK$0.001 each were issued.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises of three independent non-executive Directors, Mr. Wong Chun Hung, Mr. Zheng Zhen and Mr. To Langa Samuelson. The Audit Committee has adopted terms of reference which are in line with the CG Code.

The unaudited condensed consolidated results for the six months ended 30 June 2018 have been reviewed by the Audit Committee.

As at the date of this announcement, the Directors are:

Executive Director
Mr. Li Jiuhua

Non-executive Directors
Mr. Yao Luo
Ms. Yu Yang

Independent Non-executive Directors
Mr. Wong Chun Hung
Mr. Zheng Zhen
Mr. To Langa Samuelson

By order of the Board
Asia Pacific Silk Road Investment Company Limited
Li Jiuhua
Executive Director

Hong Kong, 31 August 2018

In case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.