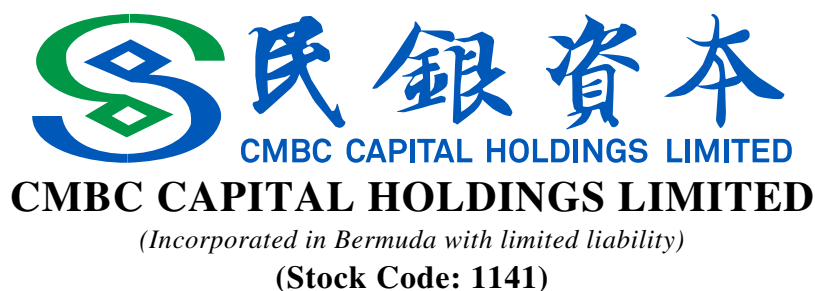


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**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018**

The board (the “**Board**”) of directors (the “**Directors**”) of CMBC Capital Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2018 (the “**Reporting Period**”) together with comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		Six months ended	
		30 June	30 September
		2018	2017
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Continuing operations			
Revenue	4	344,075	74,700
Net (losses)/gains on financial assets at fair value through profit or loss		(44,560)	55,967
Net losses on financial assets at fair value through other comprehensive income		(5,257)	–
Other income		3,311	4,175
Other gains and losses	5	(15,357)	(4,047)
Staff costs		(33,472)	(15,963)
Depreciation and amortisation		(1,344)	(1,238)
Other operating expenses		(28,454)	(22,697)
Finance costs	6	(109,423)	(7,702)
Profit before taxation	7	109,519	83,195
Taxation	8	(9,114)	(5,316)
Profit for the period from continuing operations		100,405	77,879
Discontinued operations			
Loss for the period from discontinued operations	9	–	(95)
Profit for the period attributable to owners of the Company		100,405	77,784
Earnings per share (HK cents)	10		
From continuing and discontinued operations			
– Basic		0.22	0.21
– Diluted		0.22	0.21
From continuing operations			
– Basic		0.22	0.21
– Diluted		0.22	0.21

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Six months ended	
	30 June	30 September
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company	100,405	77,784
Other comprehensive loss		
Item that will not be reclassified to profit or loss:		
– Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	(47,119)	–
Item that may be reclassified subsequently to profit or loss:		
– Financial assets at fair value through other comprehensive income – net movement in fair value reserve (recycling)	<u>(221,761)</u>	<u>(7)</u>
Other comprehensive loss for the period, net of tax	<u>(268,880)</u>	<u>(7)</u>
Total comprehensive income for the period attributable to owners of the Company	<u>(168,475)</u>	<u>77,777</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

		As at 30 June 2018	As at 31 December 2017
	<i>Notes</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment		4,380	4,596
Goodwill		16,391	16,391
Loans and advances	<i>12</i>	851,611	449,450
Intangible assets		5,531	6,216
Deferred tax assets		7,615	21
Other assets		17,510	9,209
		903,038	485,883
Current assets			
Accounts receivable	<i>13</i>	986,257	827,121
Prepayments, deposits and other receivables		274,562	1,546
Interests receivable		52,838	10,525
Loans and advances	<i>12</i>	2,640,796	1,212,426
Financial assets at fair value through other comprehensive income	<i>14</i>	2,783,549	829,965
Financial assets at fair value through profit or loss	<i>15</i>	591,420	1,330,479
Cash and bank balances			
– Segregated accounts		584,956	490,141
– House accounts		496,880	126,761
		8,411,258	4,828,964

		As at 30 June 2018 <i>HK\$'000</i> (Unaudited)	As at 31 December 2017 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Current liabilities			
Accounts payable	16	589,985	319,176
Other payables and accruals		46,846	191,197
Amount due to an intermediate holding company		62,196	7,197
Bank and other borrowings	17	6,337,900	3,351,038
Financial assets sold under repurchase agreements	18	904,627	7,966
Financial liabilities at fair value through profit or loss	19	104,363	–
Tax payable		17,233	9,423
		<u>8,063,150</u>	<u>3,885,997</u>
Net current assets		<u>348,108</u>	<u>942,967</u>
Total assets less current liabilities		<u>1,251,146</u>	<u>1,428,850</u>
Non-current liabilities			
Notes payable		148,798	148,400
Deferred tax liabilities		6,111	264
		<u>154,909</u>	<u>148,664</u>
Net assets		<u>1,096,237</u>	<u>1,280,186</u>
Capital and reserves			
Share capital	20	457,787	457,787
Reserves		638,450	822,399
Total equity		<u>1,096,237</u>	<u>1,280,186</u>

Notes:

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), including compliance with Hong Kong Accounting Standard 34 (“**HKAS 34**”), *interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 23 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 annual financial statements. Details of any changes in accounting policies are set out in note 2.

Operations of real estate segment were discontinued during the last interim period, details of which are disclosed in note 9.

2 CHANGES IN ACCOUNTING POLICIES

(a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group’s financial statements:

- HKFRS 9, Financial instruments
- HKFRS 15, Revenue from contracts with customers

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses, and impacted by HKFRS 15 in relation to the timing of revenue recognition and presentation of contract assets and contract liabilities. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9 and note 2(c) for HKFRS 15.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 and HKFRS 15 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9 and/or HKFRS 15:

	At 31 December 2017 <i>HK\$'000</i>	Impact on initial application of HKFRS 9 (<i>Note 2(b)</i>) <i>HK\$'000</i>	Impact on initial application of HKFRS 15 (<i>Note 2(c)</i>) <i>HK\$'000</i>	At 1 January 2018 <i>HK\$'000</i>
Loans and advances	449,450	(236)	–	449,214
Deferred tax assets	21	1,230	–	1,251
Total non-current assets	485,883	994	–	486,877
Accounts receivable	827,121	(36)	–	827,085
Loans and advances	1,212,426	(7,218)	–	1,205,208
Available-for-sale financial assets	829,965	(829,965)	–	–
Financial assets at fair value through other comprehensive income (“FVOCI”)	–	829,965	–	829,965
Total current assets	4,828,964	(7,254)	–	4,821,710
Tax payable	9,423	–	(1,821)	7,602
Other payables and accruals	191,197	–	11,035	202,232
Total current liabilities	3,885,997	–	9,214	3,895,211
Net current assets	942,967	(7,254)	(9,214)	926,499
Net assets	1,280,186	(6,260)	(9,214)	1,264,712
Reserves	822,399	(6,260)	(9,214)	806,925
Total equity	1,280,186	(6,260)	(9,214)	1,264,712

Further details of these changes are set out in sub-section (b) and (c) of this note.

(b) HKFRS 9, *Financial instruments*

HKFRS 9 replaces HKAS 39, *Financial instruments: recognition and measurement*. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

HK\$'000

Retained earnings

Recognition of additional expected credit losses on:	
–financial assets measured at amortised cost	(7,490)
–financial assets measured at fair value through other comprehensive income (recycling)	(14,002)
Related tax	1,230
Net decrease in retained earnings at 1 January 2018	(20,262)

Fair value reserve (recycling)

Recognition of additional expected credit losses on financial assets measured at FVOCI	14,002
Net increase in fair value reserve (recycling) at 1 January 2018	14,002

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

(i) *Classification of financial assets and financial liabilities*

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income and at fair value through profit or loss (“FVPL”). These supersede HKAS 39’s categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;
- FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or

- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as revenue.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 January 2018. Available-for-sale financial assets measured under HKAS 39 is now presented as financial assets at fair value through other comprehensive income under HKFRS 9.

(ii) *Credit losses*

HKFRS 9 replaces the “incurred loss” model in HKAS 39 with the expected credit loss (“ECL”) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises expected credit losses (“ECLs”) earlier than under the “incurred loss” accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

- financial assets measured at amortised cost (including cash and cash equivalents, accounts receivable and loans and advances);
- contract assets as defined in HKFRS 15 (see note 2(c));
- debt securities measured at FVOCI (recycling); and
- loan commitments issued, which are not measured at FVPL.

Financial assets measured at fair value, including units in bond funds, equity securities measured at FVPL, and equity securities designated at FVOCI (non-recycling), are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

For undrawn loan commitments, expected cash shortfalls are measured as the difference between (i) the contractual cash flows that would be due to the Group if the holder of the loan commitment draws down on the loan and (ii) the cash flows that the Group expects to receive if the loan is drawn down.

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

- fixed-rate financial assets and accounts receivable: effective interest rate determined at initial recognition or an approximation thereof;
- variable-rate financial assets: current effective interest rate;
- loan commitments: current risk-free rate adjusted for risks specific to the cash flows.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

- 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables, lease receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

For all other financial instruments (including loan commitments issued), the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. The Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- failure to make payments of principal or interest on their contractually due dates;
- an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);
- an actual or expected significant deterioration in the operating results of the debtor; and
- existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

For loan commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a loan commitment, the Group considers changes in the risk of default occurring on the loan to which the loan commitment relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

Basis of calculation of interest income on credit-impaired financial assets

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to HK\$21,492,000, which decreased retained earnings by HK\$20,262,000 and increased gross deferred tax assets by HK\$1,230,000 at 1 January 2018.

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	<i>HK\$'000</i>
Loss allowance at 31 December 2017 under HKAS 39	300
Additional credit loss recognised at 1 January 2018 on:	
– Accounts receivable	36
– Loans and advances	7,454
– Financial assets at fair value through other comprehensive income	14,002
Loss allowance at 1 January 2018 under HKFRS 9	21,792

(iii) *Hedge accounting*

The Group does not apply hedge accounting. The adoption of HKFRS 9 hedge accounting model has no significant impact on the Group's financial statements in this regard.

(iv) *Transition*

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- The determination of the business model within which a financial asset is held has been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

(c) **HKFRS 15, *Revenue from contracts with customers***

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, *Revenue*, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, *Construction contracts*, which specified the accounting for construction contracts.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2018. Therefore, comparative information has not been restated and continues to be reported under HKAS 11 and HKAS 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 January 2018.

The following table summarises the impact of transition to HKFRS 15 on retained earnings and the related tax impact at 1 January 2018:

	<i>HK\$'000</i>
Retained earnings	
Later revenue and profit recognition for financial advisory, sponsorship, arrangement fee and other service income	(11,035)
Related tax	<u>1,821</u>
Net decrease in retained earnings at 1 January 2018	<u>(9,214)</u>

Further details of the nature and effect of the changes on previous accounting policies are set out below:

(i) *Timing of revenue recognition*

Previously, revenue arising from construction contracts and provision of services was recognised over time, whereas revenue from sale of goods was generally recognised at a point in time when the risks and rewards of ownership of the goods had passed to the customers.

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

- A. When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;
- B. When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;
- C. When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue from securities brokerage and underwriting businesses. However, the timing of revenue recognition for sponsorship fee and arrangement fee in relation to margin financing is affected as follows:

- Sponsorship fee: The Group receives sponsorship fee for acting as a sponsor and under the sponsor mandates entered with customers, the Group has the right to be paid for work done to date if the customers were to cancel the contract before the initial public offering ("**IPO**") is completed. These contracts therefore satisfy the criteria for category C for recognising revenue over time during the IPO process, whereas previously the Group recognised revenue with reference to payment schedule stipulated in the mandates. Accordingly, revenue for these contracts recognised in profit or loss later under HKFRS 15 than under HKAS 18.

- Arrangement fee in relation to margin financing: The Group receives upfront arrangement fee in respect of margin financing business and margin loans are revolving in nature without tenor. Margin clients simultaneously receives and consumes the benefits provided by the entity's provision of credit throughout the calendar year. These contracts therefore satisfy the criteria for category A for recognising revenue over time during the financial period/year, whereas previously the Group recognised revenue when the Group arranged the margin loans. Accordingly, revenue for these contracts are recognised in profit or loss later under HKFRS 15 than under HKAS 18.

As a result of this change in accounting policy, the Group has made adjustments to opening balances at 1 January 2018 which decreased retained earnings by approximately HK\$9,214,000, increased contract liability by HK\$11,035,000 and decreased current tax liabilities by HK\$1,821,000.

(ii) *Significant financing components*

HKFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance of revenue recognition or significantly deferred.

Where payment schemes include a significant financing component, the transaction price is adjusted to separately account for this component. In the case of payments in advance, such adjustment results in interest expense being accrued by the Group to reflect the effect of the financing benefit obtained by the Group from the customers during the period between the payment date and the completion date of legal assignment.

This change in accounting policy had no material impact on opening balances as at 1 January 2018.

(iii) *Presentation of contract assets and liabilities*

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

Contract asset relating to sponsorship fee and contract liability relating to arrangement fee in relation to margin financing are presented in the statement of financial position under "prepayments, deposits and other receivables" and "other payables and accruals" respectively, and the revenue was recognised for the reasons explained in paragraph (i) above.

To reflect these changes in presentation, the Group has made the following adjustments at 1 January 2018, as a result of the adoption of HKFRS 15:

- a. "Contract liability" amounting to HK\$11,035,000 is now included under "Other payables and accruals"; and
- b. As explained in (i) above, adjustments to opening balances have been made to increase contract liability approximately by HK\$11,035,000 in respect of the Group's arrangement fee in relation to margin financing.

3 SEGMENT INFORMATION

In a manner consistent with the way in which information is reported internally to the chief operating decision maker for the purpose of resources allocation and performance assessment, the Group is currently organised into the following operating segments:

- the securities segment representing the business line of provision of brokerage services, securities margin financing services, futures and options contracts dealing services to clients and securities underwriting;
- the investment and financing segment representing investment and trading activities in equity securities, futures, bonds, funds and provision of loan financing services; and
- the asset management and advisory segment representing provision of asset management services, financial advisory, sponsorship and financial arrangement services to clients.

The real estate segment was discontinued in the last interim period. The segment information reported does not include any amounts for the discontinued operations, which are described in more details in note 9.

Disaggregation of revenue

Disaggregation of revenue from contracts with customers by service lines is as follows:

	Six months ended	
	30 June	30 September
	2018	2017
	HK\$'000	HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Disaggregated by service lines		
– Commission income from brokerage and related services	1,447	4,166
– Commission income from underwriting, sub-underwriting, placing and sub-placing	15,155	7,121
– Financing advisory, sponsorship, arrangement fee and other service income	107,251	33,414
– Management fee from asset management business	9,635	–
	133,488	44,701
Revenue from other sources		
– Interest income from debt securities investments	81,945	4,788
– Interest income from provision of finance and securities margin financing	98,418	21,953
– Dividend income	30,224	3,258
	344,075	74,700

The Group's revenue from continuing operation from external customers are located in Hong Kong.

Disaggregation of revenue from contracts with customers by timing of revenue recognition

Disaggregation of revenue from contracts with customers by timing of revenue recognition is set out below.

	Securities		Investment and financing		Asset management and advisory		Total	
	30 June	30 September	30 June	30 September	30 June	30 September	30 June	30 September
	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended								
Disaggregated by timing of revenue recognition								
Point in time	46,517	40,415	17,623	3,258	91,641	21,010	155,781	64,683
Over time	11,484	–	166,405	10,017	10,405	–	188,294	10,017
Revenue from external customers	<u>58,001</u>	<u>40,415</u>	<u>184,028</u>	<u>13,275</u>	<u>102,046</u>	<u>21,010</u>	<u>344,075</u>	<u>74,700</u>

Segment revenue and results

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

	Six months ended 30 June 2018			
	Securities	Investment	Asset management	Total
	and financing	and financing	and advisory	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Continuing operations				
Segment revenue				
– Revenue from external customers	58,001	184,028	102,046	344,075
– Net losses on financial assets at fair value through profit or loss	–	(44,560)	–	(44,560)
– Net losses on financial assets at fair value through other comprehensive income	–	(5,257)	–	(5,257)
	<u>58,001</u>	<u>134,211</u>	<u>102,046</u>	<u>294,258</u>
Segment results	<u>22,905</u>	<u>21,183</u>	<u>84,352</u>	<u>128,440</u>
Unallocated other income				256
Unallocated other gains and losses				5,655
Unallocated expenses				(11,204)
Unallocated finance costs				<u>(13,628)</u>
Profit before taxation				109,519
Taxation				<u>(9,114)</u>
Profit for the period from continuing operations				<u><u>100,405</u></u>

Six months ended 30 September 2017

	Securities	Investment and financing	Asset management and advisory	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations				
Segment revenue				
– Revenue from external customers	40,415	13,275	21,010	74,700
– Net gains on financial assets at fair value through profit or loss	<u>–</u>	<u>55,967</u>	<u>–</u>	<u>55,967</u>
	40,415	69,242	21,010	130,667
Segment results	<u>31,275</u>	<u>65,726</u>	<u>20,118</u>	117,119
Unallocated other income				418
Unallocated other gains and losses				(3,310)
Unallocated expenses				(26,533)
Unallocated finance costs				<u>(4,499)</u>
Profit before taxation				83,195
Taxation				<u>(5,316)</u>
Profit for the period from continuing operations				<u>77,879</u>

Note: The Group has initially applied HKFRS 15 using the cumulative effect method. Under this method, the comparative information is not restated and was prepared in accordance with HKAS 18 (see note 2(c)).

Segment assets and liabilities

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

	As at 30 June 2018			
	Securities	Investment	Asset management	Total
	and financing	and financing	and advisory	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets				
Segment assets	1,642,170	7,332,806	59,579	9,034,555
Unallocated assets				
– Property, plant and equipment				4,066
– Prepayments, deposits and other receivables				16,570
– Cash and bank balances				253,184
– Deferred tax assets				5,921
Total				<u>9,314,296</u>
Liabilities				
Segment liabilities	1,218,134	6,764,874	7,270	7,990,278
Unallocated liabilities				
– Other payables and accruals				76,284
– Notes payable				148,799
– Deferred tax liabilities				198
– Tax payable				2,500
Total				<u>8,218,059</u>

As at 31 December 2017				
	Securities	Investment	Asset	Total
	<i>HK\$'000</i>	and financing	management	
		<i>HK\$'000</i>	and advisory	<i>HK\$'000</i>
			<i>HK\$'000</i>	
Assets				
Segment assets	1,364,640	3,867,092	8,470	5,240,202
Unallocated assets				
– Property, plant and equipment				4,189
– Prepayments, deposits and other receivables				8,392
– Cash and bank balances				62,064
Total				<u>5,314,847</u>
Liabilities				
Segment liabilities	730,470	3,129,421	2,146	3,862,037
Unallocated liabilities				
– Other payables and accruals				21,460
– Notes payable				148,400
– Deferred tax liabilities				264
– Tax payable				2,500
Total				<u>4,034,661</u>

4 REVENUE

	Six months ended	
	30 June 2018	30 September 2017
	<i>HK\$'000</i>	<i>HK\$'000</i>
Continuing operations		
Commission income from brokerage and related services	1,447	4,166
Commission income from underwriting, sub-underwriting, placing and sub-placing	15,155	7,121
Interest income from debt securities investments	81,945	4,788
Interest income from provision of finance and securities margin financing	98,418	21,953
Dividend income	30,224	3,258
Financing advisory, sponsorship, arrangement fee and other service income	107,251	33,414
Management fee from asset management business	9,635	–
	<u>344,075</u>	<u>74,700</u>

5 OTHER GAINS AND LOSSES

	Six months ended	
	30 June	30 September
	2018	2017
	HK\$'000	HK\$'000
Continuing operations		
Impairment losses:		
– Loans and advances	(6,324)	–
– Accounts receivable	(1,708)	(750)
– Financial assets at fair value through other comprehensive income	(11,154)	–
Loss on early settlement of promissory notes (<i>Note</i>)	–	(2,852)
Loss on disposal of property, plant and equipment	–	(7)
Loss on disposal of subsidiaries	–	(789)
Net exchange gain	3,829	351
	(15,357)	(4,047)

Note: During the last interim period, the promissory notes in the principal amount of HK\$29,000,000 were early settled and have resulted in a loss of HK\$2,852,000.

6 FINANCE COSTS

	Six months ended	
	30 June	30 September
	2018	2017
	HK\$'000	HK\$'000
Continuing operations		
Interest expense on:		
Notes payable	4,118	4,152
Promissory notes	–	348
Bank borrowings and bank overdrafts	9,510	341
Loans from an intermediate holding company	84,223	2,861
Financial assets sold under repurchase agreements	11,572	–
	109,423	7,702

7 PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS

	Six months ended	
	30 June	30 September
	2018	2017
	HK\$'000	HK\$'000
The Group's profit before taxation from continuing operations is arrived at after charging:		
Depreciation of property, plant and equipment	658	552
Amortisation of intangible assets	686	686
Minimum lease payments in respect of land and buildings	6,043	6,344

8 TAXATION

	Six months ended	
	30 June	30 September
	2018	2017
	HK\$'000	HK\$'000
Continuing operations		
Current period – Hong Kong Profits Tax	(9,630)	(5,381)
Deferred tax credit for the period	<u>516</u>	<u>65</u>
	<u>(9,114)</u>	<u>(5,316)</u>

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

9 DISCONTINUED OPERATIONS

During the last interim period, the Group completed the disposal of 100% equity interest in Sky Eagle Global Limited (“**Sky Eagle**”) and a mortgage loan amounting to approximately HK\$177,000,000 at cash consideration of HK\$227,000,000 on 9 May 2017. Sky Eagle and its subsidiary, Metro Victor Limited (“**Metro Victor**”) carried out all of the Group’s real estate operation.

The results of the discontinued operations for the last interim period were as follows:

	Six months ended
	30 September
	2017
	HK\$'000
Revenue	450
Administrative expenses	(128)
Finance costs	<u>(417)</u>
Loss before taxation	(95)
Taxation	<u>–</u>
Loss for the period	<u>(95)</u>

During the last interim period, the net operating cash flow contributed by real estate operation to the Group was insignificant.

10 EARNINGS PER SHARE

From continuing and discontinued operations

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

	Six months ended	
	30 June	30 September
	2018	2017
	HK\$'000	HK\$'000
Earnings		
Profit attributable to owners of the Company for the purpose of basic and diluted earnings per share	100,405	77,784
	Six months ended	
	30 June	30 September
	2018	2017
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	45,778,756	36,719,251

From continuing operations

The calculation of the basic and diluted earnings per share from continuing operations attributable to the owners of the Company is based on the following information:

	Six months ended	
	30 June	30 September
	2018	2017
	HK\$'000	HK\$'000
Earnings figures are calculated as follow:		
Profit for the period attributable to the owners of the Company	100,405	77,784
Add: Loss for the period from discontinued operations	–	95
Earnings for the purpose of basic and diluted earnings per share from continuing operations	100,405	77,879

The denominators used are the same as those detailed above for the basic and diluted earnings per share.

From discontinued operations

Basic and diluted loss per share from the discontinued operations is Nil (for the six months ended 30 September 2017: HK0.0003 cents) per share, based on the loss for the period from discontinued operations of Nil (for the six months ended 30 September 2017: approximately HK\$95,000) and the denominators detailed above for the basic and diluted earnings per share.

There was no dilutive items during the six months ended 30 June 2018 and 30 September 2017.

11 DIVIDENDS

	Six months ended	
	30 June	30 September
	2018	2017
	HK\$'000	HK\$'000
Special cash dividend	–	612,876
Distribution in specie	–	424,212
	–	1,037,088

A special cash dividend of HK\$0.03255 per share was paid in cash to the shareholders whose names are registered on the register of members of the Company on 10 May 2017. The special dividend in aggregate amount of approximately HK\$612,876,000 was paid on 24 May 2017.

The Company also declared a dividend by way of distribution in specie for certain listed equity securities listed in Hong Kong held by the Group to the shareholders whose names are registered on the register of members of the Company on 10 May 2017. The distribution in specie in aggregate amount of approximately HK\$424,212,000 was completed on 26 May 2017.

12 LOANS AND ADVANCES

	As at 30 June 2018 HK\$'000	As at 31 December 2017 HK\$'000
Loans and advances	3,492,407	1,661,876
Less: Amount due within one year shown under current assets	<u>(2,640,796)</u>	<u>(1,212,426)</u>
Amount shown under non-current assets	<u>851,611</u>	<u>449,450</u>
Loans and advances (non-current)	851,994	449,450
Less: Allowance for expected credit losses	<u>(383)</u>	<u>–</u>
	<u>851,611</u>	<u>449,450</u>
Loans and advances (current)	2,654,191	1,212,426
Less: Allowance for expected credit losses	<u>(13,395)</u>	<u>–</u>
	<u>2,640,796</u>	<u>1,212,426</u>

At 30 June 2018, loans and advances included loans to independent third parties with effective interest rates ranging from 4% to 10% (31 December 2017: 6% to 10%) per annum. Certain loans and advances were secured and/or backed by guarantees or collaterals. Regular reviews on these loans are conducted by the risk management department based on the latest status of these loans, and the latest available information about the borrowers and the underlying collaterals held.

During the period ended 30 June 2018, allowance for expected credit losses of HK\$6,324,000 was recognised (for the six months ended 30 September 2017: Nil) in the statement of profit or loss. One of the borrowers has been assessed by management to be individually impaired and an allowance for expected credit losses of HK\$9,000,000 has been provided at 30 June 2018.

13 ACCOUNTS RECEIVABLE

	As at 30 June 2018 HK\$'000	As at 31 December 2017 HK\$'000
Accounts receivable arising from the ordinary course of business of securities brokerage, futures and options dealing services:		
– Clearing houses	110	203
– Cash clients	3	311
– Margin clients	956,635	814,313
– Brokers	595	5
	<u>957,343</u>	814,832
Accounts receivable arising from the ordinary course of business of securities underwriting	3,727	9,776
Accounts receivable arising from the ordinary course of business of advisory services	27,231	2,813
	<u>988,301</u>	827,421
Less: Allowance for expected credit losses	<u>(2,044)</u>	(300)
	<u>986,257</u>	<u>827,121</u>

Accounts receivable arising from the business of dealing in securities

The normal settlement terms of accounts receivable from clients and clearing houses, except for accounts receivable due from margin clients, arising from the ordinary course of business of securities brokerage services are two trading days after the trade date. No aging analysis is disclosed as, in the opinion of directors of the Company, an aging analysis does not give additional value in view of the nature of this business. As at 30 June 2018, the Group has concentration risk on its accounts receivable as the balance with the largest client represent 19% (31 December 2017: 22%) of the total accounts receivable from cash and margin clients. The Group has no other significant concentration risk.

Accounts receivable due from margin clients are repayable on demand and carry interest ranging from Hong Kong Prime Rate minus 0.35% to Hong Kong Prime Rate plus 9.15% per annum during the six months ended 30 June 2018 (31 December 2017: Hong Kong Prime Rate minus 0.35% to Hong Kong Prime Rate plus 9.15%). The fair values of the pledged securities as at 30 June 2018 approximate HK\$3,937,344,000 (31 December 2017: HK\$4,455,263,000). As at 30 June 2018, 99.6% (31 December 2017: 100%) of the margin clients receivable balance were secured by sufficient collaterals on an individual basis. During the period ended 30 June 2018, allowance for expected credit losses of HK\$1,708,000 was recognised (for the six months ended 30 September 2017: HK\$750,000) in the statement of profit or loss and the amount was mainly attributable to one of the margin clients (30 September 2017: one of the cash clients) who had collateral value fallen significantly below the required margin ratio or had outstanding balance past due.

Accounts receivable arising from the business of dealing in futures and options contracts

Under the settlement arrangement with clearing house, all open positions held at clearing house are treated as if they were closed out and re-opened at the relevant closing quotation as determined by clearing house. Profits or losses arising from this “mark-to-market” settlement arrangement are included in accounts receivables with clearing house.

In accordance with the agreement with brokers, mark-to-market profits or losses are treated as if they were settled and are included in accounts receivable with brokers.

The accounts receivable are neither past due nor impaired.

Accounts receivable from clearing house and brokers represent transactions arising from the business of dealing.

14 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2018 HK\$'000	As at 31 December 2017 HK\$'000
Listed debt investments, at fair value (<i>Note</i>)	2,337,842	829,965
Listed equity instruments, at fair value	445,707	–
	<u>2,783,549</u>	<u>829,965</u>

Note: After the transition to HKFRS 9 as disclosed in note 2(b), the Group has further recognised expected credit losses amounted HK\$11,154,000 in the statement of profit or loss during the period (for the six months ended 30 September 2017: Nil). As at 30 June 2018, allowance for expected credit losses amounted HK\$25,156,000 (31 December 2017: Nil) has been included in fair value reserve (recycling).

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2018 HK\$'000	As at 31 December 2017 HK\$'000
Held for trading:		
– Listed equity investments	9,658	2,597
– Unlisted equity investment	158,939	–
– Listed debt investments	132,221	–
– Listed investment funds	73,513	1,327,882
– Unlisted investment funds	193,549	–
– Unlisted convertible promissory note	23,540	–
	<u>591,420</u>	<u>1,330,479</u>

The fair values of the listed equity investments and listed investment funds were determined based on the quoted market prices.

16 ACCOUNTS PAYABLE

	As at 30 June 2018 <i>HK\$'000</i>	As at 31 December 2017 <i>HK\$'000</i>
Accounts payable arising from the ordinary course of business of securities brokerage, futures and options dealing services:		
– Cash clients	242,334	307,470
– Margin clients	345,960	7,253
– Clearing houses	1,691	4,453
	<u>589,985</u>	<u>319,176</u>

Accounts payable arising from the business of dealing in securities

The accounts payable balances arising from the ordinary course of business of securities brokerage services are normally settled in two trading days after the trade date except for the money held on behalf of clients at the segregated bank accounts which are repayable on demand. No aging analysis is disclosed as, in the opinion of directors of the Company, an aging analysis does not give additional value in view of the nature of this business.

Accounts payable arising from the business of dealing in futures and options contracts

Settlement arrangements with clients follow the same settlement mechanism with clearing house or brokers as disclosed in note 13 and profits or losses arising from mark-to-market settlement arrangement were included in accounts payable with clients. Accounts payable to clients are non-interest bearing. The settlement terms of accounts payable are one day after trade day. No aging analysis is disclosed as, in the opinion of directors of the Company, an aging analysis does not give additional value in view of the nature of this business.

17 BANK AND OTHER BORROWINGS

	As at 30 June 2018 HK\$'000	As at 31 December 2017 HK\$'000
Unsecured bank loans	494,335	298,495
Loan from an intermediate holding company	5,843,565	3,052,543
	<u>6,337,900</u>	<u>3,351,038</u>

The carrying amounts of the above borrowings are repayable:

Within one year	<u>6,337,900</u>	<u>3,351,038</u>
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As at 30 June 2018, the Group had loans amounting to approximately HK\$5,739,209,000 (31 December 2017: HK\$3,032,527,000) from CMBC International Holdings Limited, an intermediate holding company and interest payable amounting to approximately HK\$104,356,000 (31 December 2017: HK\$20,016,000). The loans bear interest at a fixed rate of 4% per annum (31 December 2017: 4% per annum) and are repayable within one year.

As at 30 June 2018, bank borrowings amounting to HK\$494,335,000 from China Minsheng Banking Corp., Ltd. Hong Kong Branch (“**CMBC HK Branch**”), a branch of the ultimate holding company, carried variable interest rate at 4.3% per annum (31 December 2017: ranging from 3.6% to 4.4% per annum).

18 FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	As at 30 June 2018 HK\$'000	As at 31 December 2017 HK\$'000
Bonds	<u>904,627</u>	<u>7,966</u>

As at 30 June 2018, the Group entered into repurchase agreements with financial institutions to sell bonds recognised as financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss with aggregate carrying amount of approximately HK\$1,512,935,000 (31 December 2017: HK\$15,560,000), which is subject to the simultaneous agreements to repurchase these investments at the agreed date and price.

Sales and repurchase agreements are transactions in which the Group sells bonds and simultaneously agrees to repurchase it (or an asset that is substantially the same) at the agreed date and price. The repurchase prices are fixed and the Group is still exposed to substantially all the credit risks, market risks and rewards of those bonds sold. The bonds are not derecognised from the financial statements but regarded as “collaterals” for the liabilities because the Group retains substantially all the risks and rewards of the bonds.

19 FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2018 HK\$'000	As at 31 December 2017 HK\$'000
Payables to interest holder of unlisted consolidated investment fund, designated at FVPL	<u>104,363</u>	<u>–</u>

As at 30 June 2018, the Company held 75% interests in New China OCT Fund 2 Segregated Portfolio (“**the Segregated Portfolio**”) as a Class A shareholder and an independent third party held 25% interests in the Segregated Portfolio as a Class B shareholder. As the Group has control over the Segregated Portfolio, it is accounted for as a subsidiary. Pursuant to the appendix of the placing memorandum of the New China OCT Fund SPC for the segregated portfolio, Class A shareholder is subject to a maximum priority expected return of up to 7.5% per annum and Class B shareholder is subject to a maximum subordinate expected return before deduction of performance fee. Any excess beyond Class B expected return after payment of other fees and expenses, shall be paid to the fund manager in the form of performance fees, where available. Accordingly, the interests of the non-controlling shareholder are classified as financial liabilities designated as at fair value through profit or loss of approximately HK\$104,363,000 as at 30 June 2018.

20 SHARE CAPITAL

	Number of shares '000	Amount HK\$'000
Authorised:		
At 1 January 2018 and 30 June 2018		
– Ordinary shares of HK\$0.01 each	<u>100,000,000</u>	<u>1,000,000</u>
Issued and fully paid:		
At 1 January 2018 and 30 June 2018		
– Ordinary shares of HK\$0.01 each	<u>45,778,756</u>	<u>457,787</u>

BUSINESS REVIEW

During the Reporting Period, the Group's profit attributable to the owners of the Company has increased to approximately HK\$100.4 million, representing an increase of approximately 29.1% when compared to profit for the six months ended 30 September 2017 of HK\$77.8 million (the “**Previous Period**”). The Group's basic earnings per share were HK0.22 cents (30 September 2017: HK0.21 cents) and diluted earnings per share of HK0.22 cents (30 September 2017: HK0.21 cents).

Revenue

The Group's revenue increased by approximately 360.6% to approximately HK\$344.1 million during the Reporting Period, compared to approximately HK\$74.7 million in the Previous Period. It was mainly due to the contribution from the investment and financing segment and the asset management and advisory segment during the Reporting Period. The analysis of the Group's revenue by reportable segments is as below.

Securities

During the Reporting Period, the revenue and profit contributed by securities segment were approximately HK\$58.0 million and HK\$22.9 million, respectively, compared to the revenue and profit of approximately HK\$40.4 million and HK\$31.3 million, respectively in the Previous Period. The decrease in segment profit was mainly attributable to the increase in finance costs for the operation of margin financing business.

Investment and financing

During the Reporting Period, the segment revenue, which included dividend income from investments in listed equity securities and funds, interest income from investment in bonds, convertible promissory note, interest-bearing notes and loans, amounted to HK\$184.0 million as compared to HK\$13.3 million in the Previous Period. The segment profit decreased from HK\$65.7 million in the Previous Period to segment profit of HK\$21.2 million in the Reporting Period. The decrease in segment profit was mainly attributable to impairment loss on debt securities, loans and advances of approximately HK\$17.5 million upon new adoption of HKFRS 9, compared to Nil in the Previous Period, and the increase in finance costs with the expansion of investment business.

At the end of the Reporting Period, the Group's investment portfolio mainly constituted of listed and unlisted equity securities, listed debt securities, listed and unlisted funds, unlisted convertible promissory note, interest-bearing notes and loans.

Asset management and advisory

The Group's asset management and advisory segment represents the provision of asset management, financial advisory, sponsorship and financial arrangement services to clients. The segment recorded advisory and arrangement income of approximately HK\$102.0 million as compared to HK\$21.0 million in the Previous Period and segment profit of approximately HK\$84.4 million during the Reporting Period as compared to HK\$20.1 million in the Previous Period. The increase in segment profit was mainly attributable to the commencement of the provision of corporate advisory and sponsorship services in the Reporting Period.

INTERIM DIVIDEND

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

FINANCIAL REVIEWS

Capital Structure

As at 30 June 2018, the total number of the issued share capital with the par value of HK\$0.01 each was 45,778,757,729 and total equity attributable to shareholders was approximately HK\$1,096.2 million (31 December 2017: HK\$1,280.2 million).

During the Reporting Period, no shares have been purchased or granted to the selected persons of the Group under the share award scheme or the share option scheme.

Liquidity and Financial Resources

The Group primarily financed its operations with internally generated cash flows, borrowings, and by its internal resources and shareholder's equity.

As at 30 June 2018, the Group had current assets of approximately HK\$8,411.3 million (31 December 2017: HK\$4,829.0 million) and liquid assets comprising cash (excluding segregated bank accounts) and investments in listed equity securities, listed debt securities and listed funds totaling approximately HK\$3,495.8 million (31 December 2017: HK\$2,287.2 million). The Group's current ratio, calculated based on current assets of approximately HK\$8,411.3 million (31 December 2017: HK\$4,829.0 million) over current liabilities of approximately HK\$8,063.2 million (31 December 2017: HK\$3,886.0 million), was at a ratio of approximately 1.0 at the end of the Reporting Period (31 December 2017: 1.2).

The Group's finance costs for the Reporting Period represented the effective interest on notes payable of approximately HK\$4.1 million (Previous Period: HK\$4.2 million), effective interest on promissory notes of Nil (Previous Period: HK\$0.3 million), interest on bank borrowings of approximately HK\$9.5 million (Previous Period: HK\$0.3 million), interest on loans from an intermediate holding company of approximately HK\$84.2 million (Previous Period: HK\$2.9 million) and interest on financial assets sold under repurchase agreements of approximately HK\$11.6 million (Previous Period: Nil).

As at 30 June 2018, the Group's indebtedness comprised loans from an intermediate holding company, bank borrowings, notes payable and financial assets sold under repurchase agreements of approximately HK\$7,286.9 million (31 December 2017: HK\$3,487.4 million). The loans from an intermediate holding company of approximately HK\$5,739.2 million (31 December 2017: HK\$3,032.5 million) were denominated in Hong Kong dollars and United States dollars, due on the first anniversary from the drawdown date, and borne interests at 4% fixed rate per annum. Bank borrowings of approximately HK\$494.3 million (31 December 2017: HK\$298.5 million) were denominated in United States dollars, due on the second month (31 December 2017: first month) from the drawdown dates. The notes payable in the aggregate principal amount of HK\$150 million (31 December 2017: HK\$150 million) was denominated in Hong Kong dollars, due on the seventh anniversary from the respective issue dates of the notes, and borne interests at 5% fixed rate per annum.

The Group's gearing ratio, calculated on the basis of total indebtedness divided by the sum of total indebtedness and equity attributable to the Company's owners, was at a ratio of approximately 86.9% (31 December 2017: 73.1%).

With the amount of liquid assets on hand, the management is of the view that the Group has sufficient financial resources to meet its ongoing operational requirements.

Contingent Liability

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

Capital Commitment

As at 30 June 2018, the Group had no significant capital commitment (31 December 2017: Nil).

FOREIGN CURRENCY RISK MANAGEMENT

The Group's revenue has been mainly denominated in United States dollars and Hong Kong dollars while its expenditure is mainly denominated in Hong Kong dollars. The Group foreign exchange exposure is mainly from the translation of assets and liabilities denominated in United States dollars. As Hong Kong dollars are pegged with United States dollars, the Directors believe that the Group's foreign exchange exposure is manageable and the Group will closely monitor this risk exposure from time to time.

HUMAN RESOURCES AND REMUNERATION POLICY

At 30 June 2018, the Group had about 75 (30 September 2017: about 45) employees including Directors. For the Reporting Period, total staff costs, including Directors' remuneration, was approximately HK\$33.5 million (Previous Period: HK\$16.0 million). Remuneration packages for employees and Directors are structured by reference to market terms and individual competence, performance and experience. Benefits plans maintained by the Group include mandatory provident fund scheme, subsidised training programme, share option scheme, share award scheme and discretionary bonuses.

PROSPECTS

The Company intends to continuously enhance profitability by offering a one-stop, high-end and high-quality investment banking solution encompassing cross-border and innovative financial products and services and upgrading its ability in various aspects, including business development, management operation, risk control, market adjustment, product service and so on. In particular, the Group intends to, inter alia:

- (1) further expand its loan and financing business by offering more diversified structured finance services mainly targeting on high-profile private enterprise customers in the comprehensive health, mass consumption, emerging technology and featured manufacturing industry (the “**Target Clients**”) thereby generating stable revenue stream, as well as facilitating the rapid development of the Group's merger and acquisition advisory and sponsor services, debt and equity underwriting business as well as asset management business;

- (2) commence and expand the corporate finance advisory business. In particular, the Group intends to establish its own client base for its sponsor business by assisting the Target Clients to go listing on the Stock Exchange. In addition, surrounding “One Belt and One Road Initiatives”, the Group also intends to provide the all-round investment banking services to those PRC domestic enterprises which plan to expand its business into those “One Belt and One Road” countries or jurisdictions;
- (3) further develop its asset management business. Leveraging on the extensive client base of the Group and China Minsheng, the Group intends to enrich its asset management product portfolio by offering diversified asset management services, as well as to attract higher net worth clients including listed companies and their senior management, creating more returns for clients; and
- (4) consider to further develop the Group’s business through investment in or acquisition of suitable companies and business, when opportunities arise. As at the date of this announcement, the Group did not have any concrete plan to make any acquisition. The Group intends to strengthen its profitability and optimise its asset structure, through pre-IPO investments in high profile enterprises in the sectors of finance, health and new technology in Great China area. The Company also considers to acquire the companies and business which may create synergy with the Group and China Minsheng’s business. Although the Group currently does not have any specific acquisition plan, the Group will closely monitor the development trend in different markets such as Hong Kong, Europe and North-East Asia for its future globalised development. The Group will also look for potential acquisition targets with team advantage, profitability and sustainable growth.

On the whole, the Group will continue to implement the “one-body two-wings” strategy. “One-body” refers to the structural financing services provided by the Group. Benefiting from its bank-owned background, the Group is able to provide full-spectrum services (such as corporate advisory and consultancy services) and one-stop solutions to clients with different funding requirements. “Two-wings” refers to the Group’s traditional investment banking business and asset management services. Leveraging on the development of “one-body” structural financing services, the Group is expected to achieve mutual growth in its “two-wing” businesses—securities business and asset management business.

EVENTS AFTER THE REPORTING PERIOD

On 3 July 2018, the Company entered into the subscription agreement with CMBC International Investment Limited (“**the Subscriber**”). Pursuant to the subscription agreement, the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for, 1,350,000,000 new shares, at the price of HK\$0.363 per new share. The completion of the subscription is subject to, among others, the approval by the independent shareholder of the Company at the special general meeting.

On 20 July 2018, a total of 577,220,000 placing shares have been successfully placed to not less than six placees who and whose ultimate beneficial owners are independent third parties at the placing price of HK\$0.363 per placing share. The net proceeds from the placing amounted to HK\$205 million will be used for (i) the expansion of loan and financing business of the Group, (ii) to further strengthen the Group’s brokerage service capability; (iii) the expansion of the Group’s corporate finance advisory business; (iv) the development of asset management business and (v) general working capital.

On 30 July 2018, the Company, on behalf of the Group, entered into a deposit services agreement with CMBC HK Branch, in relation to the provision of deposit services by CMBC HK Branch to the Group subject to the terms and conditions provided in the deposit services agreement.

RISK MANAGEMENT CAPABILITIES

The Board recognises risk management as one of the key elements to the success of the Company and endeavours to improve risk management system to align with its business development strategically. The Group takes a pragmatic approach to manage different risks including credit risks, market risks, operation risks, legal and compliance risk, reputation, liquidity, IT and country risk. As at the date of this announcement, the Group has improved various risk management policies and procedures, covering different business sectors. The Group has also established centralised internal control and compliance management system to effectively monitor the Group’s operation and dealings. The Group will continue to enhance the risk management practices and internal control system and adopt a stringent governance framework with reference to the best practices in the market.

CORPORATE GOVERNANCE

The Company has complied with all the applicable provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules throughout the Reporting Period except for the following deviation with reasons as explained:

Appointment of Directors

Code Provision A.4.1

Under the code provision A.4.1, non-executive directors should be appointed for a specific term and subject to re-election.

Deviation

All the non-executive Directors were not appointed for a specific term. Notwithstanding such deviation, all Directors are subject to the retirement by rotation according to the provisions of the bye-laws of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are no less exacting than those in the CG Code.

Attendance of the Annual General Meeting

Code Provision E.1.2

Code provision E.1.2 stipulates that the chairman of the Board should invite for the chairman of the audit, remuneration and nomination committees (as appropriate) or in the absence of the chairmen of such committees, another member of the committee or failing this his duly appointed delegate, to be available to answer questions at the annual general meeting of the Company.

Deviation

The chairmen and members of the nomination committee and the remuneration committee were unable to attend the annual general meeting of the Company held on 29 June 2018 (the “**AGM**”) due to their other business engagement. However, the chairman of the Board had chaired the AGM and answered questions from the shareholders of the Company. The AGM has provided a channel for communication between the Board and the shareholders.

OTHER INFORMATION

Audit Committee

The unaudited condensed consolidated interim financial statements of the Company for the Reporting Period have been reviewed by the audit committee of the Company and the Company's independent auditor, Messrs. KPMG, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the HKICPA, whose independent review report is included in the interim report to be sent to shareholders of the Company.

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

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

By order of the Board
CMBC Capital Holdings Limited
Li Jinze
Chairman

Hong Kong, 23 August 2018

As at the date of this announcement, the executive Directors are Mr. Li Jinze, Mr. Ding Zhisuo and Mr. Ng Hoi Kam, the non-executive Directors are Mr. Ren Hailong and Mr. Liao Zhaohui, and the independent non-executive Directors are Mr. Lee, Cheuk Yin Dannis, Mr. Wu Bin and Mr. Wang Lihua.