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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 2020**

The board (the “**Board**”) of directors (the “**Director(s)**”) of Asia Pacific Silk Road Investment Company Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2020 together with the comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS*Six months ended 30 June 2020*

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Revenue	4	20,956	74,551
Other income and gains	5	15,809	2,590
Selling and distribution expenses		(3,299)	(4,142)
Administrative expenses		(16,667)	(22,754)
Finance costs		(184)	(399)
Other expenses		(120)	—
Share of profit of joint ventures		248	—
		<hr/>	<hr/>
PROFIT BEFORE TAX	6	16,743	49,846
Income tax expense	7	(704)	(11,484)
		<hr/>	<hr/>
PROFIT FOR THE PERIOD		16,039	38,362
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Owners of the parent		15,797	37,817
Non-controlling interests		242	545
		<hr/>	<hr/>
		16,039	38,362
		<hr/> <hr/>	<hr/> <hr/>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		HK0.41 cents	HK0.98 cents
		<hr/> <hr/>	<hr/> <hr/>
Diluted		HK0.11 cents	HK0.26 cents
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
Six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	16,039	38,362
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>(10,131)</u>	<u>(1,417)</u>
	(10,131)	(1,417)
Other comprehensive (loss)/income not to be reclassified to profit or loss in subsequent periods:		
Changes in fair value of equity investments designated at fair value through other comprehensive income	<u>(371,510)</u>	<u>844,412</u>
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD, NET OF TAX	<u>(381,641)</u>	<u>842,995</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	<u>(365,602)</u>	<u>881,357</u>
Attributable to:		
Owners of the parent	(365,425)	880,833
Non-controlling interests	<u>(177)</u>	<u>524</u>
	<u>(365,602)</u>	<u>881,357</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2020

		30 June 2020 (Unaudited) <i>HK\$'000</i>	31 December 2019 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	10	10,061	339
Goodwill		—	—
Right-of-use assets	11	16,531	1,172
Interests in joint ventures		4,611	1,598
Equity investments designated at fair value through other comprehensive income	12	231,875	603,385
Financial assets at amortised costs	13	7,679	59,755
Loan and interest receivables	14	869	1,774
Deposits and prepayments		—	38
		271,626	668,061
CURRENT ASSETS			
Loan and interest receivables	14	58,131	152,422
Trade receivables	15	55,271	55,788
Deposits, prepayments and other receivables		170,188	197,937
Tax recoverable		384	—
Financial assets at amortised costs	13	27,416	—
Cash and cash equivalents		80,885	154,958
		392,275	561,105
CURRENT LIABILITIES			
Other payables and accruals		48,400	246,063
Interest-bearing other borrowing	16	6,747	6,712
Lease liabilities		839	1,035
Amounts due to related companies	17	482	173
Tax payable		4,914	7,814
		61,382	261,797
Total current liabilities		61,382	261,797
NET CURRENT ASSETS		330,893	299,308
TOTAL ASSETS LESS CURRENT LIABILITIES		602,519	967,369
NON-CURRENT LIABILITIES			
Lease liabilities		752	—
NET ASSETS		601,767	967,369

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
EQUITY		
Equity attributable to owners of the parent		
Share capital	3,870	3,870
Reserves	<u>573,262</u>	<u>938,687</u>
	577,132	942,557
Non-controlling interests	<u>24,635</u>	<u>24,812</u>
	601,767	967,369
Total equity	<u>601,767</u>	<u>967,369</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2020

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 Office A, 3/F, Man Lok Building, No 93 Bonham Strand, Sheung Wan, Hong Kong.

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

- Loan facilitation services (ceased business during the period)
- Money lending
- Securities and other investments
- Financial and investment advisory

In the opinion of the directors, the immediate holding company and ultimate holding company of the Company is Hong Kong Financial Services Asset Management L.P., an exempted limited partnership 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 2019, 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 3	<i>Definition of a Business</i>
Amendments to HKFRS 9 and HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. SEGMENT INFORMATION

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

- (a) Loan facilitation services: operation of P2P financing platform under the "CAIJIA" brand and other loan facilitation services (ceased business during the period);
- (b) Money lending: provision of loan financing for interest income;
- (c) Securities and other investments: holding of equity investments and investment in short to long-term financial assets for dividend income; and
- (d) Financial and investment advisory: provision of financial and investment consulting services.

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 before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that bank interest income, share of profit of joint ventures, gain on a bargain purchase, finance costs 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 and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Six months ended 30 June 2020

	Loan facilitation services (Unaudited) <i>HK\$'000</i>	Money lending (Unaudited) <i>HK\$'000</i>	Securities and other investments (Unaudited) <i>HK\$'000</i>	Financial and investment advisory (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment revenue					
Revenue from external customers	—	10,386	4,029	6,541	20,956
Segment results	—	19,102	3,489	783	23,374
<i>Reconciliation:</i>					
Bank interest income					550
Share of profit of joint ventures					248
Finance costs					(184)
Corporate and other unallocated expenses, net					(7,245)
Profit before tax					<u>16,743</u>
Other segment information included in condensed consolidated statement of profit or loss					
Depreciation of property, plant and equipment	—	129	2	84	215
Depreciation of right-of-use assets	—	704	2	362	1,068
Impairment of loan and interest receivables	—	120	—	—	120
Capital expenditure*	—	—	—	10,048	10,048

* Capital expenditure consists of additions to property, plant and equipment.

Six months ended 30 June 2019

	Loan facilitation services (Unaudited) <i>HK\$'000</i>	Money lending (Unaudited) <i>HK\$'000</i>	Securities and other investments (Unaudited) <i>HK\$'000</i>	Financial and investment advisory (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment revenue					
Revenue from external customers	19	40,413	23,035	11,084	74,551
Segment results	(1,488)	39,694	17,864	2,759	58,829
<i>Reconciliation:</i>					
Bank interest income					325
Gain on a bargain purchase					1,977
Finance costs					(399)
Corporate and other unallocated expenses, net					(10,886)
Profit before tax					<u>49,846</u>
Other segment information included in condensed consolidated statement of profit or loss					
Depreciation of property, plant and equipment	1	—	80	68	149
Depreciation of right-of-use assets	—	219	488	413	1,120
Capital expenditure*	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

* Capital expenditure consists of additions to property, plant and equipment.

30 June 2020

	Loan facilitation services (Unaudited) <i>HK\$'000</i>	Money lending (Unaudited) <i>HK\$'000</i>	Securities and other investments (Unaudited) <i>HK\$'000</i>	Financial and investment advisory (Unaudited) <i>HK\$'000</i>	Total (Unaudited) <i>HK\$'000</i>
Segment assets	<u>44,076</u>	<u>110,806</u>	<u>290,782</u>	<u>197,761</u>	643,425
<i>Reconciliation:</i>					
Tax recoverable					384
Corporate and other unallocated assets					<u>20,092</u>
Total assets					<u>663,901</u>
Segment liabilities	<u>44,852</u>	<u>123</u>	<u>—</u>	<u>11,785</u>	56,760
<i>Reconciliation:</i>					
Tax payable					4,914
Corporate and other unallocated liabilities					<u>460</u>
Total liabilities					<u>62,134</u>

31 December 2019

	Loan facilitation services (Audited) <i>HK\$'000</i>	Money lending (Audited) <i>HK\$'000</i>	Securities and other investments (Audited) <i>HK\$'000</i>	Financial and investment advisory (Audited) <i>HK\$'000</i>	Total (Audited) <i>HK\$'000</i>
Segment assets	<u>44,221</u>	<u>255,059</u>	<u>715,341</u>	<u>211,450</u>	1,226,071
<i>Reconciliation:</i>					
Corporate and other unallocated assets					<u>3,095</u>
Total assets					<u>1,229,166</u>
Segment liabilities	<u>49,727</u>	<u>165,603</u>	<u>—</u>	<u>35,222</u>	250,552
<i>Reconciliation:</i>					
Tax payable					7,814
Corporate and other unallocated liabilities					<u>3,431</u>
Total liabilities					<u>261,797</u>

5. OTHER INCOME AND GAINS

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
		(Restated)
Bank interest income	550	325
Reversal of impairment of loan and interest receivables	15,000	—
Gain on a bargain purchase	—	1,977
Others	259	288
	<u>15,809</u>	<u>2,590</u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Depreciation of right-of-use assets	1,139	1,294
Depreciation of property, plant and equipment	276	272
Impairment of loan and interest receivables*	120	—
Employee benefit expenses (excluding directors' remuneration)		
— Wages and salaries	7,982	10,257
— Pension scheme contributions	629	1,540
	<u>8,611</u>	<u>11,797</u>

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

7. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (30 June 2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the period, except for the Company which is a qualifying entity under the two-tiered profits tax rates regime effective from the year of assessment 2018/2019. The first HK\$2,000,000 (30 June 2019: HK\$2,000,000) of assessable profits of the Company is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Current — Hong Kong		
Charge for the period	—	6,444
Under-provision in prior periods	—	23
Current — People's Republic of China ("PRC")		
Charge for the period	527	4,993
Under-provision in prior periods	177	24
	<u>704</u>	<u>11,484</u>
Total tax expense for the period	<u>704</u>	<u>11,484</u>

8. DIVIDENDS

The Board does not recommend the payment of any dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

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

The calculations of the basic and diluted earnings per share are based on:

	Six months ended 30 June	
	2020 (Unaudited) HK\$'000	2019 (Unaudited) HK\$'000
Earnings:		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	<u>15,797</u>	<u>37,817</u>

	Number of shares	
	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>'000</i>	<i>'000</i>
Shares:		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	3,870,102	3,870,102
Effect of dilution — weighted average number of ordinary shares:		
Mandatory convertible notes	<u>10,912,000</u>	<u>10,912,000</u>
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	<u><u>14,782,102</u></u>	<u><u>14,782,102</u></u>

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group has additions of property, plant and equipment at total cost of approximately HK\$10,061,000. The Group has no disposal of property, plant and equipment during the six months ended 30 June 2020 (30 June 2019: no addition and disposal of property, plant and equipment).

11. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2020, the Group has lease contracts for various items of leasehold land and buildings, and therefore recognised the additions to right-of-use assets of approximately HK\$16,518,000 (30 June 2019: additions of HK\$3,819,000).

12. EQUITY INVESTMENTS DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June	31 December
	2020	2019
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance assets at fair value through other comprehensive income		
Listed equity investments, at fair value		
Equity investment designated at fair value through other comprehensive income	<u>231,875</u>	<u>603,385</u>

The Group's equity investments are investments in companies listed on the Stock Exchange and were irrevocably designated at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

13. FINANCIAL ASSETS AT AMORTISED COSTS

During the six months ended 30 June 2020, the Group invested in trust beneficiary rights (the “Trusts”). The Trusts include loans provided to individuals in the PRC. The Group is entitled to an investment income in the range of 9% to 12% on the Trusts outstanding balance per annum. The Trusts will mature on 23 March 2021 and 12 March 2028 and classified as current assets and non-current assets respectively.

14. LOAN AND INTEREST RECEIVABLES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Non-current		
Loan and interest receivables	869	33,830
Less: Impairment	—	(32,056)
	<u>869</u>	<u>1,774</u>
Current		
Loan and interest receivables	979,299	1,043,100
Less: Impairment	(921,168)	(890,678)
	<u>58,131</u>	<u>152,422</u>
	<u><u>59,000</u></u>	<u><u>154,196</u></u>

The term of loans entered with its customers are on credit. The credit period is generally within two years, extension can be made 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 18% (31 December 2019: 9% to 18%) 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 ageing analysis of the loan and interest receivables as at the end of the reporting period, based on commencement of loan agreement entered and the date of interest income accrued, and net of loss allowance, is as follows:

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 30 days	380	3,610
31–90 days	5,858	20,017
91–180 days	14,321	12,859
181–365 days	22,903	24,772
Over 365 days	15,538	92,938
	<u>59,000</u>	<u>154,196</u>

Notes:

- (i) Included in the Group's loan and interest receivables is amount due from a company which is the shareholder of a joint venture held by the Group with an amount of approximately HK\$1,272,000 (31 December 2019: HK\$1,830,000), which is secured by dividend right of a company established in the PRC, carried at fixed interest rate at 15% (31 December 2019: 15%) per annum and the loan will be matured in July 2021.
- (ii) Included in the Group's loan and interest receivables is amount due from the Group's joint venture Chongqing Juquan Business Information Consulting Co. Limited ("Chongqing Juquan")# (重慶鉅泉商務信息諮詢有限公司) of approximately HK\$20,850,000 (31 December 2019: HK\$19,360,000), which is unsecured, bearing interest at 15% per annum and repayable in September 2020 and May 2021.
- (iii) Included in the Group's loan and interest receivables is amount due from the Group's joint venture Wuxi Juquan Outsourcing Services Co. Limited ("Wuxi Juquan")# (無錫鉅泉外包服務有限公司) of approximately HK\$6,399,000 (31 December 2019: Nil), which is unsecured, bearing interest at 15% per annum and repayable in July 2020 and September 2020.
- (iv) Included in the Group's loan and interest receivables is amount due from the Group's joint venture Tian Xing Ji Yuan (Tianjin) Services Outsourcing Co. Limited ("Tian Xing Tianjin")#(天行紀元(天津)服務外包有限公司) of approximately HK\$1,869,000 (31 December 2019: Nil), which is unsecured, bearing interest at 15% per annum and repayable in May 2021.
- # The English names of the Chinese entities are translation of their Chinese name and are included herein for identification purpose only.

15. TRADE RECEIVABLES

	30 June 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Trade receivables	62,001	62,527
Impairment	<u>(6,730)</u>	<u>(6,739)</u>
	<u>55,271</u>	<u>55,788</u>

The Group's trading terms with its customers are mainly on credit. The credit periods are ranging from 30 to 90 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. 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 2020 (Unaudited) HK\$'000	31 December 2019 (Audited) HK\$'000
Within 30 days	—	291
31–90 days	—	—
91–180 days	—	—
181–365 days	—	—
Over 365 days	<u>55,271</u>	<u>55,497</u>
	<u>55,271</u>	<u>55,788</u>

16. INTEREST-BEARING OTHER BORROWING

The loan was obtained from independent third party. It was unsecured, bearing interest at 5% per annum and repayable on 20 December 2020. The loan is denominated in RMB.

The loan is repayable within one year and classified as current liabilities.

17. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies were unsecured, interest-free and had no fixed term of repayment.

18. ACQUISITION OF ASSETS AND LIABILITIES

On 4 June 2020, the Group issued a notice to a borrower of the Group, to exercise the right for the acquisition of the entire issued share capital of Keen State Global Limited (“**Keen State**”) at the consideration of approximately HK\$15,000,000. The consideration was settled through the set-off of outstanding interest in the amount of approximately HK\$15,000,000 owed by the borrower. The consideration for the acquisition has been arrived at after arm’s length negotiations between the Company and the borrower having taken into account, among other things, the valuation of the right-of-use assets of US\$2,000,000 (equivalent to approximately HK\$15,500,000) as appraised by the independent valuer engaged by the Group under market comparison approach as at 4 June 2020.

At the time of acquisition, Keen State did not actively engage in any business and accordingly, in the opinion of the directors, the acquisition of Keen State does not constitute a business combination but an acquisition of assets and liabilities. The acquisition was completed on 4 June 2020. As a result, Keen State became a direct wholly-owned subsidiary of the Company and its financial results were consolidated into the Group’s condensed consolidated financial statements.

For accounting purpose, the cost of acquisition of approximately HK\$15,000,000 has been allocated to the following identifiable assets and liabilities of Keen State as at the date of acquisition as follows:

	At 4 June 2020 HK\$'000 (Unaudited)
Right-of-use assets	15,000
Shareholder's loan	<u>(3,435)</u>
Total identifiable net assets acquired	11,565
Shareholder's loan assigned	<u>3,435</u>
Total consideration transferred	<u><u>15,000</u></u>
Satisfied by:	
Set-off of interest receivables from the borrower	<u><u>15,000</u></u>

As the consideration was satisfied by way of the set-off and Keen State did not have cash and cash equivalents balance at the acquisition date, there was no cash flow in respect of the acquisition.

Acquisition-related costs recognised as an expense in the current period were insignificant.

19. RELATED PARTY TRANSACTIONS

- (a) During the six months ended 30 June 2020, a loan interest income of approximately HK\$1,364,000 (six months ended 30 June 2019: Nil) was received from a joint venture, Chongqing Juquan.
- (b) During the six months ended 30 June 2020, a loan interest income of approximately HK\$453,000 (six months ended 30 June 2019: Nil) was received from a joint venture, Wuxi Juquan.
- (c) During the six months ended 30 June 2020, a loan interest income of approximately HK\$26,000 (six months ended 30 June 2019: Nil) was received from a joint venture, Tian Xing Tianjin.
- (d) During the six months ended 30 June 2020, a loan interest income of approximately HK\$110,000 (six months ended 30 June 2019: Nil) was received from a related company, Wuxi Jiucan Corporate Governance Consulting Services Co. Limited# (無錫糾材企業管理諮詢服務有限公司), a partner of joint venture in Chongqing Juquan.

(e) 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	
	2020	2019
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term employee benefits	<u>847</u>	<u>1,664</u>

The English names of the Chinese entities are translation of their Chinese names and are included herein for identification purpose only.

20. EVENT AFTER THE END OF THE REPORTING PERIOD

There has been no major subsequent event of the Company from 30 June 2020 to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

BUSINESS REVIEW

During the six months ended 30 June 2020, the Group was principally engaged in the business of operation of money lending, securities and other investments and financial and investment advisory. To allocate more resources in the development of the Group's principal businesses, the Group has ceased the business in the operation of loan facilitation services. The details of the Group's principal businesses are as follows:

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 million (30 June 2019: HK\$2,536 million). Interest rates ranged from 10%–15% per annum during the six months ended 30 June 2020 (six months ended 30 June 2019: 9%–15%). For the six months ended 30 June 2020, the interest income recorded by Joy Wealth was approximately HK\$536,000 (six months ended 30 June 2019: HK\$39,300,000) on the loan and interest receivables. Money lenders licence was renewed and granted to Joy Wealth on 23 July 2020 to carry on business as a money lender to 6 April 2021. Details on the loan and interest receivables are set out in note 14 to the condensed consolidated financial statements.

During the six months ended 30 June 2020, a segment revenue of approximately HK\$10,386,000 (six months ended 30 June 2019: HK\$40,413,000) and a segment profit of approximately HK\$19,102,000 (six months ended 30 June 2019: HK\$39,694,000) were recorded. The decrease in segment results was due to a decrease in loan and interest receivables balances during the period. Due to the default from borrowers in repaying the outstanding principal and accrued interest and having considered the latest financial position of the borrowers and the possibility of realising the loan and interest receivables from the borrowers, the Group took prudent approach to make impairment provisions for the loan and interest receivables of approximately HK\$120,000 for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

The Group has sent numerous demand letters to the borrowers and guarantors but the loan and interest receivables were still outstanding and in default position, the Group will continue to demand repayment from the borrowers and guarantors. The Group has engaged the lawyer to issue legal letters to the borrowers and guarantors demanding for immediate payment of outstanding loan and interest. The Group has commenced legal proceedings after seeking legal advice. Due to the outbreak of 2019 Novel Coronavirus (the “**COVID-19**”), the courts in Hong Kong were closed during the general adjourned period, our legal proceedings action was delayed until the courts resumed their normal business in May 2020. On 8 May 2020, the Writ of Summons were issued from the Registry of the High Court against some of the borrowers in respect of the outstanding loan principal and interests. As advised by the legal representative of the Group, the hearing of one of the borrowers will be heard on 14 September 2020.

Apart from taking legal actions, the Group is actively negotiating with the borrowers to recover the outstanding loan and interest receivables. During the six months ended 30 June 2020, there was a reversal of impairment of loan and interest receivables of approximately HK\$15,000,000 (six months ended 30 June 2019: Nil) from the overdue borrower. The Group will continue to put efforts to recover the outstanding loan and interest receivables from overdue borrowers and to seek advice from the lawyer to assess the effectiveness of proceeding existing or potential legal procedures for taking over the ownership of pledged assets from the borrowers and guarantors.

Securities and Other Investments Business

Securities Investment

As at 30 June 2020, 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. For the six months ended 30 June 2020, these investments in the listed securities led to a net fair value loss of approximately HK\$371,510,000 (six months ended 30 June 2019: net fair value gain of HK\$844,412,000) recognised in the condensed consolidated statement of comprehensive income. The net fair value loss recognised as other comprehensive income for the period is due to the decrease in the market value of certain listed equity investment during the period. Significant investments in listed securities are discussed as below.

Investment in shares of Imperial Pacific

The major balance of the aforesaid listed securities represented the Group’s investment in 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 issued share capital of Imperial Pacific as at 30 June 2020. Investment costs of the shares of Imperial Pacific was approximately

HK\$76,490,000. Imperial Pacific, through its subsidiaries, is mainly engaged in gaming and resort business, including the development and operation of a hotel and casino resort on the Island of Saipan.

As at 30 June 2020, the fair value of the shares of Imperial Pacific held by the Group amounted to approximately HK\$200,795,000 (31 December 2019: HK\$558,971,000), representing 86.6% (31 December 2019: 92.6%) of the Group's total investment in listed securities and 30.2% (31 December 2019: 45.5%) of the Group's total assets. Neither disposal nor addition of shares of Imperial Pacific was noted during the six months ended 30 June 2020 (six months ended 30 June 2019: Nil). The net fair value loss recognised as other comprehensive income for the investment in shares of Imperial Pacific during the six months ended 30 June 2020 was approximately HK\$358,176,000 (six months ended 30 June 2019: net fair value gain of HK\$841,169,000). According to the latest annual report of Imperial Pacific, it recorded revenue of approximately HK\$539,266,000 and a net loss of approximately HK\$3,904,270,000 for the year ended 31 December 2019. No dividend income was received from this investment during the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

Investment in Trust Beneficiary Rights

For the six months ended 30 June 2020, the Group invested in trust beneficiary rights (the "Trusts"). The Trusts include loans provided to individuals in the People's Republic of China (the "PRC"). The Group is entitled to an investment income in the range of 9% to 12% on the Trusts' outstanding balance per annum. The Trusts will mature on 23 March 2021 and 12 March 2028.

As at 30 June 2020, the fair value of the investment in the Trusts amounted to approximately HK\$35,095,000 (31 December 2019: HK\$59,755,000). For the six months ended 30 June 2020, the interest income recorded on the investment in the Trusts was approximately HK\$4,029,000 (six months ended 30 June 2019: HK\$9,087,000).

The Group monitors the performance of the investments and to make appropriate investment decision regularly. Besides, the Group will also continue to seek for further investments which could have stable and sustainable development in their business in order to diversify the Group's investment portfolio and could create greater value for shareholders from the investments in future.

Besides, the Group will from time to time use part of its idle resources to purchase the wealth management products which are principal guaranteed with expected higher return compared with saving deposit in the PRC. The investments would be able to benefit the Group by maximising the use of its available funds and enhancing its overall return.

Financial and Investment Advisory Business

Sky State Holdings Limited, through its wholly-owned subsidiary established in the PRC, is principally engaged in the provision of short to medium-term financing and related financial management and consulting services since October 2012, with presence across Beijing, Shanghai, Guangzhou, Tianjin, Chongqing and Wuxi. During the six months ended 30 June 2020, a segment revenue of approximately HK\$6,541,000 (six months ended 30 June 2019: HK\$11,084,000) and a segment profit of approximately HK\$783,000 (six months ended 30 June 2019: HK\$2,759,000) were recorded. The decrease in segment revenue and results were due to the quarantine, lockdown and travel restrictions were imposed by the PRC government to combat the COVID-19 which adversely affected the financial position and operating results of the financial and investment advisory business.

OUTLOOK

The second half year is expected to remain highly challenging as the global economy will continue to be adversely affected by COVID-19. The Group will closely monitor the development of COVID-19 and use its best endeavors to mitigate the adverse impact of the outbreak of COVID-19 on the Group and may adjust the operations and business development of the Group as and when appropriate.

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

Besides, 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.

PRINCIPAL RISKS AND UNCERTAINTIES

The operation of the money lending business is one of the principal activities of the Group and it exposes to a number of risks and uncertainties including exchange rate risk, policy risk, credit risk and liquidity risk.

Besides, the slowdown of the PRC's economic growth, tightening financial regulations as well as challenges from the COVID-19 pandemic may adversely affect the operation of the money lending business and financial and investment advisory business. The volatile and unpredictable stock market in Hong Kong also raises uncertainty on the Group's returns from the securities investment business.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 June 2020, the Group had recorded net current assets of approximately HK\$330,893,000 (31 December 2019: HK\$299,308,000); and cash and bank balances of approximately HK\$80,885,000 (31 December 2019: HK\$154,958,000). The Group did not enter into any financial instruments for hedging purpose.

Capital Structure

As at 30 June 2020, the total number of the issued ordinary shares with the par value of HK\$0.001 each was 3,870,102,650 (31 December 2019: 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 2020 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 Investments Business” above.

Segment Information

Details of segment information of the Group for the six months ended 30 June 2020 are set out in note 4 to the condensed consolidated financial statements.

Employees and Remuneration Policy

As at 30 June 2020, the Group had 32 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 2020, the Group did not pledge any assets to banks or other financial institutions (31 December 2019: 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

The gearing ratio of the Group as at 30 June 2020 (defined as the Group's total interest-bearing liabilities divided by the Group's total equity) was approximately 1.1% (31 December 2019: 0.7%).

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 2020, the Group did not have any capital commitment (31 December 2019: Nil).

Contingent Liability

As at 30 June 2020, the Group had no material contingent liability (31 December 2019: Nil).

EVENT AFTER THE END OF THE REPORTING PERIOD

There has been no major subsequent event of the Company from 30 June 2020 to the date of this announcement.

CORPORATE GOVERNANCE

The Company has complied with the code provisions (the “**Code Provision(s)**”) set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Listing Rules during the six months ended 30 June 2020 except the following deviations:

Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the roles of the chairman and the chief executive should be separate and should not be performed by the same person. The Company’s chairman was vacant since 10 July 2018. In addition, following the resignation of Mr. Li Jiuhua, the role of the chief executive was vacant since 10 January 2020. The Board shall identify suitable candidates to fill the vacancies of chairman and chief executive.

Code Provision A.5.1

Code Provision A.5.1 of the CG Code stipulates that issuers should establish a nomination committee which is chaired by the chairman of the board or an independent non-executive director. The chairman of the nomination committee of the Board was vacant following Mr. Lee Man To’s resignation on 1 June 2020. The Board had used its best endeavours to identify and appoint a new independent non-executive director and chairman of the board committees. Following the appointment of Mr. Wong Man Hong on 23 June 2020, the Company has complied with Code Provision A.5.1 of the CG Code.

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 2020.

PURCHASE, SALE OR REDEMPTION OF SHARES

During the six months ended 30 June 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

AUDIT COMMITTEE REVIEW

The audit committee of the Company (the “**Audit Committee**”) currently comprises of three independent non-executive Directors, Mr. Wong Man Hong (the chairman of this committee), 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 2020 have been reviewed by the Audit Committee.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on both the website of the Stock Exchange and on the website of the Company. The interim report of the Company for the six months ended 30 June 2020 containing all information required by the Listing Rules will be despatched to the Shareholders and will be published on the respective websites of the Stock Exchange and the Company in due course.

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

Executive Director

Mr. Yeung Siu Keung

Non-executive Director

Ms. Yu Yang

Independent Non-executive Directors

Mr. Wong Man Hong

Mr. Zheng Zhen

Mr. To Langa Samuelson

By order of the Board

Asia Pacific Silk Road Investment Company Limited

Yeung Siu Keung

Executive Director

Hong Kong, 28 August 2020

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