# CONTENTS

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Siu Yun Fat *(Chairman)*
Mr. Chen Xiaodong *(Chief Executive Officer)*
Mr. Cai Linzhan
Mr. Lau Fai Lawrence
Mr. Yu Qingrui

### Independent Non-Executive Directors

Mr. Siu Siu Ling, Robert
Mr. Tam Tak Wah
Mr. Zheng Zongjia

## AUDIT COMMITTEE

Mr. Tam Tak Wah *(Chairman)*
Mr. Siu Siu Ling, Robert
Mr. Zheng Zongjia

## REMUNERATION COMMITTEE

Mr. Siu Siu Ling, Robert *(Chairman)*
Mr. Tam Tak Wah
Mr. Zheng Zongjia

## NOMINATION COMMITTEE

Mr. Tam Tak Wah *(Chairman)*
Mr. Siu Siu Ling, Robert
Mr. Zheng Zongjia

## COMPANY SECRETARY

Mr. Lau Cheuk Pun

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 912, 9th Floor
New East Ocean Centre
9 Science Museum Road
Kowloon, Hong Kong

## REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## AUDITOR

Moore Stephens CPA Limited
801-806 Silvercord, Tower 1
30 Canton Road, Tsimshatsui
Kowloon, Hong Kong

## SHARE REGISTRAR

### Hong Kong
Computershare Hong Kong Investor Services Limited
Shop 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

### Cayman Islands
Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

## PRINCIPAL BANKERS

Public Bank (Hong Kong) Limited
Shanghai Commercial Bank Limited
Chong Hing Bank Limited
The Hongkong and Shanghai Banking Corporation Limited

## COMPANY WEBSITE

www.fw-fh.com

# MANAGEMENT DISCUSSION AND ANALYSIS

## RESULTS

The Board of Directors (the "**Board**" or "**Directors**") of Future World Financial Holdings Limited (the "**Company**") hereby present the unaudited consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2018 (the "**Period**").

## BUSINESS AND FINANCIAL REVIEW

The Company is an investment holding company. The Group are principally engaged in (i) securities trading and investment; (ii) provision of financing services; (iii) property investment; (iv) e-commerce business; and (v) trading business and related services.

In regard to the operational front, the Group recorded a revenue and net realised gain from securities trading and investments of approximately HKD23,712,000 for the Period (2017: HKD83,076,000), representing a decrease of approximately 71% compared with the corresponding period of last year. The decrease in revenue and net realised gain from securities trading and investments was mainly due to no dividend income was recorded during the Period (2017: HKD70,214,000).

The Group reported a net loss of approximately HKD31,847,000 attributable to shareholders of the Company (2017: net profit of HKD307,805,000) and basic loss per share of HK0.31 cents (2017: basic earnings per share of HK4.82 cents) for the Period. The loss was mainly attributed to loss of approximately HKD46,000,000 (2017: net profit of approximately HKD343,654,000) recorded for the segment of securities trading and investment.

### Treasury Business

The treasury business includes securities trading and investment business and money lending business.

***Securities trading and investment business***

The Group's securities trading portfolio comprised of equity securities listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") which comprised of five listed companies in sectors of (1) securities and brokerage; (2) information technology; and (3) financial industry during the Period. The Group identified its investments based on the share price, the gain potential and the future prospect of the investments. The securities investments were classified under financial assets at fair value through other comprehensive income ("**FVTOCI**") (2017: available-for-sale financial assets ("**AFS**") under Hong Kong Accounting Standard ("**HKAS**") 39) and financial assets at fair value through profit or loss ("**FVTPL**") (2017: held-for-trading investments ("**HFT**") under HKAS 39) in the condensed consolidated interim financial statements.

Hong Kong Financial Reporting Standard ("**HKFRS**") 9 Financial Instruments issued by the Hong Kong Institute of Certified Public Accountants has been effective for annual periods on or after 1 January 2018. Before the adoption of HKFRS 9, the Group held 1,300,000,000 shares ("**CMBC Shares**") in the issued share capital of CMBC Capital Holdings Limited ("**CMBC**", stock code: 1141) which was classified and measured at fair value through profit or loss under HKAS 39. As at 1 January 2018, the Directors assessed the business model of holding such equity investments and concluded that they are not HFT and therefore should be classified as FVTOCI under the new HKFRS 9. Changes in fair value of the 1,300,000,000 CMBC Shares for the Period was recognised in other comprehensive income (rather than in profit or loss under HKAS 39).

Before the adoption of HKFRS 9, the Group also held 224,000,000 CMBC Shares and 553,954,650 shares of China Soft Power Technology Holdings Limited, ("**CSPT**", stock code: 139), which were classified as AFS under HKAS 39 and were measured at fair value through other comprehensive income. Upon the adoption of HKFRS 9 by the Group, such AFS are also designated as FVTOCI and remain to be measured at fair value through other comprehensive income as under HKAS 39 previously.

# MANAGEMENT DISCUSSION AND ANALYSIS

The Group invested in crypto currency during the Period. As at 30 June 2018, the Group held 470 units of Bitcoins with carrying amount of approximately HKD23,146,000 (2017: Nil). During the Period, the change in fair value of crypto currency amounted to loss of approximately HKD18,352,000 (2017: Nil), suffering from the crypto currency downturn in the second quarter of 2018.

Crypto currencies are digital currencies in which encryption techniques are used to regulate the generation of units of currency and verify the transfer of funds using blockchain technology, operating independently of a central bank. The blockchain is a public record of crypto currency transactions in chronological order. The blockchain is shared between all users in that blockchain. It is used to verify the permanence of transactions and to prevent double spending. Crypto currencies are not issued by any central authority, rendering them theoretically immune to government interference or manipulation. Crypto currencies make it easier to transfer funds between two parties in a transaction and these transfers are facilitated.

According to CoinMarketCap (a website for tracking capitalisation of various crypto currencies), the market capitalisation of the overall crypto currency market had increased approximately 20 times from approximately HKD99.37 billion in January 2016 to approximately HKD2,004.21 billion in June 2018. Having considered the optimistic prospects of blockchain technology and crypto currencies, and the recent performance of the overall crypto currency market, the Board is of the view that crypto currency is an attractive investment and can enhance the returns on cash for the Group.

For the Period, the dividend income on investment in listed equity securities and net realised gain on investment from securities trading and investment segment decreased to approximately HKD4,887,000 (2017: HKD79,574,000). The decrease was mainly due to no dividend income was recorded during the Period (2017: HKD70,214,000). As a whole, the segment recorded a loss of approximately HKD46,000,000 (2017: profit of approximately HKD343,654,000). The loss was mainly due to the unrealised loss of investments under FVTPL of approximately HKD23,807,000 (2017: net unrealised gain of approximately HKD266,514,000) and the unrealised loss of crypto currency investments of approximately HKD18,352,000 (2017: Nil) were recorded during the Period.

During the Period, the Group recorded a net unrealised loss of investments under FVTOCI of approximately HKD202,436,000 (2017: unrealised loss of HKD7,833,000) and an unrealised loss of investments under FVTPL of approximately HKD23,807,000 (2017: net unrealised gain of approximately HKD266,514,000). Approximately 88% and 12% of the unrealised loss of investments under FVTOCI were attributable to the Group's investment in securities of CMBC and CSPT respectively. Approximately 98% of the unrealised loss of investments under FVTPL was attributable to the Group's investment in securities of CSPT.

As at 30 June 2018, details of the securities investments held are as follows:

| Name of the investees | Number of shares held | Percentage of equity interests as at 30.06.2018 | Closing value as at 30.06.2018 | Market value of the interests as at 30.06.2018 | Fair value loss for the Period | Dividend Income for the Period | Realised Gain/(loss) for the Period |
|---|---|---|---|---|---|---|---|
| | | | *HKD* | *HKD'000* | *HKD'000* | *HKD'000* | *HKD'000* |
| **FVTOCI** | | | | | | | |
| CMBC (Stock code: 1141) | 2,092,760,000 | 4.571% | 0.455 | 952,206 | (177,508) | – | – |
| CSPT (Stock code: 139) | 553,954,650 | 3.764% | 0.090 | 49,856 | (24,928) | – | – |
| Total | | | | 1,002,062 | (202,436) | – | – |
| **FVTPL** | | | | | | | |
| CSPT | 516,666,666 | 3.511% | 0.090 | 46,500 | (23,250) | – | 200 |
| Tencent Holdings Limited (Stock code: 700) | 130,000 | 0.001% | 393.800 | 51,194 | (547) | – | (892) |
| China Literature Limited (Stock code: 772) | 1,059 | 0.000% | 73.7000 | 78 | (10) | – | – |
| Hong Kong Exchange and Clearing Limited (Stock code: 388) | – | – | – | – | – | – | 8,077 |
| Total | | | | 97,772 | (23,807) | – | 7,385 |
| Grand-Total | | | | 1,099,834 | (226,243) | – | 7,385 |

As at 30 June 2018, the Group held securities investment portfolio with market value of approximately HKD1,099,834,000 (including FVTOCI of approximately HKD1,002,062,000 and FVTPL of approximately HKD97,772,000) (31 December 2017: HKD1,066,124,000) and crypto currency investment with market value of approximately HKD23,146,000. Except for the investments in CMBC and CSPT, at 30 June 2018, there was no investment held by the Group which value was more than 5% of the net assets of the Group.

*Performance and prospects of the investees*

CMBC

Since late June 2017, CMBC had been takenover by China Minsheng Banking Corporation Limited (stock code: 1988) ("**Minsheng**"), one of the largest private banks in the People's Republic of China ("**PRC**") and was ranked #251 on 2017 Fortune 500. Also, the management of CMBC was changed following the takenover. CMBC and its subsidiaries (the "**CMBC Group**") was then principally engaged in the business of brokerage and related services, securities investment and provision of finance. Minsheng has indirect interest in over 60% of the issued shares capital of CMBC as at 30 June 2018.

As mentioned in its interim results announcement for the six months ended 30 June 2018, the CMBC Group's profit attributable to its owners has increased to approximately HKD100.4 million, representing an increase of approximately 29.1% when compared to profit for the six months ended 30 September 2017 of HKD77.8 million. The CMBC Group's basic and diluted earnings per share were both HK0.22 cents (30 September 2017: both HK0.21 cents). Revenue has increased by approximately 360.6% to approximately HKD344.1 million for the six months ended 30 June 2018, compared to approximately HKD74.7 million for the six months ended 30 September 2017. It was mainly due to the contribution from the investment and financing segment and the asset management and advisory segment during the period.

After the takenover by Minsheng, the operation and results of CMBC had been significantly improved. This was mainly attributed by its new management team and the new management team has extensive experience in investment banking industry.

The Company has strong confidence in the experienced and competent management team of CMBC that they can lead CMBC to perform much better in the future and improve the earnings. In view of the strong financial performance and the competent management team of CMBC, as well as the strong background of Minsheng, the Company holds a positive view toward the future performance of CMBC and expects that the Company can obtain fruitful capital gain from the investment in it in long term. The management of the Group considers the investment in CMBC will not be disposed of in short term nor held for trading purpose.

CMBC closed at HKD0.455 as at 30 June 2018, with an increase of approximately 11% from its closing price of HKD0.410 as at 30 June 2017.

CSPT

CSPT and its subsidiaries (the "**CSPT Group**") are principally engaged in the securities and futures dealing business, financial investment, property investments and money lending business.

As mentioned in its annual report for the period from 1 April 2017 to 31 December 2017, the CSPT Group recorded a revenue of approximately HKD228.1 million for the period, compared to the negative revenue of approximately HKD52.1 million for the year ended 31 March 2017. The net profit for the period was approximately HKD368.9 million, compared to the net loss of approximately 156.4 million for the year ended 31 March 2017. Basic earnings per share attributable to ordinary equity holders of the parent for the period was HKD0.03 (31 March 2017: basic loss per share of HKD0.02).

As at 30 June 2018, the Group held total of 553,954,650 CSPT shares under FVTOCI (31 December 2017: 553,954,650 CSPT shares under AFS) which will allow the Company and CSPT to become strategic alliance with a more significant shareholding stake in each other and will allow the Group and CSPT to share its experience and expertise in financial services industry. With its profit made for the period ended 31 December 2017, the Company is with a positive view toward the future performance and expects that can obtain a fruitful capital gain from the 553,954,650 CSPT shares under a long term view.

In order to diversify the portfolio, 516,666,666 CSPT shares under FVTPL (31 December 2017: 616,666,666 CSPT shares under HFT) are intended to be held for short term capital appreciation as at 30 June 2018. Subject to the investment report prepared by the investment team, the Group will realise the investments from time to time where to do so is to be in the best interests of the Group or where the terms on which such realisation to be particularly favourable to the Group.

CSPT closed at HKD0.090 as at 30 June 2018 as compared to HKD0.187 as at 30 June 2017. The Company is confident about the long-term development of the securities industry in Hong Kong, and thus is optimistic on the future prospect of CSPT.

Tencent Holdings Limited ("**Tencent**")

Tencent and its subsidiaries (the "**Tencent Group**") are principally engaged in the provision of value-added services and online advertising services to users in the PRC. Its many services include social network, web portals, e-commerce, online/mobile games and provision of payment related services and other services.

As mentioned in its interim results announcement for the six months ended 30 June 2018, the Tencent Group recorded a revenue of approximately RMB147,203 million for the period (2017: RMB106,158 million). The profit attributable to its equity holders for the six months ended 30 June 2018 increased by 26% to approximately RMB41,157 million (2017: RMB32,707 million). Basic and diluted earnings per Tencent share for the six months ended 30 June 2018 were approximately RMB4.363 (2017: RMB3.480) and approximately RMB4.303 (2017: RMB3.436) respectively.

Tencent closed at HKD393.8 as at 30 June 2018, up approximately 41% from its closing price of HKD279.178 as at 30 June 2017. Tencent is one of the largest internet companies, as well as gaming companies in the world. The Board believes that Tencent will grow with the economy of the PRC and has massive future potential.

China Literature Limited ("**China Lit**")

China Lit, the online reading unit being spun out by Tencent, launched an initial public offering on the Stock Exchange in November 2017. Tencent was deemed to be interested in 57.62% of the issued shares capital of China Lit as at 30 June 2018. China Lit and its subsidiaries (the "**China Lit Group**") are principally engaged in the provision of reading services, copyright commercialisation, writer cultivation and brokerage, operation of text work reading and related open platform, which are all based on text work, and the realisation of these activities through technology methods and digital media including but not limited to personal computers, internet and mobile network in the PRC.

As mentioned in its interim results announcement for the six months ended 30 June 2018, the revenues of the China Lit Group increased by 18.6% on a year-over-year basis to RMB2,282.9 million (2017: RMB1,924.2 million). Profit attributable to equity holders of China Lit increased significantly from RMB212.0 million for the six months ended 30 June 2017 to RMB505.8 million for the six months ended 30 June 2018. China Lit Group's basic earnings per share was RMB0.58 (2017: RMB0.29) and diluted earnings per share was RMB0.57 (2017: RMB0.29).

The closing price of China Lit was HKD73.70 as at 30 June 2018, an increase of approximately 34% of its initial offer price of HKD55.00. The Company is optimistic on the future business prospect and an increase in the stock's valuation of China Lit.

Hong Kong Exchanges and Clearing Limited ("**HKEx**")

HKEx together with its subsidiaries (the "**HKEx Group**") own and operate the only stock and futures markets in Hong Kong and clearing houses.

It was mentioned in HKEx's interim report for the six months ended 30 June 2018, the HKEx Group's total revenue and other income amounted to HKD8,194 million (2017: HKD6,203 million) and the profit attributable to shareholders was HKD5,041 million (2017: HKD3,493 million) for the six months ended 30 June 2018, up 32% and 44% respectively as compared to 2017. The HKEx Group's basic earnings per share was HKD4.07 (2017: HKD2.86) and diluted earnings per share was HKD4.06 (2017: HKD2.85).

As at 30 June 2018, the Group did not hold any HKEx Shares.

***Money lending business***

A wholly-owned subsidiary of the Group, Globally Finance Limited ("**Globally Finance**"), which held the Money Lenders Licence in Hong Kong since early of 2015, carries a money lending business in Hong Kong. During the Period, Globally Finance generated a revenue with amount of approximately HKD13,570,000 (2017: HKD2,302,000) and a profit of approximately HKD7,370,000 (2017: HKD2,291,000).

As at 30 June 2018, the Group had the gross loan receivables of approximately HKD387,186,000 (31 December 2017: HKD264,702,000). As at 1 January 2018, an expected credit loss on the loan receivables of HKD17,145,000 was provided upon transition to HKFRS 9 Financial Instruments and further increased by HKD6,071,000 as at 30 June 2018. The increase in expected credit loss was due to the increase of loan receivables as at 30 June 2018 as compared with the balance as at 1 January 2018. The loan receivables of approximately HKD264,702,000 as at 31 December 2017 were fully settled during the Period.

## Investment properties

The Group is currently holding two residential properties located in Hong Kong. Details of the investment properties are as follows:

| **Location** | **Use** | **Approximate Saleable Area** *(square feet)* | **Category of lease** | **Group Interest** |
|---|---|---|---|---|
| No. 19, Cumberland Road, Kowloon Tong | Residential | 5,808 | Short | 100% |
| No. 1, Lincoln Road, Kowloon Tong ("**Lincoln Road Property**") | Residential | 6,892 | Short | 100% |

On 29 December 2017, a subsidiary of the Company entered into a sale and purchase agreement with a subsidiary of CSPT (the "**Vendor**") in relation to the acquisition of the entire equity interests in Goodview Assets Limited ("**Goodview**"), a company incorporated in the British Virgin Islands and all obligations, liabilities and debts owing or incurred by Goodview to the Vendor for an aggregate consideration of HKD260,000,000, which will be satisfied by the allotment and issue of 1,793,103,448 ordinary shares of the Company. Goodview holds the Lincoln Road Property. The acquisition constitutes a major transaction for the Company under Chapter 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"). The transaction and the allotment and issue of the said consideration shares pursuant to a specific mandate were approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 13 April 2018. The transaction was completed on 25 April 2018. For more information, please refer to the Company's announcements on 29 December 2017 and 25 April 2018 and the circular dated 20 March 2018.

During the Period, the Group recorded rental income of HKD4,600,000 (2017: HKD1,200,000) and fair value gain of HKD14,000,000 (2017: HKD6,000,000) arising from change in fair value of investment properties from the property investment segment.

The Group will continue to look for opportunity to expand its investment property portfolio in Hong Kong with an aim to generate stable rental income and/or for capital appreciation.

### Investment in film industry

China Wisdom Group Limited ("**China Wisdom**"), a wholly owned subsidiary of the Company, has currently entered into agreements with Ocean Wave Motion Pictures (International) Limited ("**Ocean Wave**") in relation to investment and advancements in the following film projects:

| Date of agreement | Film project | Investment/ Advancement amount | Annual interest rate | Investment return | Carrying amount of investment as at 30.06.2018 (as at 31.12.2017) *HKD* | Category |
|---|---|---|---|---|---|---|
| 12.07.2016 | Girls II 《閨蜜2》 | RMB12,000,000 (RMB10,800,000 invested as at 30.06.2018) | Nil | subject to the box office revenue of the film | 12,960,000 (12,960,000) | Interest in a film right/ a film in progress |
| 21.09.2017 | Death Wish 《虎膽追兇》 | USD1,320,000 | 8% | additional upside return (if any) | 10,296,000 *(Note)* (Nil) | Financial assets at FVTPL |
| | | | | | 636,000 *(Note)* (10,524,000) | Loan and interest receivables |
| 11.10.2017 | Two Days 《兩天》 | USD487,500 | 12% | Nil | 4,101,000 (3,875,000) | Loan and interest receivables |
| 12.06.2018 | Papillon 《巴比龍》 | USD675,000 | 8% | Nil | 5,286,000 (Nil) | Loan and interest receivables |

*Note:* The carrying amount of investment in Death Wish was under the category of Loan and interest receivable as at 31 December 2017 which has been classified under two categories (i) Financial assets at FVTPL and (ii) Loan and interest receivables as at 1 January 2018 and 30 June 2018.

Girls II has been released in March 2018 in the PRC, Hong Kong and Taiwan. As at 30 June 2018, the relevant information regarding the box office revenue of the film has not yet been provided by Ocean Wave and no investment return has been paid to the Group. During the Period, China Widsom recorded interest income from the segment of investment in film industry of approximately HKD655,000 (2017: Nil).

The Board considers that the entering into of the above agreements will allow the Group to have a stake in the return of the film as a passive investor whilst the Group needs not to invest the whole film project on its own account or to involve in the production and distribution of the film. Besides, the agreements will allow the Group to have stable return without significant risk exposures.

### E-commerce business

During the Period, no revenue was generated (2017: Nil) and a loss of approximately HKD124,000 (2017: HKD27,763,000) was recorded for the segment of E-commerce business. The significant decrease in segment loss was due to no impairment loss on property, plant and equipment was made during the Period (2017: HKD14,760,000) and no provision for the onerous contract of the committed lease and other payments (2017: HKD8,445,000) was provided during the Period. The Group will continue to look for any potential opportunity in the e-commerce business.

### Trading business and related services

During the Period, no revenue was generated (2017: Nil) and a loss of approximately HKD1,915,000 (2017: HKD1,003,000) was recorded for the segment of trading business and related services.

## LIQUIDITY, FINANCIAL, RESOURCES AND FUNDING

The Group had total cash and bank balances of approximately HKD10,376,000 as at 30 June 2018 (31 December 2017: HKD133,008,000). As at 30 June 2018, the Group had total borrowings of approximately HKD568,953,000 (31 December 2017: HKD261,721,000) comprised with bank borrowings of approximately HKD245,155,000 (31 December 2017: HKD111,961,000) and margin loan payable of approximately HKD323,798,000 (31 December 2017: HKD149,760,000). Among bank borrowings, approximately HKD8,379,000 are repayable within one year, HKD8,576,000 are repayable over one year but not exceeding two years, HKD27,321,000 are repayable over two years but not exceeding five years and HKD200,879,000 are repayable over five years. The bank borrowings bear interest rate at the lower of HKD Prime Rate –2.5% and HIBOR (1 month) +2% per annum.

The margin loan payable bears fixed interest rate at 6% to 9.5% per annum. The margin loan payable is repayable within one year and was guaranteed by the Company. Details are set out in Note 22 to the condensed consolidated interim financial statements.

The gearing ratio, which is calculated as total borrowings divided by total equity, was approximately 34.87% as at 30 June 2018 (31 December 2017: 17.25%). Net assets were approximately HKD1,631,487,000 (31 December 2017: HKD1,516,946,000).

As at 30 June 2018, the Group has total current assets of approximately HKD530,375,000 (31 December 2017: HKD1,341,912,000) and total current liabilities of approximately HKD597,127,000 (31 December 2017: HKD301,685,000). The current ratio of the Group, calculated by dividing total current assets by total current liabilities, was approximately 0.89 as at 30 June 2018 (31 December 2017: 4.45).

The Group’s finance costs for the Period was approximately HKD6,658,000 (2017: HKD1,565,000) and was mainly related to interests paid on the bank borrowings and margin loans. The increase in finance cost was mainly due to interest paid for the margin loans.

### Foreign Currency Management

The Group has minimal exposure to foreign currency risks as most of its business transactions, assets and liabilities are principally denominated in Hong Kong dollars. The Group currently does not have a foreign currency hedging policy in respect of its foreign currency assets and liabilities. The Group will monitor its foreign currency exposure closely and will consider hedging foreign currency exposure if necessary.

### Pledge of Assets

At 30 June 2018, the Group's investment properties with carrying amount of HKD694,000,000 (31 December 2017: HKD280,000,000) have been pledged to secure the bank borrowings granted to the Group.

As at 30 June 2018, the Group had pledged the investment property with carrying amount of HKD292,000,000, the securities investment under FVTOCI of approximately HKD995,273,000 (31 December 2017: HKD193,504,000) and the securities investment under FVTPL of approximately HKD97,772,000 (31 December 2017: HKD872,620,000) to secure the margin loan payable under the margin accounts.

## MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES

Details of the acquisition of the entire issued share capital of Goodview are set out under "Investment properties" section on page 8.

## CONTINUING CONNECTED TRANSACTIONS

Since December 2015, Central Wealth Securities Investment Limited ("**CWSI**"), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of CSPT, has been providing brokerage services and margin financing to Golden Horse Hong Kong Investment Limited, a direct wholly-owned subsidiary of the Company, from time to time.

On 9 September 2017, Globally Finance as lender and CSPT as borrower entered into a loan agreement (the "**Loan Agreement**"), pursuant to which Globally Finance agreed to grant a loan facility to CSPT for a term of three years which was amended and supplemented by a supplemental loan agreement on 19 September 2017.

On 25 April 2018, (i) the Company and CWSI entered into a master services agreement (the "**Master Services Agreement**") in relation to the provision of brokerage services for trading of securities, futures and options contracts in Hong Kong and/or any other overseas exchanges, the granting of margin facilities and corporate finance services in relation to possible fundraising activities of the Group, including but not limited to acting as placing agent or underwriter for the securities of the Company by CWSI to the Group on an ongoing and non-exclusive basis; and (ii) Globally Finance and CSPT entered into a supplemental loan agreement to further increase the facility amount up to HKD270,000,000 and extend the availability period of the Loan Facility to 31 December 2020.

Since completion of the acquisition of the entire issued share capital of Goodview on 25 April 2018, CSPT Group has become a substantial shareholder of the Company. Hence, each of CSPT and its associates, including CWSI, is a connected person of the Company for the purposes of the Listing Rules. Accordingly, the transactions contemplated under the Master Services Agreement and the Loan Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules (the "**CCT**"). As the applicable percentage ratios of the proposed annual caps for the transactions under the Master Services Agreement and the Loan Agreement exceed 5%, the CCT are subject to the approval by the independent shareholders of the Company. The CCT was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 6 August 2018. For more information, please refer to the Company's announcements on 25 April 2018, 29 June 2018 and 6 August 2018 and the circular dated 16 July 2018.

## CONNECTED TRANSACTIONS

Ocean Wave is owned as to 50% by Mr. Chen Xiaodong and as to 50% by an independent third party. As Mr. Chen is a Director and the Chief Executive Officer of the Company, Ocean Wave is a connected person of the Company and the entering into of the agreements between China Wisdom and Ocean Wave set out under “Investment in film industry” section on page 9 constitute connected transactions of the Company. As the applicable percentage ratios under the Listing Rules are less than 5%, the transactions were subject to the reporting and announcement requirements but was exempted from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

## PLACINGS

On 11 December 2017, a placing agreement has been entered into between the Company and CWSI as placing agent in relation to the placing of 1,630,000,000 shares of the Company at the placing price of HKD0.145 (the “**Placing**”). The placing shares of the Company under the Placing were issued under the general mandate which was granted to the Directors at the extraordinary general meeting of the Company held on 31 October 2017. The Placing was completed on 2 January 2018.

As at the date of this report, the use of proceeds from the Placing are summarised as below:

| Date of announcement | Event | Net proceeds | Intended use of proceeds | Actual use of proceeds |
|---|---|---|---|---|
| 11 December 2017 and 6 February 2018 | Placing of up to 1,630,000,000 new shares at the price of HKD0.145 per placing share. | The net proceeds from the placing amount to approximately HKD228 million. | The net proceeds from the placing were originally intended to be used for as to approximately: HKD51 million for repayment of margin loans, HKD20 million for property investment, HKD60 million for money lending business of the Group, HKD80 million for securities trading and investment of the Group and the remaining balance for general working capital. | The net proceeds from the placing were used for as to approximately: HKD120 million for repayment of margin loans, HKD33 million for money lending business of the Group, HKD66 million for securities trading and investment of the Group and the remaining balance for general working capital. |

## EMPLOYEES AND REMUNERATION POLICIES

At 30 June 2018, the Group had 14 employees including Directors (31 December 2017: 15) situated in Hong Kong. The Group’s emoluments policies are formulated based on industry practices and performance of individual employees. For the Period, the total staff costs including remuneration of Directors and chief executives amounted to approximately HKD3,662,000 (2017: HKD17,054,000).

## INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the Period (2017: Nil).

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company during the Period,

## EVENTS AFTER THE REPORTING PERIOD

Save as the CCT set out under "Continuing Connected Transactions" section on page 11, the Group had no other material event after the reporting period.

## PROSPECTS

The global uncertainties and the economic and trading relationship between the United States and the PRC are getting more dynamic with uncertainty during the reporting period. The increase of daily quotas for the Hong Kong-Shanghai and the Hong Kong-Shenzhen stock links with effective from 1 May 2018 and the PRC government's measures to open its financial market wider to foreign investors, including the allowance of foreign investors to take a maximum 51 per cent equity stake in brokerage firms, futures companies and fund management firms may facilitate cross-border investments and benefit the stock market in Hong Kong. It is believed that the investment returns from Hong Kong are still attractive when compared to other global markets.

Residential property sales in Hong Kong remained rather stable during the reporting period. The risk of a downturn of the property market in Hong Kong is still under the shadow of increasing mortgage interest rate.

The Group will from time to time review and adjust its investment portfolio of securities and property investment strategy if and when necessary. It will continue to identify and pursue profitable investment opportunities to expand its sources of revenue and enhance its business prospects.

# Report on Review of Condensed Consolidated Interim Financial Statements

MOORE STEPHENS

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大華馬施雲
會計師事務所有限公司

**To the Directors of Future World Financial Holdings Limited**
*(Incorporated in the Cayman Islands with limited liability)*

## INTRODUCTION

We have reviewed the condensed consolidated interim financial statements set out on pages 16 to 49, which comprise the condensed consolidated statement of financial position of Future World Financial Holdings Limited (the "**Company**") and its subsidiaries (together the "**Group**") as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on condensed consolidated interim financial statements to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "*Interim Financial Reporting*" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "*Review of Interim Financial Information Performed by the Independent Auditor of the Entity*" ("**HKSRE 2410**") issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the condensed consolidated interim financial statements, which indicates that the Group incurred a net loss of approximately HKD31,847,000 for the six-month ended 30 June 2018 and, as of that date, the Group has net current liabilities of approximately HKD66,752,000. These conditions indicate a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

## CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

## OTHER MATTER

The comparative condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity, condensed consolidated statement of cash flows and the relevant explanatory notes for the six-month ended 30 June 2017 have not been reviewed in accordance with HKSRE 2410.

**Moore Stephens CPA Limited**
*Certified Public Accountants*

**Li Wing Yin**
Practising Certificate Number: P05035

Hong Kong, 27 August 2018

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

| | Notes | Six months ended 30 June 2018 HKD'000 (Unaudited) | 2017 HKD'000 (Unaudited) |
|---|---|---|---|
| **Net realised gain from securities trading and investments** | 5 | **4,887** | 9,360 |
| **Revenue** | 5 | **18,825** | 73,716 |
| Cost of sales | | **–** | (1,653) |
| **Gross profit** | | **18,825** | 72,063 |
| Other income | | **10** | 1,486 |
| Gain on disposal of subsidiaries | | **–** | 19 |
| Gain on disposal of associates | | **–** | 216 |
| Administrative expenses | | **(15,218)** | (14,609) |
| Impairment loss on property, plant and equipment | 13 | **–** | (14,760) |
| Impairment loss on loan and interest receivables | | **(6,071)** | – |
| Reversal of impairment loss recognised on trade and other receivables | | **2,688** | – |
| Provision for the onerous contract of the committed lease and other payments | 13 | **–** | (8,445) |
| Change in fair values of financial assets at fair value through profit or loss/held-for-trading investments | 16 | **(23,807)** | 266,514 |
| Change in fair values of derivative financial instrument | | **–** | 600 |
| Change in fair value of investment properties | 13 | **14,000** | 6,000 |
| Change in fair value of crypto currency | | **(18,352)** | – |
| Share of profit of associates | | **–** | 1,794 |
| Share-based payment expense | 24 | **–** | (10,490) |
| **Operating (loss)/profit** | | **(23,038)** | 309,748 |
| Finance costs | 8 | **(6,658)** | (1,565) |
| **(Loss)/Profit before income tax** | 9 | **(29,696)** | 308,183 |
| Income tax expenses | 10 | **(2,151)** | (378) |
| **(Loss)/Profit for the period** | | **(31,847)** | 307,805 |
| **Other comprehensive loss:** | | | |
| Item that will not be reclassified to profit or loss: | | | |
| Change in fair value of financial assets at fair value through other comprehensive income | | **(202,436)** | (7,833) |
| **Other comprehensive loss for the period, net of income tax** | | **(202,436)** | (7,833) |
| **Total comprehensive (loss)/income for the period** | | **(234,283)** | 299,972 |

# Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

| | Notes | Six months ended 30 June 2018 HKD'000 (Unaudited) | 2017 HKD'000 (Unaudited) |
|---|---|---|---|
| **(Loss)/Profit for the period attributable to:** | | | |
| – Owners of the Company | | **(31,847)** | 307,805 |
| – Non-controlling interest | | **–** | – |
| | | **(31,847)** | 307,805 |
| **Total comprehensive (loss)/income attributable to:** | | | |
| – Owners of the Company | | **(234,283)** | 299,972 |
| – Non-controlling interest | | **–** | – |
| | | **(234,283)** | 299,972 |
| **(Loss)/Earnings per share attributable to owners of the Company** | | | |
| – Basic | 12 | **HK(0.31) cents** | HK4.82 cents |
| – Diluted | | **HK(0.31) cents** | HK4.64 cents |

# Condensed Consolidated Statement of Financial Position

As at 30 June 2018

| | Notes | **30 June 2018 HKD'000 (Unaudited)** | 31 December 2017 HKD'000 (Audited) |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | 13 | **2,177** | 3,215 |
| Investment properties | 13 | **694,000** | 280,000 |
| Financial assets at fair value through other comprehensive income | 14 | **1,002,062** | – |
| Available-for-sale financial assets | 15 | **–** | 193,504 |
| | | **1,698,239** | 476,719 |
| **Current assets** | | | |
| Crypto currency | 18 | **23,146** | – |
| Financial assets at fair value through profit or loss/Held-for-trading investments | 16 | **108,068** | 872,620 |
| Interest in a film right/Interest in a film in progress | 17 | **12,960** | 12,960 |
| Trade and other receivables | 19 | **1,832** | 44,223 |
| Loan and interest receivables | 19 | **373,993** | 279,101 |
| Cash and bank balances | | **10,376** | 133,008 |
| | | **530,375** | 1,341,912 |
| **Current liabilities** | | | |
| Accruals and other payables | 20 | **9,250** | 22,848 |
| Bank borrowings | 21 | **245,155** | 111,961 |
| Other borrowings | 22 | **323,798** | 149,760 |
| Tax liabilities | | **18,924** | 17,116 |
| | | **597,127** | 301,685 |
| **Net current (liabilities)/assets** | | **(66,752)** | 1,040,227 |
| **Net assets** | | **1,631,487** | 1,516,946 |
| **Capital and reserves** | | | |
| Share capital | 23 | **11,580** | 8,157 |
| Reserves | | **1,619,912** | 1,508,794 |
| Equity attributable to owners of the Company | | **1,631,492** | 1,516,951 |
| Non-controlling interest | | **(5)** | (5) |
| **Total equity** | | **1,631,487** | 1,516,946 |

On behalf of the board of directors

**Siu Yun Fat**
*Director*

**Lau Fai Lawrence**
*Director*

# Condensed Consolidated Statement Changes in Equity

For the six months ended 30 June 2018

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HKD'000 | Treasury shares HKD'000 | Share premium HKD'000 *(Note a)* | Share options reserve HKD'000 | Translation reserve HKD'000 | Available-for-sale financial assets reserve HKD'000 | Shares held under share award scheme HKD'000 | (Accumulated losses)/ Retained earnings HKD'000 | Total HKD'000 | Non-controlling interests HKD'000 | Total HKD'000 |
| At 1 January 2017 | 6,485 | – | 686,647 | 38,654 | (3) | – | (36,620) | (66,639) | 628,524 | (4) | 628,520 |
| Profit for the period | – | – | – | – | – | – | – | 307,805 | 307,805 | – | 307,805 |
| Other comprehensive loss for the period, net of income tax | – | – | – | – | – | (7,833) | – | – | (7,833) | – | (7,833) |
| Total comprehensive income for the period | – | – | – | – | – | (7,833) | – | 307,805 | 299,972 | – | 299,972 |
| Receipt of treasury shares | – | (22) | (5,209) | – | – | – | – | – | (5,231) | – | (5,231) |
| Recognition of equity-settled share-based payments | – | – | – | 10,490 | – | – | – | – | 10,490 | – | 10,490 |
| Lapse of share options | – | – | – | (1,964) | – | – | – | 1,964 | – | – | – |
| Share purchased under the share award scheme | – | – | – | – | – | – | (7,127) | – | (7,127) | – | (7,127) |
| At 30 June 2017 (Unaudited) | 6,485 | (22) | 681,438 | 47,180 | (3) | (7,833) | (43,747) | 243,130 | 926,628 | (4) | 926,624 |

| | Attributable to owners of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital HKD'000 | Share premium HKD'000 *(Note a)* | Share options reserve HKD'000 | Translation reserve HKD'000 | Available-for-sale financial assets reserve HKD'000 | Fair value reserve (non-recycling) HKD'000 | Other reserve HKD'000 *(Note b)* | Retained earnings HKD'000 | Total HKD'000 | Non-controlling interests HKD'000 | Total HKD'000 |
| At 31 December 2017 as originally presented | 8,157 | 938,170 | 24,237 | (1) | 26,794 | – | 120,000 | 399,594 | 1,516,951 | (5) | 1,516,946 |
| Change in accounting policy *(Note 4)* | – | – | – | – | (26,794) | 26,794 | – | (19,833) | (19,833) | – | (19,833) |
| At 1 January 2018 | 8,157 | 938,170 | 24,237 | (1) | – | 26,794 | 120,000 | 379,761 | 1,497,118 | (5) | 1,497,113 |
| Loss for the period | – | – | – | – | – | – | – | (31,847) | (31,847) | – | (31,847) |
| Other comprehensive loss for the period, net of income tax | – | – | – | – | – | (202,436) | – | – | (202,436) | – | (202,436) |
| Total comprehensive loss for the period | – | – | – | – | – | (202,436) | – | (31,847) | (234,283) | – | (234,283) |
| Issuance of shares upon placing, net of transaction costs *(Note 23b)* | 1,630 | 226,448 | – | – | – | – | (120,000) | – | 108,078 | – | 108,078 |
| Issuance of shares for an acquisition of a subsidiary *(Note 23c)* | 1,793 | 258,786 | – | – | – | – | – | – | 260,579 | – | 260,579 |
| Lapse of share options | – | – | (678) | – | – | – | – | 678 | – | – | – |
| **At 30 June 2018 (Unaudited)** | **11,580** | **1,423,404** | **23,559** | **(1)** | **–** | **(175,642)** | **–** | **348,592** | **1,631,492** | **(5)** | **1,631,487** |

*Notes:*

a) Under the Companies Law (Revised) Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Associations and provided that immediately following the distribution or dividends, the Company is able to pay its debts as they fall due in the ordinary course of business.

b) Other reserve represented the receipt of partial proceeds for placing of new shares to be completed during the year ended 31 December 2017. On 2 January 2018, the Company completed the placing of 1,630,000,000 new shares, from which the Company received total net proceeds of approximately HKD228,078,000, net of transaction costs. Such reserve has been transferred to as part of share capital and part of share premium accordingly upon completion of the placing.

# Condensed Consolidated Statement of Cash Flows

For the period ended 30 June 2018

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **HKD'000** | HKD'000 |
| | **(Unaudited)** | (Unaudited) |
| **Net cash used in operating activities** | **(71,015)** | (60,759) |
| **Cash flows from investing activities** | | |
| Interest received | **10** | 286 |
| Net cash outflows arising on disposal of subsidiaries | **–** | (31) |
| Net cash inflows arising on disposal of associate | **–** | 7,000 |
| Receipt upon redemption of promissory notes | **–** | 29,000 |
| Purchase of property, plant and equipment | **(136)** | (16,221) |
| Purchase of financial asset at fair value through other comprehensive income | **(321,994)** | (27,515) |
| Net cash outflows arising on acquisition of assets through acquisition of subsidiary | **(1,111)** | – |
| Proceed from disposal of property, plant and equipment | **300** | – |
| **Net cash used in investing activities** | **(322,931)** | (7,481) |
| **Cash flows from financing activities** | | |
| Interest paid | **(6,658)** | (1,565) |
| Repayment of bank borrowings | **(4,144)** | (1,299) |
| Repayment of other borrowings | **(445,245)** | – |
| Proceeds from other borrowings | **619,283** | 67,469 |
| Shares purchased under share award scheme | **–** | (7,127) |
| Proceeds from issuance of shares upon placing, net of transaction costs *(Note 23b)* | **108,078** | – |
| **Net cash generated from financing activities** | **271,314** | 57,478 |
| **Net decrease in cash and cash equivalents** | **(122,632)** | (10,750) |
| **Cash and cash equivalents at 1 January** | **133,008** | 29,169 |
| Effect of foreign exchange rate changes | **–** | 12 |
| Cash and cash equivalents at 30 June, represented by cash and bank balances | **10,376** | 18,419 |

## 1. GENERAL

Future World Financial Holdings Limited (the "**Company**") was incorporated as an exempted company with limited liability in the Cayman Islands on 21 October 2002 under the Companies Law of the Cayman Islands. The address of the registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business is Unit 912, 9th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong. The shares of the Company are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") are principally engaged in the trading business and related services, securities trading and investment, provision of financing services, property investment and e-commerce business.

The condensed consolidated interim financial statements are presented in Hong Kong dollars ("**HKD**"), which is also the functional currency of the Company, and all values are rounded to the nearest thousand except when otherwise indicated. The condensed consolidated interim financial statements were approved for issue by the board of directors on 27 August 2018.

## 2. BASIS OF PREPARATION

The condensed consolidated interim financial statements of the Group for the six months ended 30 June 2018 ("**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**") and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The Interim Financial Statements do not include all of the information required in annual financial statements in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2017.

The Interim Financial Statements are unaudited, but have been reviewed by Moore Stephens CPA Limited 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.

### Going concern

The Group incurred a net loss of approximately HKD31,847,000 for the six months ended 30 June 2018 and, as of that date, the Group has net current liabilities of approximately HKD66,752,000. These conditions indicate that a material uncertainty exists which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may not be able to realise its assets and discharge its liabilities in the normal course of business.

## 2. BASIS OF PREPARATION *(Continued)*

### Going concern *(Continued)*

The directors of the Company have considered the following when they prepared the Interim Financial Statements:

The current liabilities of the Group include bank borrowings of approximately HKD236,776,000, which have been classified as current liabilities as the related loan agreements contain a repayment on demand clause. According to the loan agreement, the loans are repayable by monthly instalments in 20-25 years time. The Group regularly monitors its compliance with covenants and scheduled repayments of such bank borrowings and the directors of the Company do not consider that the banks will exercise their discretion to demand repayment so long as the Group continues to meet these requirements.

Taking into account of the above consideration, the directors of the Company are satisfied that the Group will be able to meet its financial obligations when they fall due. Accordingly, the directors of the Company are of the opinion that it is appropriate to prepare the Interim Financial Statements on a going concern basis.

Should the Group be unable to continue as going concern, adjustments would have to be made to the Interim Financial Statements to write down the carrying amounts of assets to their recoverable amounts, to reclassify non-current assets as current assets and to provide for any further liabilities which might arise. The effect of these adjustments has not been reflected in the Interim Financial Statements.

## 3. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared on the historical cost basis, except for the investment properties, certain financial assets and investments in crypto currency, which are subsequently measured at fair value.

The Interim Financial Statements have been prepared based on the same accounting policies adopted in the 2017 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2018 and the new accounting policies adopted for investments in crypto currency as explained in Note 4(c). Save as disclosed in the changes in accounting policies in Note 4, the application of other new and revised HKFRSs in the current period has no material effect on the amounts reported and/or disclosures set out in the Interim Financial Statements.

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

## 4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY

This note explains the impact of the adoption of HKFRS 9 Financial Instruments on the Interim Financial Statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are not applied or are different to those applied in prior periods. The Group has concluded not to restate the comparative figures based on the specific transitional provision in HKFRS 9.

### (a) HKFRS 9 Financial Instruments – Accounting policy applied from 1 January 2018

As explained in Note 4(a)(ii) below, HKFRS 9 was adopted without restating comparative information. The new classification and the new impairment rules are therefore not reflected in the condensed consolidated statement of financial position as at 31 December 2017, but are recognised as adjustment to the opening retained earnings as at 1 January 2018.

The following tables show the adjustments of the Group recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments of the Group are explained in more detail below.

| | **At 31 December 2017** HKD'000 | **Adjustments upon application of HKFRS 9** HKD'000 | Notes | **At 1 January 2018** HKD'000 |
|---|---|---|---|---|
| Equity instruments | | | | |
| – financial assets at fair value through other comprehensive income | – | 882,504 | (i) | 882,504 |
| Equity instruments | | | | |
| – available-for-sale financial assets | 193,504 | (193,504) | (i) | – |
| Total non-current assets | 476,719 | 689,000 | | 1,165,719 |
| Equity instruments | | | | |
| – financial assets at fair value through profit or loss | 872,620 | (689,000) | (i) | 183,620 |
| Debt instruments | | | | |
| – financial assets at fair value through profit or loss | – | 10,296 | (i) | 10,296 |
| Trade and other receivables | 44,223 | (2,688) | (ii) | 41,535 |
| Loan and interest receivables | 279,101 | (27,441) | (i), (ii) | 251,660 |
| Total current assets | 1,341,912 | (708,833) | | 633,079 |
| Reserves | 1,508,794 | (19,833) | | 1,488,961 |
| Total equity | 1,516,946 | (19,833) | | 1,497,113 |

## 4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY *(Continued)*

### (a) HKFRS 9 Financial Instruments – Accounting policy applied from 1 January 2018 *(Continued)*

*Notes:*

(i) HKFRS 9 basically retains the existing requirements in HKAS 39 for the classification and measurements of financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets. The adoption of HKFRS 9 has no material impact on the Group's accounting policies related to financial liabilities. The impact of HKFRS 9 on the Group's classification and measurement of financial assets is set out below.

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income ("**FVTOCI**") if the objective of the entity's business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election as at the date of initial application of HKFRS 9 (based on the specific transitional provision in HKFRS 9) to designate investments in equity instruments that are not held for trading at FVTOCI. All other investments in equity instruments including those that are held for trading are measured at fair value through profit or loss ("**FVTPL**") and are classified as current assets in condensed consolidated statement of financial position. Dividend on FVTPL or FVTOCI equity instruments are recognised in profit or loss.

Management of the Group has made an irrevocable election at the date of initial application of HKFRS 9 to designate certain investment in equity instruments that are not held for trading as at the date of initial application at FVTOCI and such FVTOCI with aggregate fair value amounting to HKD882,504,000 as of 1 January 2018 and such equity instruments that were designated as at FVTOCI are classified as non-current assets. The Group intends to hold these equity investments for long-term strategic purposes. This election is made on instrument-by-instrument basis. Changes in fair value of the equity investments designated as at FVTOCI are recognised in other comprehensive income and shall not be subsequently reclassified to profit or loss. Dividends on such investments are generally recognised in profit or loss.

Management of the Group has also reassessed the classification of the Group's loan receivables and concluded that a loan receivable with variable return does not satisfy HKFRS 9's contractual cash flow characteristics that the contractual cash flows are solely payments of principal and interest. The loan receivable has been classified as FVTPL under HKFRS 9.

## 4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY *(Continued)*

### (a) HKFRS 9 Financial Instruments – Accounting policy applied from 1 January 2018 *(Continued)*

*Notes: (Continued)*

(ii) The impact of these changes on the Group's equity is as follows:

| | Notes | **Effect on available-for sale financial assets reserve** HKD'000 | **Effect on fair value reserve (non-recycling)** HKD'000 | **Effect on retained earnings** HKD'000 |
|---|---|---|---|---|
| Closing balance as at 31 December 2017 | | 26,794 | – | 399,594 |
| Reclassification from available-for-sale financial assets to financial assets at fair value through other comprehensive income | 4(a)(i) | (26,794) | 26,794 | – |
| Increase in expected credit losses on trade receivables and loans receivables | 4(a)(ii)(a),(b) | – | – | (19,833) |
| Opening balance as at 1 January 2018 | | – | 26,794 | 379,671 |

***Impairment of financial assets***

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("**ECLs**") model". HKFRS 9 requires the Group to recognise ECL for trade receivables and loan receivables that are measured at amortised cost. Cash and cash equivalents are subject to ECL model but the ECL is immaterial.

Under HKFRS 9, the loss allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the end of the reporting period; and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

## 4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY *(Continued)*

### (a) HKFRS 9 Financial Instruments – Accounting policy applied from 1 January 2018 *(Continued)*

***Impairment of financial assets (Continued)***

*Measurement of ECLs*

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 assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables and loan receivables at individual level and has calculated ECLs based on lifetime ECLs. The Group has established an assessment that is based on the Group's historical credit loss experience, credit assessment and adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be in default when: (1) the debtor is unlikely to pay its obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

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

*Presentation of ECLs*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

*Impact of the ECL model*

(a) Impairment of trade receivable

The Group has applied HKFRS 9 to measure the lifetime ECLs for the trade receivables for each individual. Impairment loss on the trade receivables of approximately HKD2,688,000 was provided upon transition to HKFRS 9 as of 1 January 2018. The impairment had been fully reversed due to settlement during the six months ended 30 June 2018. Details are set out in Notes 18, 19 and 27.

(b) Impairment of loan receivables – from money lending business

The Group has applied HKFRS 9 to measure the lifetime ECLs for the loan receivables for each debtor. The loss allowances for loan receivables for money lending business upon the transition to HKFRS 9 as of 1 January 2018 were approximately HKD17,145,000. The loss allowances increased by HKD6,071,000 during the six months ended 30 June 2018.

## 4. SUMMARY OF THE IMPACT OF CHANGES IN ACCOUNTING POLICY *(Continued)*

### (b) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in HKFRS 15, the Group has adopted the new rules retrospectively. The Group assessed the impacts of adopting HKFRS 15 on its financial statements. Based on the assessment, the adoption of HKFRS 15 has no significant impact on the Group's revenue recognition as the Group's dividend income, interest income and rental income are not within the scope of HKFRS 15.

### (c) Crypto currency

Crypto currencies are open-source software-based online payment system where payments are recorded in a public ledger using its own unit of account. In the opinion of the directors of the Company, crypto currency is a financial asset-alike asset, the management therefore adopted an accounting policy by analogy to financial assets. The management concluded that investments of crypto currencies are measured as FVTPL, with any gains or losses arising from remeasurement recognised in profit or loss.

Crypto currencies are derecognised when the Group has transferred substantially all the risks and rewards of ownership.

## 5. REVENUE

Revenue represents the income received and receivable arising from the Group's principal activities including i) securities trading and investment; ii) provision of financing services; and iii) property investment during the period. An analysis of the Group's revenue for the period is as follows:

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **HKD'000** | HKD'000 |
| | **(Unaudited)** | (Unaudited) |
| **Revenue** | | |
| Dividend income from investments | **–** | 70,214 |
| Interest income from provision of financing services | **14,225** | 2,302 |
| Rental income from property investment | **4,600** | 1,200 |
| | **18,825** | 73,716 |
| **Net realised gain from securities trading and investments** | **4,887** | 9,360 |

## 6. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision makers (the "**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments of the Group.

With the continuous growth and expansion of the investment in film industry, the CODM considered the necessity of separate reporting of this division, which was grouped under "Provision of financing services" in previous year.

With the changes in the structure and composition of the reportable segment, certain comparative figures in the segment information for the six months ended 30 June 2017 has been reclassified and revised to present segment result and assets on a consistent basis.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- Trading business and related services
- Securities trading and investment
- Provision of financing services
- Property investment
- E-commerce business
- Investment in film industry

## 6. SEGMENT INFORMATION *(Continued)*

### Segment revenues and results

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

| | Trading business and related services | | Securities trading and investment | | Provision of financing services | | Property investment | | E-Commerce business | | Investment in film industry | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Six months ended 30 June | | Six months ended 30 June | | Six months ended 30 June | | Six months ended 30 June | | Six months ended 30 June | | Six months ended 30 June | | Six months ended 30 June | |
| | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 | **2018** | 2017 |
| | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) | **(unaudited)** | (unaudited) |
| Revenue | | | | | | | | | | | | | | |
| – External sales | **-** | – | **-** | 79,574 | **13,570** | 2,302 | **4,600** | 1,200 | **-** | – | **655** | – | **18,825** | 83,076 |
| Segment result | **(1,915)** | (1,003) | **(46,000)** | 343,654 | **7,370** | 2,291 | **15,815** | 5,586 | **(124)** | (27,763) | **654** | – | **(24,200)** | 322,765 |
| Unallocated corporate income | | | | | | | | | | | | | **10** | 1,440 |
| Unallocated corporate expenses | | | | | | | | | | | | | **(5,506)** | (8,160) |
| Change in fair values of derivative financial instrument | | | | | | | | | | | | | **-** | 600 |
| Gain on disposal of subsidiary | | | | | | | | | | | | | **-** | 19 |
| Gain on disposal of associate | | | | | | | | | | | | | **-** | 216 |
| Share of profit of associates | | | | | | | | | | | | | **-** | 1,794 |
| Share-based payment expenses | | | | | | | | | | | | | **-** | (10,490) |
| Finance costs | | | | | | | | | | | | | **-** | (1) |
| (Loss)/Profit before income tax | | | | | | | | | | | | | **(29,696)** | 308,183 |

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment (loss)/profit represents the (loss incurred)/profit earned by each segment without allocation of certain administration costs, directors' emoluments, other income, certain gain on disposals of a subsidiary/associates, share-based payment expenses, change in fair value of derivative financial instrument, share of profit of associates and certain finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

## 6. SEGMENT INFORMATION *(Continued)*

### Segment assets and liabilities

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

| | **30 June 2018 HKD'000 (Unaudited)** | 31 December 2017 HKD'000 (Audited) |
|---|---|---|
| **Segment assets** | | |
| Trading business and related services | **473** | 429 |
| Securities trading and investment | **1,119,186** | 1,111,756 |
| Provision of financing services | **364,708** | 266,787 |
| Property investment | **694,759** | 280,655 |
| E-commerce business | **7,191** | 9,075 |
| Investment in film industry | **33,350** | 27,396 |
| Total segment assets | **2,219,667** | 1,696,098 |
| Unallocated corporate assets | **8,947** | 122,533 |
| Consolidated assets | **2,228,614** | 1,818,631 |
| **Segment liabilities** | | |
| Trading business and related services | **–** | – |
| Securities trading and investment | **323,948** | 149,910 |
| Provision of financing services | **7,124** | 5,416 |
| Property investment | **247,335** | 114,126 |
| E-commerce business | **16,694** | 18,453 |
| Investment in film industry | **100** | – |
| Total segment liabilities | **595,201** | 287,905 |
| Unallocated corporate liabilities | **1,926** | 13,780 |
| Consolidated liabilities | **597,127** | 301,685 |

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than loan receivable from a former associate, certain other receivables and certain cash and bank balances; and

- all liabilities are allocated to operating segments other than certain other payables.

## 7. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

### Acquisition of Goodview Assets Limited ("Goodview Assets")

On 29 December 2017, the Group entered into a sale and purchase agreement with China Soft Power Technology Holdings Limited ("**CSPT**"), a company whose shares are listed on the Main Board of the Stock Exchange, in which Mr. Chen Xiaodong ("**Mr. Chen**") and Mr. Yu Qingrui ("**Mr. Yu**"), who are the directors and shareholders of the Company, are also directors and shareholders of CSPT, pursuant to which the Group has agreed to acquire the entire issued share capital of Goodview Assets at a consideration of HKD261,690,000. The acquisition was completed on 25 April 2018. Goodview Assets is principally engaged in the property investment business and is holding an investment property in Hong Kong. The acquisition had been accounted for as acquisition of assets.

Assets acquired and liabilities recognised at the date of acquisition were as follows:

| | HKD'000 |
|---|---|
| Investment property *(Note 13)* | 400,000 |
| Other receivables and deposits | 34 |
| Other payables and accruals | (1,006) |
| Bank borrowings | (137,338) |
| Total consideration | 261,690 |
| Total consideration satisfied by: | |
| Settled by allotment and issue of shares of the Company *(Note)* | 261,690 |

*Note:*

1,793,103,448 shares of the Company were allotted and issued (Note 23c). The value of the shares was determined by reference to the fair value of the net assets acquired on the acquisition date.

## 8. FINANCE COSTS

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **HKD'000** | HKD'000 |
| | **(Unaudited)** | (Unaudited) |
| Interest expense on: | | |
| Bank borrowings | **2,138** | 1,564 |
| Others borrowings | **4,520** | 1 |
| | **6,658** | 1,565 |

## 9. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/Profit before income tax has been arrived at after charging/(crediting):

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **HKD'000** | HKD'000 |
| | **(Unaudited)** | (Unaudited) |
| Directors' and chief executive's emoluments, including share-based payment expenses of Nil (2017: HKD5,790,000) | **2,139** | 9,427 |
| Other staff costs | **1,481** | 2,869 |
| Contributions to retirement benefits scheme | **42** | 58 |
| Share-based payment expenses for employees | **–** | 4,700 |
| Total staff costs | **3,662** | 17,054 |
| Auditor's remuneration | | |
| – Audit services – over-provision in prior years | **–** | (81) |
| – Other services | **250** | 769 |
| Allowance of expected credit loss on financial assets, net | **3,383** | – |
| Direct operating expenses arising from investment properties that generated rental income during the period | **374** | 28 |
| Depreciation of property, plant and equipment | **386** | 1,025 |
| Minimum lease payments in respect of operating lease of office premises | **590** | 1,764 |

## 10. INCOME TAX EXPENSES

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **HKD'000** | HKD'000 |
| | **(Unaudited)** | (Unaudited) |
| Hong Kong Profits Tax | | |
| – Charge for the period | **2,151** | 378 |

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

## 11. DIVIDEND

The directors of the Company do not recommend for payment of a dividend for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

## 12. (LOSS)/EARNINGS PER SHARE

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

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **HKD'000** | HKD'000 |
| | **(Unaudited)** | (Unaudited) |
| (Loss)/Profit for the period attributable to owners of the Company for the purpose of basic and diluted (loss)/earnings per share | **(31,847)** | 307,805 |

**Number of shares**

| | Six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | **'000** | '000 |
| Weighted average number of ordinary shares for the purpose of basic and diluted (loss)/earnings per share | **10,116,333** | 6,382,770 |
| Effect of dilutive potential ordinary shares: | | |
| Share options issued by the Company *(Note)* | **–** | 252,783 |
| Weighted average number of ordinary shares for the purpose of diluted (loss)/earnings per share | **10,116,333** | 6,635,553 |

*Note*:

The computation of diluted loss per share for the six months ended 30 June 2018 did not assume the exercise of the Company's outstanding share options since it would result in a decrease in the loss per share.

## 13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 30 June 2018, the Group paid approximately of HKD136,000 for the acquisition of property, plant and equipment (six months ended 30 June 2017: HKD16,221,000).

During the six months ended 30 June 2018, the Group disposed of certain items of property, plant and equipment with carrying values amounting to approximately HKD788,000 (six months ended 30 June 2017: Nil) and recognised a loss of approximately HKD488,000 (six months ended 30 June 2017: Nil) in the profit or loss.

During the six months ended 30 June 2017, the Group did not lease out the display store relating to the promotion of e-commerce platform. As at 30 June 2017, the directors of the Company considered that there were still no formal plan agreed with the major customer of the licensing of e-commerce platform and therefore, reassessed the recoverable amount of capital expenditure, with carrying amount approximately of HKD14,760,000, relating to the design and decoration cost of the display store, to be nil. Accordingly, an impairment loss on property, plant and equipment and provision for the onerous contract of the committed lease and other related payments of approximately HKD14,760,000 and HKD8,445,000, respectively, had been recognised during the six months ended 30 June 2017.

The fair value of the Group's investment properties at the end of the reporting period have been arrived at on the basis of a valuation carried out by Roma Appraisals Limited, a firm of independent qualified professional valuers, not connected to the Group. The valuation using direct comparison approach was arrived at by reference to market evidence of recent transaction prices for similar properties in the similar locations and conditions if such information is available.

Fair value gain of HKD14,000,000 of investment properties has been recognised in profit or loss for the six months ended 30 June 2018 (six months ended 30 June 2017: HKD6,000,000). At 30 June 2018, the Group's investment property amounting to approximately of HKD292,000,000 (31 December 2017: HKD280,000,000) has been pledged to secure the bank borrowings and other borrowings granted to the Group (Notes 21 and 22). At the same date, another investment property amounting approximately of HKD402,000,000 has been pledged to secure the bank borrowings granted to the Group (Note 21).

## 14. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | **30 June 2018 HKD'000 (Unaudited)** | 31 December 2017 HKD'000 (Audited) |
|---|---|---|
| Listed securities, at fair value: | | |
| Equity securities listed in Hong Kong | **1,002,062** | – |

| | HKD'000 |
|---|---|
| Carrying amount as at 31 December 2017 (audited) | – |
| Reclassified from available-for-sale financial assets *(Note 15)* | 193,504 |
| Reclassified from financial assets at fair value through profit and loss *(Note 16)* | 689,000 |
| Additions | 321,994 |
| Changes in fair value through other comprehensive income | (202,436) |
| Carrying amount as at 30 June 2018 (unaudited) | 1,002,062 |

*Note:*

The fair values of the listed equity securities investments as at 30 June 2018 were determined based on the quoted market closing prices on the Stock Exchange.

At 30 June 2018, the Group's financial assets at fair value through other comprehensive income, with carrying amount of approximately HKD955,273,000 (31 December 2017: Nil), have been pledged to secure the other borrowings granted to the Group (Note 22).

## 15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

| | **30 June 2018 HKD'000 (Unaudited)** | 31 December 2017 HKD'000 (Audited) |
|---|---|---|
| Listed securities, at fair value: | | |
| Equity securities listed in Hong Kong | **–** | 193,504 |

| | HKD'000 |
|---|---|
| Carrying amount as at 31 December 2017 (audited) | 193,504 |
| Reclassified to financial assets at fair value through other comprehensive income *(Note 14)* | (193,504) |
| Carrying amount as at 30 June 2018 (unaudited) | – |

*Note:*

The fair values of the listed equity securities investments as at 31 December 2017 were determined based on the quoted market closing prices on the Stock Exchange.

At 31 December 2017, the Group's available-for-sale financial assets, with carrying amount of approximately HKD40,978,000, had been pledged to secure the other borrowings granted to the Group (Note 22).

## 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/HELD-FOR-TRADING INVESTMENTS

| | **30 June 2018 HKD'000 (Unaudited)** | 31 December 2017 HKD'000 (Audited) |
|---|---|---|
| Listed securities, at fair value: | | |
| Equity securities listed in Hong Kong *(Note (i))* | **97,772** | 872,620 |
| Loan and interest receivables from investment in film industry *(Note (ii))* | **10,296** | – |
| | **108,068** | 872,620 |

| For equity securities listed in Hong Kong: | HKD'000 |
|---|---|
| Carrying amount as at 31 December 2017 (audited) | 872,620 |
| Reclassified to financial assets at fair value through other comprehensive income *(Note 14)* | (689,000) |
| Additions | 176,777 |
| Disposals | (238,818) |
| Changes in fair value through profit or loss | (23,807) |
| Carrying amount as at 30 June 2018 (unaudited) | 97,772 |

## 16. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS/HELD-FOR-TRADING INVESTMENTS *(Continued)*

| For loan and interest receivables from investment in film industry: | HKD'000 |
|---|---|
| Carrying amount as at 31 December 2017 (audited) | – |
| Reclassified from loan and interest receivables *(Note 19)* | 10,296 |
| Carrying amount as at 30 June 2018 (unaudited) | 10,296 |

*Notes:*

(i) The fair values of the listed equity securities investments as at 30 June 2018 were determined based on the quoted market closing prices on the Stock Exchange.

At 30 June 2018, the Group's financial assets at fair value through profit or loss, with carrying amount of approximately HKD97,772,000 (31 December 2017: HKD789,282,000), have been pledged to secure the other borrowings granted to the Group (Note 22).

(ii) As detailed in Note 4(a)(i), at the date of initial application of HKFRS 9, one of the Group's loans due from an entity engaged in investment in film industry ("**Film Production Investor**") amounted to approximately United States Dollars ("**USD**") 1,320,000 (equivalents to HKD10,296,000) did not fulfill the contractual cash flow characteristics test specified in HKFRS 9, such loan has been reclassified as FVTPL at 1 January 2018. The loan is unsecured, and bearing fixed interest rate of 8% per annum.

As the Group is entitled an additional return (the "**Upside Return**") from the loan, with reference to sum received or receivable by the Film Production Investor in connection to the provision of distribution services of the film. After assessment on status of the distribution service, the management considered that it was remote to recognise the Upside Return during the period.

Mr. Chen, being a director of the Company, is the sole director of the Film Production Investor, and has indirect equity interest in the Film Production Investor.

Mr. Chen and Mr. Yu, being directors of the Company, agreed to provide guarantee to the Group on the principal receivables, interest receivables and Upside Return, if any, from the borrower. Other receivables of the Company, disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

| | Maximum amount outstanding during the period HKD'000 (Unaudited) | **30 June 2018 HKD'000 (Unaudited)** | 31 December 2017 HKD'000 (audited) |
|---|---|---|---|
| Loans to Film Production Investor | 10,296 | **10,296** | – |

## 17. INTEREST IN A FILM RIGHT/INTEREST IN A FILM IN PROGRESS

During the year ended 31 December 2016, China Wisdom Group Limited ("**China Wisdom**"), an indirect wholly-owned subsidiary of the Group, entered into an investing agreement to invest a total of RMB12,000,000 (equivalent to HKD14,400,000) in a film production with the Film Production Investor. Pursuant to the investing agreement, China Wisdom acts as a passive investor and does/will not involve in any of the activities of the film production.

As at 31 December 2017 and 30 June 2018, a sum of RMB10,800,000 (equivalent to HKD12,960,000) has been paid.

Mr. Chen and Mr. Yu agreed to provide guarantee to China Wisdom that the box office of the film would not be less than RMB400 million and the amount invested by the Group will be fully recoverable in due course.

The return of film investment is mainly based on the box office of the film, as set out in the investing agreement. In the opinion of the directors of the Company, no impairment is necessary as the return from guaranteed RMB400 million box office by Mr. Yu is close to the cost of investment.

During the six months ended 30 June 2018, the production of the film has been completed. As a result, the carrying amount of interest in a film in progress was transferred to interest in a film right accordingly.

As at 31 December 2017 and 30 June 2018, the Group had also provided financial assistance to the Film Production Investor on film distribution. Further details of the financial assistance are set out in Note 19(ii).

## 18. CRYPTO CURRENCY

As at 31 December 2017, the Group had a receivable of HKD41,500,000 due from a Crypto Currency Vendor, in relation to the sale of certain listed securities during the year ended 31 December 2017.

On 20 February 2018, the Group entered into a sale and purchase agreement with a security customer, who is an independent third party (the "**Crypto Currency Vendor**") to acquire 470 Bitcoins for a consideration of HKD41,500,000. The transaction was completed on 2 March 2018 and all Bitcoins were received on the same time with fair value of approximately HKD41,500,000, which were the consideration used by the Crypto Currency Vendor to settle the outstanding balance due to the Group.

On 2 March 2018, the Group and the Crypto Currency Vendor mutually agreed to set off the payables due to each other.

## 19. TRADE AND OTHER RECEIVABLES/LOAN AND INTEREST RECEIVABLES

| | Notes | 30 June 2018 HKD'000 (Unaudited) | 31 December 2017 HKD'000 (Audited) |
|---|---|---|---|
| **Trade and other receivables** | | | |
| Trade receivables | (i) | – | 42,100 |
| Other receivables, deposits and prepayments | | 1,832 | 2,123 |
| Total trade and other receivables | | 1,832 | 44,223 |
| **Loan and interest receivables** | | | |
| From investment in film industry (including interest receivables of approximately HKD955,000 (31 December 2017: HKD300,000)) | (ii) | 10,023 | 14,399 |
| For money lending business (including interest receivables of approximately HKD3,186,000 (31 December 2017: HKD2,702,000)) | (iii) | 387,186 | 264,702 |
| Less: expected credit losses | | (23,216) | – |
| | | 363,970 | 264,702 |
| | | 373,993 | 279,101 |

### (i) Trade receivables

On 15 November 2017, the Group entered into a sale and purchase agreement with the Crypto Currency Vendor to dispose of 300,000,000 shares in CSPT for a consideration of HKD43,500,000. On the same date, the transaction was completed. Subsequently, Crypto Currency Vendor has settled HKD2 million within 7 days after the completion, in accordance with the agreement. Please also see Note 18 for subsequent settlement arrangement.

As detailed in Note 18, on 2 March 2018, the Group and the Crypto Currency Vendor agreed to set off the payables due to each other.

No trade receivables were recorded at the end of the reporting period (31 December 2017: lease of investment property and securities trading and investment). No interest was charged on the trade receivables.

Before accepting any new customer, the Group gathers the credit information of the potential customer in assessing the customers' credit quality and defines the credit limits for that customer.

## 19. TRADE AND OTHER RECEIVABLES/LOAN AND INTEREST RECEIVABLES *(Continued)*

### (i) Trade receivables *(Continued)*

*Notes:*

During the year ended 31 December 2017, the Group requires the tenant to pay in advance on the first day of each and every month and requires the securities customers to pay in accordance to the respective sales and purchase agreements.

The following is an ageing analysis of trade receivables net of allowance for doubtful debts presented based on the invoice dates, which approximated the respective revenue recognition dates:

| | **30 June 2018 HKD'000 (Unaudited)** | 31 December 2017 HKD'000 (Audited) |
|---|---|---|
| 0 – 30 days | **–** | 42,100 |

As at 1 January 2018, an expected credit loss on the trade receivables of approximately HKD2,688,000 was provided upon transition to HKFRS 9 Financial Instruments. The expected credit loss had been fully reversed due to settlement in full was received during the six months ended 30 June 2018.

### (ii) Loan and interest receivables – from investment in film industry

During the six months ended 30 June 2018, the Group has entered into a loan agreement to provide a loan to the Film Production Investor for film distribution. During the year ended 31 December 2017, the Group has entered into two loan agreements to provide two loans to the Film Production Investor for film distribution.

As detailed in Notes 4(a)(i) and 16(ii), at the date of initial application of HKFRS 9, one of the loans for investment in film production amounted to approximately USD1,320,000 (equivalent to HKD10,296,000) was unsecured, borne fixed interest rate at 8% per annum with upside return which has contractual cash flows that do not represent solely payments of principal and interest on the principal amount outstanding. Such loan has been reclassified as FVTPL on 1 January 2018.

The other two loans to the Film Production Investor have generated interest income of approximately HKD247,000 during the current period. As at 30 June 2018, the other loan receivables and interest receivables due from the Film Production Investor were approximately USD1,163,000 (equivalent to approximately HKD9,068,000) and USD41,000 (equivalent to approximately HKD319,000), respectively (31 December 2017: USD1,808,000 (equivalent to approximately HKD14,099,000) and USD38,000 (equivalent to approximately HKD300,000)). The loans are unsecured, borne fixed interest rate at 8% to 12% per annum and interest accrued and principal are repayable on the second or third anniversary of the date of the agreements or under the demand of the Group.

## 19. TRADE AND OTHER RECEIVABLES/LOAN AND INTEREST RECEIVABLES *(Continued)*

### (ii) Loan and interest receivables – from investment in film industry *(Continued)*

Mr. Chen and Mr. Yu agreed to provide guarantee to the Group in respect of all of the abovementioned loans and related interest. Loan receivables from investment in film industry of the Group, disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

| | Maximum amount outstanding during the period HKD'000 (Unaudited) | **30 June 2018 HKD'000 (Unaudited)** | 31 December 2017 HKD'000 (Audited) |
|---|---|---|---|
| Loans to Film Production Investor | 14,399 | **10,023** | 14,399 |

### (iii) Loan and interest receivables – from money lending business

The loan receivables from 7 borrowers (31 December 2017: 6 borrowers) are unsecured, borne fixed interest rates at 8% (31 December 2017: ranging from 8% to 10%) per annum and repayable according to the respective loan agreements.

As at 1 January 2018, an expected credit loss on the loan receivables of HKD17,145,000 was provided upon transition to HKFRS 9 Financial Instruments and further increased by HKD6,071,000 during the six months ended 30 June 2018 as detailed in Note 4.

The maturity profile of these loan and interest receivables, net of impairment losses recognised, at the end of the reporting period, analysed by the remaining periods to their contracted maturity, is as follows:

| | **30 June 2018 HKD'000 (Unaudited)** | 31 December 2017 HKD'000 (Audited) |
|---|---|---|
| Within 1 year | **222,222** | 147,061 |
| More than two years, but not more than five years *(Note)* | **141,748** | 117,641 |
| | **363,970** | 264,702 |

*Note:*

These loan and interest receivables are not scheduled to be received within one year from the end of the reporting period but contain a repayment on demand clause.

## 19. TRADE AND OTHER RECEIVABLES/LOAN AND INTEREST RECEIVABLES *(Continued)*

The loan receivables have been reviewed by the management of the Group to assess impairment which are based on the evaluation of collectability, ageing analysis of accounts and on management's judgement, including the current creditworthiness and the past statistics of individually significant accounts or a portfolio of accounts on a collective basis.

During the year ended 31 December 2017, the Group has entered into a loan agreement to lend HKD15,000,000 at a fixed interest rate of 8% per annum to the spouse of Mr. Chen. And in the current period the relevant interest income generated amounted to approximately of HKD917,000. The amounts have been fully settled before the end of the reporting period.

During the six months ended 30 June 2018, the Group has advanced loans amounting to HKD150,000,000 (31 December 2017: HKD117,000,000) at a fixed interest rate of 8% per annum to and in current period generated interest income of approximately HKD5,936,000 (31 December 2017: HKD2,695,000) from CSPT, a company of which Mr. Chen and Mr. Yu are common directors, and of which the Company is a shareholder of CSPT. These loans are unsecured, bearing fixed interest rate of 8% per annum and repayable on the third anniversary of the date of the agreements or under the demand of the Group.

Among the expected credit loss provided, as at 1 January 2018, approximately HKD992,000 and HKD7,620,000 were for loans receivables due from the spouse of Mr. Chen and CSPT respectively. Such provision were decreased to nil and further increased by approximately HKD1,422,000 during the six months ended 30 June 2018 respectively.

Loans receivables of the Group disclosed pursuant to Section 383 of the Hong Kong Companies Ordinance (Cap.622) and the Companies (Disclosure of Information about Benefits of Directors) Regulation (Cap. 622G) are as follows:

| | Maximum amount outstanding during the period HKD'000 (Unaudited) | **30 June 2018 HKD'000 (Unaudited)** | 31 December 2017 HKD'000 (Audited) |
|---|---|---|---|
| Spouse of Mr. Chen (31 December 2017 including interest receivables of approximately HKD312,000) | 15,312 | **–** | 15,312 |
| Loans to CSPT (including interest receivables of approximately HKD789,000 (31 December 2017: HKD641,000)) | 150,789 | **150,789** | 117,641 |

## 20. ACCRUALS AND OTHER PAYABLES

Material balances included in accruals and other payables are as follows:

(i) Rental deposit of HKD1,000,000 was received from the tenant as at 30 June 2018 (31 December 2017: HKD1,200,000).

(ii) Provision for the onerous contract of the committed lease and other payments for the lease and other commitments for the display store amounted to approximately HKD4,993,680 as at 30 June 2018 (31 December 2017: HKD6,698,000). Details regarding the provision for the onerous contract is set out in Note 13.

## 21. BANK BORROWINGS

| | **30 June 2018 HKD'000 (Unaudited)** | 31 December 2017 HKD'000 (Audited) |
|---|---|---|
| Secured bank borrowings | **245,155** | 111,961 |

| | **30 June 2018 HKD'000 (Unaudited)** | 31 December 2017 HKD'000 (Audited) |
|---|---|---|
| Carrying amount scheduled to repay as follow: | | |
| Within one year | **8,379** | 2,681 |
| More than one year, but not more than two years | **8,576** | 2,756 |
| More than two years, but not more than five years | **27,321** | 8,738 |
| More than five years | **200,879** | 97,786 |
| | **245,155** | 111,961 |

| | **30 June 2018 HKD'000 (Unaudited)** | 31 December 2017 HKD'000 (Audited) |
|---|---|---|
| Carrying amount of the bank borrowings that are not repayable within one year from the end of the reporting period but contain a repayment on demand clause (shown under current liabilities) | **236,776** | 109,280 |
| Carrying amount repayable within one year | **8,379** | 2,681 |
| | **245,155** | 111,961 |

The bank borrowings bear interest at range of HKD Prime Rate –2.5% and HIBOR (1 month) +2% per annum at 30 June 2018 (31 December 2017: HKD Prime Rate –2.5% and HIBOR (1 month) +2.5% per annum.

## 21. BANK BORROWINGS *(Continued)*

At 30 June 2018 and 31 December 2017, the Group's bank borrowings are secured by the investment properties (Note 13).

## 22. OTHER BORROWINGS

As at 30 June 2018, the other borrowings due to the Securities Broker are guaranteed by the Company and secured by the pledged of financial assets at fair value through other comprehensive income of approximately HKD995,273,000 (Note 14), financial assets at fair value through profit or loss of approximately HKD97,772,000 (Note 16) and an investment property of approximately HKD292,000,000 (Note 13), respectively. The other borrowings due to the Securities Broker are repayable within twelve months from the first drawdown date.

Partial of the other borrowings amounting to approximately HKD111,495,000 due to the Securities Broker are subject to the fulfilment of covenants. At 30 June 2018, a covenant of such borrowings has not been fulfilled.

On 25 April 2018 and 29 June 2018, the Company entered into a master services agreement and a supplemental master services agreement respectively (collectively the "**Master Services Agreement**"), with a subsidiary of CSPT (the "**Margin Financier**"). Pursuant to the Master Services Agreement, the Margin Financier provided a margin loan facility to the Group with daily maximum amounts not exceeding up to HKD100,000,000 and margin loan interest not exceeding HKD8,000,000 per annum. The other borrowings due to the Margin Financier would be repayable on demand and may be varied or terminated in the absolute discretion of the Margin Financier. As at 30 June 2018, such facility has not been utilised.

## 23. SHARE CAPITAL

| | **Number of ordinary shares** *(Note a)* (Unaudited) | **Number of convertible preference shares** (Unaudited) | **Amount** HKD'000 (Unaudited) |
|---|---|---|---|
| Ordinary shares of HKD0.001 each | | | |
| Authorised: | | | |
| At 31 December 2017 and 30 June 2018 | 249,480,000,000 | 520,000,000 | 250,000 |
| Issued and fully issued: | | | |
| At 31 December 2017 (Audited) | 8,157,187,998 | – | 8,157 |
| Issuance of shares upon placing *(Note b)* | 1,630,000,000 | – | 1,630 |
| Issuance of shares upon acquisition of a subsidiary *(Note c)* | 1,793,103,448 | – | 1,793 |
| At 30 June 2018 (unaudited) | 11,580,291,446 | – | 11,580 |

## 23. SHARE CAPITAL *(Continued)*

*Notes:*

a) All the ordinary shares which were issued by the Company rank pari passu with each other in all respects.

b) On 11 December 2017, the Company entered into a placing agreement with Central Wealth Securities Investment Limited ("**CWSI**"), a former associate of the Group and acting as a placing agent. Pursuant to the placing agreement, the Company has conditionally agreed to place through CWSI up to 1,630,000,000 placing shares at the placing price of HKD0.145 per placing share to not less than six placees who and whose beneficial owners shall be independent third parties. The placing shares were issued under the general mandate which was granted to the directors at the extraordinary general meeting of the Company held on 31 October 2017. The placing was completed on 2 January 2018. The net proceeds after deducting the placing commission and other related expenses approximately HKD8.3 million, amounted to approximately HKD228 million.

c) Upon completion of the acquisition of Goodview Assets, the Company allotted and issued 1,793,103,448 shares to CSPT.

## 24. SHARE OPTION SCHEME

Particulars of the Company's share option schemes adopted on 2 June 2003 (the "**Scheme 2003**") and 22 February 2012 (the "**Scheme 2012**") are set out in Note 29 to the consolidated financial statements of the Group for the year ended 31 December 2017 dated 28 March 2018.

During the current and prior interim periods, no share options were granted by the Company and all share options granted under Scheme 2003 were lapsed.

As at 30 June 2018, the weighted average exercise price of share options under the Scheme 2012 is HKD0.127 (31 December 2017: Scheme 2003 and Scheme 2012 are HKD2.0263 and HKD0.127) per share respectively.

The weighted average remaining contractual life of these outstanding share options is approximately 1.07 years (31 December 2017: 1.58 years).

## 25. COMMITMENTS

### a) Operating lease arrangement – the Group as lessor

Investment property rental income earned during six months ended 30 June 2018 was HKD4,600,000 (six months ended 30 June 2017: HKD1,200,000). The properties are expected to generate rental yield of 1.49% per annum on an ongoing basis. Leases are negotiated for a term of 1 year.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease receivables:

| | **30 June 2018 HKD'000 (Unaudited)** | 31 December 2017 HKD'000 (Audited) |
|---|---|---|
| Within one year | **3,344** | 2,400 |

### b) Operating lease commitment – the Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancelable operating leases which fall due as follows:

| | **30 June 2018 HKD'000 (Unaudited)** | 31 December 2017 HKD'000 (Audited) |
|---|---|---|
| Within one year | **506** | 1,052 |

Operating lease payments represent rentals payable by the Group for certain of its premises, plant and machinery, office equipment and internet hardware and software. Leases are negotiated for an average term of 1 years (31 December 2017: 1-3 years) and no arrangements have been entered into for contingent rental payments.

### c) Other commitment

For the registered capital of HKD500,000 for 深圳駿盛匯貿易有限公司(「**駿盛匯**」), an indirectly wholly-owned subsidiary of the Company, the Group shall paid 20% of the registered capital within three months after the date of issuance of business license of 駿盛匯 and shall pay the remaining 80% of the registered capital within two years after the date of issuance of business license. Although the business license has been issued on 4 November 2014, the Group has yet to pay up any capital for 駿盛匯 at 30 June 2018. The directors of the Company considered that the risk to pay the penalty is remote and hence no provision has been provided for the six months ended 30 June 2018 (six months ended 30 June 2017: Nil).

## 26. LITIGATION

### Development of amount due to Able Success Asia Limited ("Able Success") and repayment on the alleged assigned debt

During the year ended 31 December 2017, the Company received a statutory demand issued by the liquidator of Able Success for the repayment of HKD15,264,000, and a writ of summons and statement of claim issued by 廣東航興貿易有限公司 (Guangdong Hangxing Trading Company Limited*) ("**GHTC**"), alleging that there was a deed of assignment in which Able Success assigned to GHTC a debt of HKD10,000,000 owed by the Company (the "**Assigned Debt**"). GHTC is now claiming against the Company for repayment of the Assigned Debt amounting HKD10,000,000 (the "**GHTC Claim**").

Out of the HKD15,264,000 in the statutory demand, approximately HKD3,766,000 was due from the former wholly-owned subsidiary Great Rich Trading Limited (the "**Great Rich**"). This balance has been disposed of upon disposal of Great Rich on 27 October 2017.

On 27 February 2018, the GHTC Claim filed by GHTC against the Company was abandoned by the High Court, and the Company has agreed to pay a sum of HKD10,000,000 to the High Court for GHTC and Able Success to compete in the interpleader proceedings and to pay approximately HKD566,000 to Able Success directly. On 5 March 2018, the Company has settled the above two amounts.

Subsequent to the above, the amount due to Able Success was reduced to HKD932,000. This balance was further settled by the Company in full during the current period.

In the opinion of the directors of the Company, the Group does not have any liability due to Able Success after those mentioned in above as at 30 June 2018.

### Development of the retaking control of the deconsolidated subsidiaries

Pursuant to the Company's announcement dated 25 March 2014, due to the reason of unable to access to the books and records of the subsidiaries, Bloxworth Enterprises Limited and Shanxi Zhanpen Metal Products Co., Limited* ("**Zhanpen**") (collectively the "**Deconsolidated Subsidiaries**"). Given the situation described above, the Group therefore deconsolidated the Deconsolidated Subsidiaries from its consolidated financial statement since 1 January 2013.

Upon the judgement of the People's court of Fenyang county（汾陽市人民法院）(the "**Fenyang Court**") issued on 12 September 2016, former directors of Zhanpen (the "**Former Directors**") are obliged to return the official seal and business certificates of Zhanpen to the Group. The Former Directors filed an appeal to the Fenyang Court on 23 September 2016. After seeking legal advice from its external legal counsel, the Group has also filed an appeal to the Fenyang Court on 8 October 2016.

On 21 February 2017, the appeals were heard at the Lvliang City Intermediate People's Court（呂梁市中級人民法院）(the "**Lvliang Court**"), and the judgement (the "**Judgement**") was issued on 23 May 2017. In the Judgement, the Lvliang Court has dismissed the appeal from the Former Directors. Accordingly, the Former Directors are still obliged to return the official seal and business certificates of Zhanpen to the Group.

Up to the date of this report, the Former Directors still not returned the official seal and business certificates of Zhanpen to the Group, and the Fenyang Court has issued an enforcement of the Judgement notice to the Former Directors.

## 27. MAJOR NON-CASH TRANSACTIONS

(a) During the six months ended 30 June 2018, the Group had agreed with an independent third party, who was a security customer, also a creditor of the Group, to set off the payables of approximately HKD41,500,000 due to each other.

(b) During the six months ended 30 June 2018, the consideration of HKD261,690,000 for the acquisition of Goodview Assets were settled by allotment and issuance of 1,793,103,448 shares of the Company. Details are set out in Note 7.

## 28. MATERIAL RELATED PARTY TRANSACTIONS

### (a) Save as disclosed elsewhere in the Interim Financial Statements, during the period, the Group also carried out the following transactions with related parties:

During the six months ended 30 June 2018, the Group has paid interest expenses on the margin loan facilities and securities handling charge of approximately HKD636,000 and HKD1,602,000 respectively to CWSI, an indirect wholly-owned subsidiary of CSPT. CSPT is a company whose shares are listed on the Main Board of the Stock Exchange, in which Mr. Chen and Mr. Yu, who are the directors and shareholders of the Company, are also directors and shareholders of CSPT.

### (b) Compensation to key management personnel

The remuneration for key management personnel of the Group, including directors and other members of key management, during the period was as follows:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2018** | 2017 |
| | **HKD'000** | HKD'000 |
| | **(Unaudited)** | (Unaudited) |
| Short-term benefits | **2,098** | 3,610 |
| Post-employment benefits | **41** | 27 |
| Share-based payments | **–** | 5,790 |
| | **2,139** | 9,427 |

## 29. FAIR VALUE MEASUREMENTS OF THE FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis.

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurement is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| Financial assets | Fair value as at 30 June 2018 HKD'000 (Unaudited) | Fair value as at 31 December 2017 HKD'000 (Audited) | Fair value hierarchy | Valuation technique(s) and key input(s) | Significant unobservable input(s) |
|---|---|---|---|---|---|
| Listed equity securities classified as financial assets at fair value through other comprehensive income | **1,002,062** | – | Level 1 | Quoted bid prices in an active market | N/A |
| Listed equity securities classified as available-for-sale financial assets | **–** | 193,504 | Level 1 | Quoted bid prices in an active market | N/A |
| Listed equity securities classified as financial assets at fair value through profit or loss | **97,772** | 310,256 | Level 1 | Quoted bid prices in an active market | N/A |
| Loan and interest receivables from investment in film industry classified as financial assets at fair value through profit or loss | **10,296** | – | Level 3 | Discounted cash flow method | Discount rate of 8%. An increase in the discount rate would result in a decrease in the fair value |

There were no transfers between Level 1, 2 and 3 in current interim period and prior year.

The directors considered that carrying amounts of financial assets and financial liabilities recognised in the Interim Financial Statements approximate their fair values.

## DIRECTORS' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**"), as recorded in the register required to be kept by the Company under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in the Listing Rules were as follows:

### Long positions in the ordinary shares and the underlying shares of the Company

| Name of Directors | Capacity | Personal Interest | Other Interest | Total Interest | Percentage of Company's issued share capital |
|---|---|---|---|---|---|
| Siu Yun Fat | Beneficial owner | 68,800,000 | 64,000,000 *(Note)* | 132,800,000 | 1.15% |
| Yu Qingrui | Beneficial owner | 53,404,425 | 64,000,000 *(Note)* | 117,404,425 | 1.01% |
| Cai Linzhan | Beneficial owner | 32,289,144 | 64,000,000 *(Note)* | 96,289,144 | 0.83% |
| Chen Xiaodong | Beneficial owner | 1,005,313 | – | 1,005,313 | 0.009% |
| Tam Tak Wah | Beneficial owner | 267,340 | – | 267,340 | 0.002% |

*Note:* These interests represent options granted to the Directors as beneficial owners under the share option scheme of the Company adopted on 22 February 2012. Details of the interests of the Directors in the share options of the Company are disclosed in the section "Share Option Scheme" below.

Save as disclosed above, as at 30 June 2018, none of the directors or chief executive of the Company had registered an interest or short positions in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Scheme and the Share Award Scheme disclosed below, at no time during the Period were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its holding companies, subsidiaries and fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

## SHARE OPTION SCHEME

Pursuant to the written resolutions passed by all of the shareholders of the Company on 2 June 2003, the Company adopted a share option scheme (the "**Scheme 2003**"). Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 22 February 2012, the Scheme 2003 was terminated and a new share option scheme (the "**Scheme 2012**") was adopted. The adoption of Scheme 2012 will not in any event affect the terms of the grant of such outstanding options that has already been granted under the Scheme 2003 and shall continue to be valid and subject to the provisions of Scheme 2003. The remaining life of the Scheme 2012, which will expire on 21 February 2022, is approximately 3.5 years from the date of this report.

The existing scheme mandate limit in respect of the granting of options to subscribe for shares of the Company under the Scheme 2012 has been refreshed at the annual general meeting of the Company held on 31 May 2018 (the "**2018 AGM**") which the total number of shares of the Company may be allotted and issued pursuant to the grant or exercises of the options under the Scheme 2012 shall not be exceed 10% of the shares of the Company in issue as at 31 May 2018.

Movements in share options during the Period are as follows:

| | | | Number of share options | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Grantee** | **Date of grant** *(Note 1)* | **Exercise price per shares** *HKD* | **As at 1.1.2018** | **Granted during the period** | **Exercised during the period** | **Lapsed during the period** | **As at 30.06.2018** | **Exercise period** | **Vesting date** |
| **Scheme 2003** | | | | | | | | | |
| Employees | 30.01.2008 | 2.0263 | 1,559,513 | – | – | (1,559,513) | – | 30.01.2008 – 29.01.2018 | 30.01.2008 |
| Sub Total | | | 1,559,513 | – | – | (1,559,513) | – | | |
| **Scheme 2012** | | | | | | | | | |
| **Directors** | | | | | | | | | |
| Siu Yun Fat | 28.07.2017 | 0.127 | 64,000,000 *(Note 2)* | – | – | – | 64,000,000 | 28.07.2017 – 27.07.2019 | 28.07.2017 |
| Cai Linzhan | 28.07.2017 | 0.127 | 64,000,000 *(Note 2)* | – | – | – | 64,000,000 | 28.07.2017 – 27.07.2019 | 28.07.2017 |
| Yu Qingrui | 28.07.2017 | 0.127 | 64,000,000 *(Note 2)* | – | – | – | 64,000,000 | 28.07.2017 – 27.07.2019 | 28.07.2017 |
| **Employees** | | | | | | | | | |
| In aggregate | 28.07.2017 | 0.127 | 64,000,000 *(Note 2)* | – | – | – | 64,000,000 | 28.07.2017 – 27.07.2019 | 28.07.2017 |
| **Consultants** | | | | | | | | | |
| In aggregate | 28.07.2017 | 0.127 | 384,000,000 | – | – | – | 384,000,000 | 28.07.2017 – 27.07.2019 | 28.07.2017 |
| Sub Total | | | 640,000,000 | – | – | – | 640,000,000 | | |
| Grand Total | | | 641,559,513 | – | – | (1,559,513) | 640,000,000 | | |

*Notes:*

1. The closing price of the shares immediately before 30 January 2008 was HKD0.630.

   The closing price of the shares immediately before 28 July 2017 was HKD0.109.

2. On 28 July 2017, the Board resolved to grant 640,000,000 share options to certain directors, employees and consultants of the Company of which 64,000,000 share options each to Mr. Siu Yun Fat, Mr. Cai Linzhan and Mr. Yu Qingrui who are executive directors of the Company and 64,000,000 share options to Ms. Lam Hay Yin, an investment manager of the Company. The grant of the share options to each of the above grantees would result in the securities issued and to be issued upon exercise of all share options already granted and to be granted to each of them in the 12-month period representing in aggregate over 1% of the relevant class of securities in issue. Pursuant to Rule 17.03(4) of the Listing Rules, such grants were approved by independent shareholders of the Company at the extraordinary general meeting of the Company held on 31 October 2017.

Apart from the above movements, no share options were granted, exercised, lapsed or cancelled under the Scheme 2003 and the Scheme 2012 during the Period.

As at 30 June 2018 and as at the date of this report, an aggregate of 640,000,000 shares are issuable for share options granted (all fully-vested) under the Scheme 2012, representing approximately 5.53% of the total number of issued shares of the Company. The weighted average remaining contractual life of these outstanding share options is approximately 1.07 years (31 December 2017: 1.58 years).

During the Period, no expenses was recognised by the Group (six months period ended 30 June 2017: Nil) in relation to share options granted by the Company.

## SHARE AWARD SCHEME

The Company adopted a share award scheme on 15 July 2015 (the "**Share Award Scheme**"). The purposes and objectives of the Share Award Scheme are to recognise the contributions by certain employees and persons to the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of and contribution to the Group.

The existing scheme mandate limit in respect of the granting of share awards under the Scheme Award Scheme has been refreshed at the 2018 AGM which the total number of shares of the Company may be awarded under the Share Award Scheme shall not be exceed 10% of the shares of the Company in issue as at 31 May 2018. Notwithstanding the foregoing, the Company will not issue or grant any awarded shares under the Share Award Scheme which would result in the total number of the awarded shares together with shares which may be issued upon exercise of all outstanding share options granted but yet to be exercised under the share option scheme of the Company representing in aggregate over 30% of the Company's shares in issue as at the date of such grant.

During the Period, no shares of the Company were purchased by the trustee of the Share Award Scheme pursuant to the terms of the trust deed of the Share Award Scheme (2017: 11,464,000 shares). No share award has been granted, vested, lapsed and cancelled during the Period.

## INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

As at 30 June 2018, the following interests of more than 5% of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

### Long positions in the ordinary shares and the underlying shares of the Company

| Name of Shareholder | Capacity | Number of Shares | Percentage of the Company's issued share capital |
|---|---|---|---|
| CSPT *(Note 1)* | Interest of controlled corporations | 2,174,933,636 | 18.78% |
| Hoshing Limited *(Note 2)* | Interest of controlled corporations | 2,174,933,636 | 18.78% |
| Main Purpose Investments Limited | Beneficial owner | 2,145,156,510 | 18.52% |

*Notes:*

1. CSPT was deemed to be interested in 2,145,156,510 shares of the Company held by Main Purpose Investments Limited and 29,777,126 shares of the Company held by Desert Gold Limited by virtue of its 100% interests in the issued share capital of Hoshing Limited, which in turn holds 100% interests in the issued share capital of Main Purpose Investments Limited and 100% interests in the issued share capital of Desert Gold Limited, respectively.

2. Hoshing Limited was deemed to be interested in 2,145,156,510 shares of the Company held by Main Purpose Investments Limited and 29,777,126 shares of the Company held by Desert Gold Limited by virtue of its 100% interests in the issued share capital of Main Purpose Investments Limited and 100% interests in the issued share capital of Desert Gold Limited, respectively.

Save as disclosed above, the Company had not been notified of other relevant interests or short positions in the shares and underlying shares of the Company as at 30 June 2018 as required pursuant to section 336 of the SFO.

## 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 own code of conduct regarding securities transactions by directors of the Company. Having made specific enquiry with the existing directors of the Company, all of them confirmed that they have complied with the required standards set out in the Model Code throughout the Period.

The Company also adopted a code on no less exacting terms than the Model Code to regulate dealings in the securities of the Company by certain employees of the Group who are considered to be likely in possession of inside information in relation to the Company or its securities.

# ADDITIONAL INFORMATION

## CORPORATE GOVERNANCE

The Company has complied with all code provisions of the Corporate Governance Code (the "**CG Code**") throughout the Period as set out in Appendix 14 of the Listing Rules except for the following deviations:

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term. Two independent non-executive directors, namely Mr. Siu Siu Ling, Robert and Mr. Tam Tak Wah are appointed with no specific term. All independent non-executive directors are subject to the requirement to retire by rotation at least once every three years. The Board considers that the requirement has the same effect of accomplishing the same objective as a specific term of appointment.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any shares of the Company during the Period,

## REVIEW OF INTERIM RESULTS

The unaudited interim results for the Period have been reviewed by the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the relevant code provisions of the CG Code as set out in Appendix 14 to the Listing Rules. The Audit Committee comprises all the independent non-executive directors of the Company including Mr. Siu Siu Ling, Robert, Mr. Tam Tak Wah and Mr. Zheng Zongjia.

By Order of the Board
**Siu Yun Fat**
*Chairman*

Hong Kong, 27 August 2018