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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1367)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2018	2017	% Change
	HK$'000	*HK$'000*	
	(Unaudited)	(Unaudited)	
Revenue	**99,250**	168,646	(41.1)%
Gross profit	**16,932**	31,110	(45.6)%
Loss for the period and attributable to owners of the parent	**(66,717)**	(11,037)	504.5%
Basic loss per share	**HK(13.90) cents**	HK(2.30) cents	

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of SFund International Holdings Limited (the "**Company**") hereby announces 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, together with the comparative figures for the corresponding period in 2017. The consolidated financial information of the Group for the six months ended 30 June 2018 has not been audited, but has been reviewed by audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018

		Six months ended 30 June	
		2018	2017
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
Revenue	*3&4*	**99,250**	168,646
Cost of sales and services rendered		**(82,318)**	(137,536)
Gross profit		**16,932**	31,110
Other income	*4*	**948**	713
Selling and distribution costs		**(1,665)**	(1,881)
Administrative expenses		**(69,230)**	(38,798)
Other expenses, net		**(93)**	(771)
Finance costs	*5*	**(10,900)**	(438)
Loss before tax	*6*	**(64,008)**	(10,065)
Income tax	*7*	**(1,329)**	(972)
Loss for the period		**(65,337)**	(11,037)
Attributable to:			
Owners of the parent		**(66,717)**	(11,037)
Non-controlling interests		**1,380**	–
		(65,337)	(11,037)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*9*	**HK(13.90) cents**	HK(2.30) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2018

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2018

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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

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

2. CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

(a) Classification and measurement

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

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

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

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

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

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

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

(b) Impairment

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

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

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

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

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

For the six months ended 30 June 2018 (Unaudited)

	Apparel trading and related services HK$'000	Financial services HK$'000	Money lending HK$'000	Securities investment HK$'000	Total HK$'000
Revenue from contracts with customers:					
Recognised at a point in time	**83,066**	**–**	**–**	**–**	**83,066**
Recognised over time	**–**	**8,555**	**–**	**–**	**8,555**
	83,066	**8,555**	**–**	**–**	**91,621**
Revenue from other sources	**–**	**–**	**12,047**	**(4,418)**	**7,629**
Segment revenue	**83,066**	**8,555**	**12,047**	**(4,418)**	**99,250**
Segment results	**(41,199)**	**883**	**8,600**	**(4,418)**	**(36,134)**
Reconciliation:					
Interest income					**192**
Corporate and other unallocated expenses					**(17,166)**
Finance costs					**(10,900)**
Loss before tax					**(64,008)**

For the six months ended 30 June 2017 (Unaudited)

	Apparel trading and related services *HK$'000*	Financial services *HK$'000*	Money lending *HK$'000*	Securities investment *HK$'000*	Total *HK$'000*
Revenue from contracts with customers – recognised at a point in time	169,617	–	–	–	169,617
Revenue from other sources	–	–	1,285	(2,256)	(971)
Segment revenue	169,617	–	1,285	(2,256)	168,646
Segment results	6,929	(27)	(8,272)	(2,260)	(3,630)
Reconciliation:					
Interest income					6
Corporate and other unallocated expenses					(6,003)
Finance costs					(438)
Loss before tax					(10,065)

Geographical information

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

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

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

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

Information about major customers

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

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

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

4. REVENUE AND OTHER INCOME

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

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

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

5. FINANCE COSTS

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

6. LOSS BEFORE TAX

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

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

7. INCOME TAX

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

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

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

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

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

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

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

8. DIVIDEND

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

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

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

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

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

	30 June 2018	31 December 2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Listed equity investment	**2,820**	7,238
Unlisted equity investments	**2,677**	2,713
	5,497	9,951

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

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

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

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

11. ACCOUNTS RECEIVABLE

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

Trade and bills receivables

Trade and bills receivables relate to the Group's apparel trading and related services business. The Group's trading terms with its customers are mainly on credit. The credit period generally ranges from 30 to 90 days (31 December 2017: 40 to 90 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department in order to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over these balances. Trade and bills receivables are non-interest-bearing.

An ageing analysis of the trade and bills receivables, net of allowance of expected credit loss of HK$559,000 (31 December 2017: HK$242,000), as at the end of the reporting period, based on the invoice date, is as follows:

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

Fund management fee receivables

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

12. LOANS RECEIVABLE

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

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

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

13. TRADE PAYABLES

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

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

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

14. BONDS PAYABLE

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

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

Issue date	**Maturity from issue date**	**Coupon rate**	**Effective interest rate**	**Principal outstanding**	
				30 June 2018	31 December 2017
				HK$'000	*HK$'000*
				(Unaudited)	(Audited)
30 October 2017*	23 months	8%	7.95%	**80,000**	80,000
24 January 2018	720 days	7.5%	7.91%	**180,000**	–
14 February 2018	720 days	7.5%	7.92%	**40,000**	–

All bonds are unsecured and contain no conversion feature.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

Apparel Supply Chain Management Services Business

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

Financial Services Business

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

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

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

Money Lending Business

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

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

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

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

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

Securities Investment

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

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

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

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

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

FINANCIAL REVIEW

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

(a) apparel supply chain management services;

(b) financial services;

(c) money lending; and

(d) securities investment.

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

Revenue

Revenue by Business Segments

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

- Apparel supply chain management services business: HK$83,066,000, 83.7% of revenue (2017: HK$169,617,000, 100.6%)

- Financial services business: HK$8,555,000, 8.6% of revenue (2017: nil)

- Money lending business: HK$12,047,000, 12.1% of revenue (2017: HK$1,285,000, 0.8%)

- Securities investment: negative revenue of HK$4,418,000, -4.4% of revenue (2017: negative revenue of HK$2,256,000, -1.4%)

Revenue by Geographical Segments

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

- USA: HK$78,661,000, 79.3% of revenue (2017: HK$169,389,000, 100.4%)

- Mainland China: HK$9,279,000, 9.3% of revenue (2017: HK$197,000, 0.1%)

- Hong Kong: HK$7,809,000, 7.9% of revenue (2017: negative revenue of HK$940,000, -0.5%)

- Other countries: HK$3,501,000, 3.5% of revenue (2017: nil)

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

Cost of Sales

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

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

Gross Profit and Margin

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

Other Income

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

Selling and Distribution Costs

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

Administrative Expenses

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

Other Expenses, Net

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

Finance Costs

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

Loss for the Period

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

PROSPECTS

Apparel Supply Chain Management Services Business

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

Money Lending Businesses

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

Financial Services Businesses

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

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

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

Securities Investment

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

CAPITAL STRUCTURE

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

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

TREASURY POLICIES

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

FOREIGN EXCHANGE EXPOSURE

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

EMPLOYEES AND REMUNERATION POLICIES

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

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

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS

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

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

SIGNIFICANT INVESTMENT

There were no significant investments held during the period.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

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

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

RISK MANAGEMENT

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

Interest Rate Risk

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

Foreign Currency Risk

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

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

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

Credit Risk

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

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

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

Liquidity Risk

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

Equity Price Risk

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

CONTINGENT LIABILITIES

There were no contingent liabilities as at 30 June 2018.

DIVIDEND

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

FINANCIAL ASSISTANCE FROM SUBSTANTIAL SHAREHOLDER

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

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

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

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

PROVISION OF FINANCIAL ASSISTANCE AND ADVANCE TO AN ENTITY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SUBSEQUENT EVENTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE PRACTICES

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

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

CHANGE IN INFORMATION OF DIRECTORS

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

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

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

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.1367.com.hk. The printed copy of the interim report will be sent to the Shareholders and the soft copy of the same will be published on the websites of the Stock Exchange and the Company in due course.

BOARD OF DIRECTORS

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

By order of the Board
SFund International Holdings Limited
Mr. Jia Bowei
Chairman & Executive Director

Hong Kong, 28 August 2018

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