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OP FINANCIAL LIMITED

東英金融有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1140)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018**

The Board of Directors (the “Board” or the “Directors”) of OP Financial Limited (formerly known as OP Financial Investments Limited) (the “Company” or “OP Financial”) is pleased to announce the unaudited condensed results of the Company and its subsidiaries (the “Group”) for the six months ended 30 September 2018 (the “Period”) with comparative figures for the corresponding period in 2017 and selected explanatory notes as follows.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the Six Months Ended 30 September 2018

		Six months ended	
		30 September	
		2018	2017
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Turnover	3	1,292,204	45,178
Revenue	3	135,230	43,244
Net change in unrealized (loss)/gain on financial assets at fair value through profit or loss		(224,407)	114,015
Net realized gain on disposal/distribution of investments		175,550	–
Net change in unrealized gain on financial liabilities at fair value through profit or loss		41,491	10,852
Exchange difference		(54,475)	380
Impairment loss on available-for-sale financial assets		–	(3,353)
Provision for ECL		(16,461)	–
Equity-settled share-based payments		(6,715)	(2,959)
Operating and administrative expenses		(48,417)	(57,964)

* *For identification purposes only*

		Six months ended	
		30 September	
		2018	2017
		(Unaudited)	(Unaudited)
	<i>Note</i>	HK\$'000	HK\$'000
Profit from operations		1,796	104,215
Finance costs		(8,899)	–
Share of results of investments accounted for using equity method		(26,875)	42,923
		<hr/>	<hr/>
(Loss)/profit before tax		(33,978)	147,138
Taxation	5	(979)	(15,790)
		<hr/>	<hr/>
(Loss)/profit for the Period	6	(34,957)	131,348
		<hr/>	<hr/>
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Available-for-sale financial assets:			
Fair value changes		–	24,701
Impairment loss		–	3,353
Share of other comprehensive income of investments accounted for using equity method			
Fair value changes of available-for-sale financial assets		(13)	–
Exchange differences		(365)	115
		<hr/>	<hr/>
Other comprehensive income for the Period		(378)	28,169
		<hr/>	<hr/>
Total comprehensive income for the Period		(35,335)	159,517
		<hr/>	<hr/>
(Loss)/earnings per share			
Basic	7(a)	(1.19) cents	6.92 cents
		<hr/>	<hr/>
Diluted	7(b)	(1.19) cents	6.86 cents
		<hr/>	<hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	<i>Note</i>	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Non-current assets			
Fixed assets		1,122	594
Deferred tax assets		25,605	3,133
Investments accounted for using equity method		982,850	1,015,689
Available-for-sale financial assets		–	346,804
Financial assets at fair value through profit or loss		1,668,953	352,422
		2,678,530	1,718,642
Current assets			
Financial assets at fair value through profit or loss		802,199	1,082,874
Debt investments		1,811,946	1,456,000
Accounts and loans receivable	8	74,171	83,237
Prepaid tax		12,837	12,837
Interest receivables		57,733	14,133
Prepayments and other receivables		33,611	10,446
Bank and cash balances		501,126	1,771,671
		3,293,623	4,431,198
TOTAL ASSETS		5,972,153	6,149,840
Capital and reserves			
Share capital		293,770	293,740
Reserves		5,117,890	5,301,118
TOTAL EQUITY		5,411,660	5,594,858
Current liabilities			
Accounts payable		–	69,353
Other payables		8,480	14,694
Deposit received		71,802	240,000
Loan payables		365,024	127,975
Financial liabilities at fair value through profit or loss		35,585	58,310
Tax payable		38,130	14,678
		519,021	525,010
Non-current liabilities			
Financial liabilities at fair value through profit or loss		41,472	29,972
TOTAL LIABILITIES		560,493	554,982
TOTAL EQUITY AND LIABILITIES		5,972,153	6,149,840
NET ASSETS		5,411,660	5,594,858
Net asset value per share	9	HK\$1.84	HK\$1.90

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 September 2018

1 BASIS OF PREPARATION OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

The unaudited condensed consolidated interim financial information for the six months ended 30 September 2018 (the “Period”) have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 March 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by HKICPA. The accounting policies and methods of computation used in the preparation of these condensed consolidated interim financial information are consistent with those used in the annual financial statements for the year ended 31 March 2018, except as stated in note 2 below.

2 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2018, as described in those annual financial statements, except:

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The Company and its subsidiaries (together, “the Group”) have not early applied HKFRS 16: Leases which will be effective for accounting periods beginning on 1 April 2019. HKFRS 16 will result in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group’s operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16. The new standard is mandatory for financial years commencing on 1 April 2019.

In 2018, the Group has adopted the following new standards and interpretation to HKFRSs which are pertinent to the Group’s operations and effective for accounting periods beginning on 1 April 2018:

- HKFRS 9 “Financial instruments”
- HKFRS 15 “Revenue from Contracts with Customers”

Details of the changes in accounting policies are discussed below.

HKFRS 9 “Financial instruments”

The adoption of HKFRS 9 has resulted in the restatement of the following line items. The restatements are explained in detail below.

Consolidated balance sheet (extracted)	31 March 2018 As originally presented HK\$'000	New classification category under HKFRS 9 HK\$'000	Expected credit losses (“ECL”) under HKFRS 9 HK\$'000	1 April 2018 Restated HK\$'000
Non-current assets				
Available-for-sale financial assets	346,804	(346,804)	–	–
Financial assets at fair value through profit or loss	352,422	346,804	–	699,226
Current assets				
Financial assets at fair value through profit or loss	1,082,874	–	–	1,082,874
Debt investments	1,456,000	–	(40,449)	1,415,551
Capital and reserves				
Investment revaluation reserve	70,668	(70,482)	–	186
Retained profits	<u>450,039</u>	<u>70,482</u>	<u>(40,449)</u>	<u>480,072</u>

HKFRS 9 replaces the provision of HKAS 39 that relate to the recognition, classification and measurement of financial assets and liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

(i) *Impact of adoption*

The adoption of HKFRS 9 from 1 April 2018 resulted in changes in accounting policies for certain financial instruments held by the Group. In accordance with the transition provisions in HKFRS 9, comparative figures of the interim financial information have not been restated.

On 1 April 2018 (the date of initial application of HKFRS 9), the Group’s management has assessed which business models applied to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The major effects resulting from this reclassification are as follows:

Reclassification from available-for-sale financial assets (“AFS”) to financial assets at fair value through profit or loss (“FVPL”)

Equity investments of HK\$346,804,000 were reclassified from AFS to FVPL as at 1 April 2018. The Group elected to account for these equity investments at FVPL. Related fair value gains of HK\$70,482,000 were transferred from investment revaluation reserve to retained profits on 1 April 2018. For the six months ended 30 September 2018, net fair value losses of HK\$64,643,000 relating to these investments were recognized in profit or loss.

Impairment of financial assets

The Group assesses ECL on financial assets which are subject to impairment under HKFRS 9 (including debt investments, accounts and loans receivable, interest receivables, other receivables and bank and cash balances). The assessment is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“12m ECL”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument’s external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor’s ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor’s ability to meet its debt obligations.

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

As at 1 April 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

(ii) ***Accounting policies applied from 1 April 2018***

From 1 April 2018, the Group classifies its financial assets in the following measurement categories: those to be measured subsequently at FVPL and at amortized cost. The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

Equity instruments

The Group subsequently measures all equity investments at FVPL.

Changes in the fair value of the financial assets at FVPL are recognized in the condensed consolidated statement of profit or loss.

Dividend and interest income from such investments continue to be recognized in profit or loss when the Group's right to receive payments is established.

Debt investments

Debt investment is subsequently measured at amortised cost only if it is a debt investment, and the objective of the Group's business model is to hold the asset to collect the contractual cash flows, and the asset's contractual cash flows characteristics represent only unleveraged payments of principal and interest.

Interest income from these financial assets is included in revenue using the effective interest rate method.

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost. The impairment methodology applied depends on whether there has a significant increase in credit risk.

For accounts and loan receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. Based on the assessment of the management, the expected credit loss is immaterial.

Derivatives

Derivative financial investments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The derivative financial investments are designated by the Group as non-hedging derivative financial investments and are classified as current assets. Changes in the fair value of any non-hedging derivative financial investments are recognized immediately in the condensed consolidated statement of profit or loss.

Other financial assets

At initial recognition, the Group measures other financial assets at its fair value. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

HKFRS 15 “Revenue from Contracts with Customers”

The HKICPA has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts. The new standard is based on the principle that revenue is recognized when control of a good or service transfers to a customer. The adoption of HKFRS 15 “Revenue from contracts with customers” has had an insignificant effect on the condensed consolidated financial statements of the Group.

There are no other HKFRSs or HK (IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

3 TURNOVER AND REVENUE

Turnover represents the aggregate of dividend income, performance premium from co-investment partner, interest and other income and gross sales proceeds from disposal of equity investments.

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividend income	6,483	1,135
Performance premium from co-investment partner	–	7,809
Interest and other income	128,747	34,300
	<hr/>	<hr/>
Revenue	135,230	43,244
Gross sales proceeds from disposal of equity investments	1,156,974	1,934
	<hr/>	<hr/>
Turnover	1,292,204	45,178

4 SEGMENT INFORMATION

The chief operating decision maker has been identified as the executive directors, subject to requirements of the Listing Rules. The executive directors assesses the operating segments using a measure of operating profit. The Group's measurement policies for segment reporting under HKFRS 8 are the same as those used in its HKFRS financial statements.

On adopting of HKFRS 8, based on the internal financial information reported to the executive directors for decisions about resources allocation to the Group's business components and review of these components' performance, the Group has identified only one operating segment, being investment holding. Accordingly, segment disclosures are not presented.

Geographical information

	Six months ended 30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Hong Kong	95,445	34,192
Mainland China	1,039	9,052
Other countries	38,746	–
	<hr/>	<hr/>
	135,230	43,244

In presenting the geographical information, revenue is based on the location of the investments or the co-investment partners.

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Non-current assets other than financial instruments		
Hong Kong	156,966	318,009
Mainland China	827,006	701,407

Information about major investments

During the Period, interest income received from three of the Group's debt investments and an investment relating to one of the Group's listed equity securities, which individually accounted for 10% (2017: 10%) or more of the Group's revenue amounted to approximately HK\$26,667,000, HK\$18,630,000, HK\$14,841,000 and HK\$18,277,000 respectively (2017: interest income received from one of the Group's debt investments and performance premiums derived from one of the Group's unlisted investments amounted to approximately HK\$24,603,000 and HK\$7,809,000 respectively).

5 TAXATION

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Hong Kong Profits Tax:		
Current tax	23,452	383
Deferred tax	(22,473)	15,407
Total tax expense	979	15,790

Taxation represents Hong Kong Profits Tax which has been provided at a rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the Period.

Deferred tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the condensed consolidated financial statements.

As at 30 September 2018, the Group has unused tax losses of approximately HK\$56,191,000 (31 March 2018: HK\$24,621,000) available to offset against future profits. No deferred tax asset of subsidiaries of the Group has been recognized in the condensed consolidated interim financial information due to the unpredictability of future profit streams of those subsidiaries.

6 LOSS/PROFIT FOR THE PERIOD

The Group's loss/profit for the Period is stated after charging the followings:

	Six months ended	
	30 September	
	2018	2017
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Auditor's remuneration		
– Audit	1,124	809
– Others	331	320
	1,455	1,129
Depreciation	223	64
Investment management fee	6,900	22,298
Operating lease payments in respect of office premises	5,409	4,483
Staff costs (including directors' emoluments)		
Salaries and other benefits	20,383	21,447
Retirement benefits scheme contributions	312	232
Equity-settled share based compensation	6,715	2,959
	27,410	24,638

7 LOSS/EARNINGS PER SHARE

(a) Basic loss/earnings per share

Basic loss/earnings per share is calculated by dividing the loss/profit for the Period by the weighted average number of ordinary shares in issue during the Period.

	Six months ended	
	30 September	
	2018	2017
	(Unaudited)	(Unaudited)
(Loss)/profit for the Period (HK\$'000)	(34,957)	131,348
Weighted average number of ordinary shares in issue (in thousand)	2,937,634	1,897,396
Basic (loss)/earnings per share	(1.19) cents	6.92 cents

(b) Diluted loss/earnings per share

Diluted loss/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of share options. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the company's shares during the Period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Six months ended	
	30 September	
	2018	2017
	(Unaudited)	(Unaudited)
(Loss)/profit for the Period (HK\$'000)	<u>(34,957)</u>	<u>131,348</u>
Weighted average number of ordinary shares in issue (in thousand)	2,937,634	1,897,396
Adjustment for shares options (in thousand)	<u>–</u>	<u>16,893</u>
Weighted average number of ordinary shares for diluted earnings per share (in thousand)	<u>2,937,634</u>	<u>1,914,289</u>
Diluted (loss)/earnings per share	<u>(1.19) cents</u>	<u>6.86 cents</u>

Diluted loss per share for the Period was the same as the basic loss per share. The Company's outstanding share options had anti-dilutive effect as assumed issue of ordinary shares would reduce loss per share.

8 ACCOUNTS AND LOANS RECEIVABLE

		30 September	31 March
		2018	2018
		(Unaudited)	(Audited)
	<i>Note</i>	HK\$'000	HK\$'000
Unsecured loan to a potential investee	<i>(a)</i>	68,322	74,307
Accounts receivable	<i>(b)</i>	4,193	7,878
Amounts due from associates	<i>(c)</i>	<u>1,656</u>	<u>1,052</u>
		<u>74,171</u>	<u>83,237</u>
(a)		30 September	31 March
		2018	2018
		(Unaudited)	(Audited)
		HK\$'000	HK\$'000
Unsecured loan		<u>68,322</u>	<u>74,307</u>

Unsecured loan of RMB60,000,000, approximately HK\$68,322,000 (31 March 2018: HK\$74,307,000), is provided to a potential investee established in the PRC. Upon the approval of capital injection by the local government, the loan will be converted into capital of that investment. The Company is closely monitoring the government's approval status.

(b) The aging analysis of accounts receivable based on the invoice date is as follows:

	30 September 2018 (Unaudited) HK\$'000	31 March 2018 (Audited) HK\$'000
Unbilled	278	3,954
< 3 months	–	3,924
3 to 6 months	<u>3,915</u>	<u>–</u>
	<u>4,193</u>	<u>7,878</u>

The Group does not hold any collateral or other credit enhancements over the accounts receivable.

At 30 September 2018 and 31 March 2018, the accounts receivable were neither past due nor impaired.

(c) Amounts due from associates are interest-free, unsecured and repayable on demand.

9 NET ASSET VALUE PER SHARE

The net asset value per share is calculated by dividing the net asset value of the Group as at 30 September 2018 of approximately HK\$5,411,660,000 (31 March 2018: HK\$5,594,858,000) by the number of ordinary shares in issue at that date, being 2,937,696,000 (31 March 2018: 2,937,396,000).

10 DIVIDEND

The Board has resolved not to pay any interim dividend in respect of the Period (2017: Nil).

The Board recommended the payment of a final dividend of HK 4 cents per share for the year ended 31 March 2018 to the shareholders whose names are registered on the register of members of the Company at the close of business on 3 September 2018. It was approved at the Annual General Meeting held on 28 August 2018 and total final dividends of HK\$117,507,840 was paid on 7 September 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENT REVIEW

Investment Activity

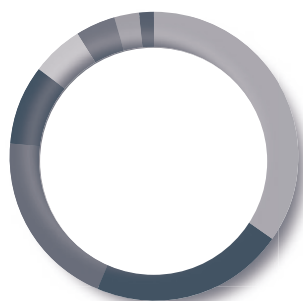
With the commitment to pursue sustainable and long-term development, we have formulated the investment focus to the healthcare industry. Taking into account the challenging market conditions during the Period, we remain prudent on the new equity investments and endeavor to make maximum value of the capital and our financing capability. We added iCarbonX Group Limited (“iCarbonX”) as the largest portfolio and one of the core holding companies to capture the great synergy among industries, technology, and financial capital. Our other new investments mainly included some listed securities and debt instruments for short-term opportunity. Divestments mainly included some debt instruments, listed securities and a private equity investment.

Portfolio Breakdown

We divide our strategy into three categories, namely long-term core holding, mid-term private equity and venture capital, and short-term arbitrage and others. The core holding strategy, our first focus, takes advantage of the Group’s ability to be long-term. We uncover companies with high potential of both growth and scalability and support them with a long-term capital. The second strategy focuses on private equity and venture capital that contribute to the consolidation of the industry chain for core holdings. The third strategy focuses on opportunities that emerge from short-term financing needs and other opportunistic deals.

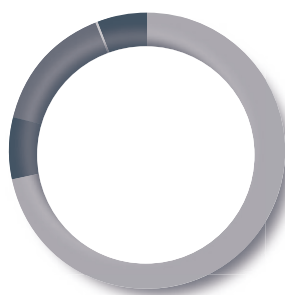
As of 30 September 2018, the top three sectors for our existing investments were medical & health, finance, and TMT. The position of medical & health sector mainly reflected our new investment in iCarbonX. In the finance sector, Beijing International Trust Co., Ltd made the largest contribution. In the TMT sector, major investments included Didi Chuxing and Wacai. The investment on short-term debt and other instruments help to enhance the capital liquidity and generate revenue in fixed income.

By Sector



Sector	Percentage
Debt and other instruments	34.78%
Medical & Health	21.77%
Finance	19.98%
TMT	8.95%
Consumer	5.83%
Materials & Industry	4.34%
Energy & Environment	2.72%
Other	1.63%

By Holding Period



Holding Period	Percentage
< 1 year	71.94%
1-2 years	7.05%
2-3 years	15.22%
3-4 years	0.02%
> 5 years	5.77%

MAJOR INVESTMENT PORTFOLIO

Long-term Core Holding

As of 30 September 2018, our core holding companies include iCarbonX, CSOP Asset Management Limited (“CSOP”) and OPIM Holdings Limited (“OPIM”). iCarbonX focuses on digital health management, CSOP is the largest RQFII manager globally, while OPIM is Asia’s leading hedge fund platform. As of 30 September 2018, OP Financial’s holding in this category amounted to HK\$1,300.28 million. OP Financial will hold these core holding companies to pursue long-term investment return.

iCarbonX Group Limited

Date of initial investment: 2018
Type of deal: Core Holding
Equity ownership: <5%
Valuation: HK\$1,096.06 million
Location: China
Industry: Medical & Healthcare

iCarbonX is the global pioneer in digital life and precision health management and aims to build an ecosystem of digital life based on a combination of individuals’ life data, the Internet and artificial intelligence. Its main founding team includes the world’s top biotechnology experts with extensive experiences in multi-omics technology, medical service, biological data analysis, artificial intelligence, and data mining.

During the Period, OP Financial invested in iCarbonX as one of its core holding companies and established a joint venture with iCarbonX named OP iCarbonX Investment Limited to capture potential investment opportunities. Leveraging OP Financial’s capabilities in cross-border collaboration and multi-sector integration in the capital market, as well as iCarbonX’s strengths in digital life technology, OP Financial will actively bridge opportunities between iCarbonX and industry leaders to accelerate its development and capital appreciation in the healthcare industry.

CSOP Asset Management Limited

Date of initial investment: 2008
Type of deal: Core Holding
Equity ownership: 30%
Valuation: HK\$148.58 million
Location: Hong Kong
Industry: Finance

CSOP is a well-known asset management company in Hong Kong, which manages private and public funds, as well as providing investment advisory services to Asian and global investors with a dedicated focus on China investing. CSOP holds a total of RMB46.10 billion Renminbi Qualified Foreign Institutional Investor (RQFII) quota, making it the largest RQFII manager in the market.

OP Financial and China Southern Asset Management Co., Ltd. jointly established CSOP in 2008.

OPIM Holdings Limited

Date of initial investment: 2008
Type of deal: Core Holding
Equity ownership: 30%
Valuation: HK\$55.64 million
Location: Hong Kong
Industry: Finance

OPIM is a leading hedge fund platform in Asia serving both global and Asia-based managers to develop funds across diversified strategies for institutional and professional investors. It has built an ecosystem linking up fund managers, service providers and capital allocators, which enable the managers to launch offshore funds in fast and affordable structures. The ecosystem allows the managers to focus on performance and build a professional track record.

Mid-term Private Equity and Venture Capital

During the Period, except for the divestment of one private equity investment in the Finance sector, there is no material change in mid-term private equity and venture capital investment. As of 30 September 2018, OP Financial's holding in this category amounted to HK\$1,804.10 million. The major investments are listed below:

Beijing International Trust Co., Ltd

Date of initial investment: 2016
Type of deal: Private Equity
Valuation: HK\$473.70 million
Location: China
Industry: Finance

Beijing International Trust Co., Ltd (“BITIC”) is a Chinese large-scale non-banking financial institution, which engages in trusts, investment funds, financial services, brokerage, and advisory businesses. OP Financial acquired 25% equity interest in Treasure Up Ventures Limited, which in turn participates in a minority economic interest in BITIC.

Xiaoju Kuaizhi Inc. (Didi Chuxing)

Date of initial investment: 2016
Type of deal: Private Equity
Valuation: HK\$156.47 million
Location: China
Industry: TMT

Didi Chuxing is the world's leading one-stop mobile transportation platform. Didi Chuxing offers a full range of app-based mobility options for over 550 million users. Xiaoju Kuaizhi Inc. (“Xiaoju Kuaizhi”) is the Cayman Island SPV of Didi Chuxing. OP Financial subscribed preferred shares issued by Xiaoju Kuaizhi.

Wacai Holdings Limited

Date of initial investment: 2017
Type of deal: Private Equity
Valuation: HK\$156.26 million
Location: China
Industry: TMT

Wacai Holdings Limited (“Wacai”) is one of the earliest established Fin-tech companies in China, which has gradually evolved into an internet finance platform with a wide array of personal financial management tools and services, wealth management services and credit solutions. OP Financial and China Everbright Securities International Structured Finance Company Limited formed OP EBS Fintech Investment L.P., for subscription of preferred shares of Wacai.

BE Financial Service (Beijing) Investment Holdings Limited

Date of initial investment: 2017
Type of deal: Private Equity
Valuation: HK\$45.25 million
Location: China
Industry: Environment

OP Financial partners with Beijing Enterprises Water Group Limited (“BEWG”, stock code: 371.HK) to promote the establishment of BE Financial Service (Beijing) Investment Holdings Limited (北控金服(北京)投資控股有限公司, “BEFS”). BEFS will work along with its subsidiaries to provide comprehensive services of fund investment, financing, and management for BEWG’s PPP projects in relation to environmental protection.

Henan CCOP New Life Service Limited

Date of initial investment: 2017
Type of deal: Private Equity
Valuation: HK\$12.96 million
Location: China
Industry: Real Estate

OP Financial setup an investment entity with Central China Real Estate Limited (Stock code: 832.HK) (“Central China”), named Henan CCOP New Life Service Limited (河南建業東英新生活服務有限公司, “CCOP New Life”).

CCOP New Life aims to explore the unmet demands of Central China’s tens of thousands of existing high-end customers, and design and provide solutions by developing and financing proper projects.

Short-term Arbitrage and others

During the Period, OP Financial made new investments in some debt instruments and listed securities to capture the short-term investment opportunities and made some partial settlement to enhance the capital liquidity. As of 30 September 2018, OP Financial's holding in listed securities amounted to HK\$330.12 million, while its holding in debt and other instruments amounted to about HK\$1.83 billion. OP Financial adopted the debt instruments to enhance the safety and liquidity of its contributions under the joint venture arrangements.

FINANCIAL REVIEW

Financial position

Net asset value: The Group's net asset value as at 30 September 2018 was HK\$5.41 billion, or HK\$1.84 per share.

Gearing: The gearing ratio, which is calculated on the basis of total liabilities over total equity as at 30 September 2018, was 0.10 (31 March 2018: 0.10).

Investments accounted for using equity method: It represents mainly our interest in mid-term private equity companies and share of the core holding company CSOP. Assets decreased by 3.23% to HK\$982.85 million as at 30 September 2018 (31 March 2018: HK\$1.02 billion) was mainly the net result of declines in our positions with CCOP New Life and BITIC.

Available-for-sale financial assets: Upon application of HKFRS 9 on 1 April 2018, the available-for-sale financial assets ("AFS") are all reclassified to financial assets at fair value through profit or loss ("FVPL").

Financial assets at fair value through profit or loss: The HK\$1.036 billion or 72.17% increase from HK\$1.44 billion to HK\$2.47 billion was mainly attributable to (i) the new investment in iCarbonX, (ii) HK\$346.80 million equity investments were reclassified from AFS to FVPL, and (iii) the new investment and partial disposal of some listed securities.

Debt investments: it represents the investments in short-term debt instruments during the Period.

Bank and cash balances: To implement our deployment in the healthcare industry and to make good use of sufficient capital, most cash was utilized in the investment in iCarbonX during the Period. Several short-term investments were partially disposed on schedule and we will divest some debt instruments after maturity in the coming months to enhance the cash level. As of 30 September 2018, we maintain a net cash position and our bank and cash balance was HK\$501.13 million (31 March 2018: HK\$1.77 billion).

RESULTS

Amid in the challenging economic environment and volatile stock market, our portfolios experienced certain pressure during the Period. In addition, since AFS are all reclassified to FVPL upon application of HKFRS 9, net fair value losses of HK\$224.41 million relating to these investments were recognized in profit or loss. The realized gains on disposal of some investments and interest income from debt instruments have positive contribution to the bottom line. Our total comprehensive income recorded a loss of HK\$35.34 million compared to a profit of HK\$159.52 million in the same period last year.

Consolidated statement of profit or loss and other comprehensive Income

Revenue represents the income received and receivable on investments during the Period as follows:

	Six months ended 30 September	
	2018 (Unaudited) HK\$'000	2017 (Unaudited) HK\$'000
Dividend income ⁽¹⁾	6,483	1,135
Interest and other income ⁽²⁾	128,747	34,300
Performance premium from co-investment partner ⁽³⁾	–	7,809
	<u>135,230</u>	<u>43,244</u>

- (1) Dividends received from listed investments during the Period.
- (2) Interest and other income of HK\$128.75 million generated from the Group's debt instruments as well as term deposit in banks.
- (3) The performance premiums from co-investment partner China Investment Corporation in connection with the investment in Jin Dou Development Fund L.P.. No performance premium has been received during the Period as the project was in clearance stage.

Net change in unrealized (loss)/gain on financial assets at fair value through profit or loss: The net change in unrealized loss of HK\$224.41 million (2017: gain of HK\$114.02 million) mainly represents the net result of (i) net unrealized loss of HK\$142.38 million on listed shares, (ii) unrealized loss of HK\$66.21 million on Thrive World Limited, and (iii) net unrealized loss of HK\$31.17 million on an exchangeable bond.

Net change in unrealized gain on financial liabilities at fair value through profit or loss: The net change in unrealized gain of HK\$41.49 million mainly represents the share of unrealized loss by our co-investment partners.

Realized gain on disposal/distribution of investments: It mainly represents the realized gain on the partial disposal of listed securities, distributions, as well as the divestment of one private equity investment in the Finance sector.

Provision for expected credit losses (“ECL”): The HK\$16.46 million represents the provision for ECL on debt instruments, following the adoption of HKFRS 9 by the Group during the Period.

Equity-settled share-based payments: This represents the value of share options vested during the Period. These share options were granted to certain directors, employees and consultants on 20 May 2016 and 1 February 2018, which are vested over five years from the grant date.

Operating and administrative expenses: the total amount of HK\$48.42 million is mainly the result of staff costs, investment management fee, rents, and legal and professional fees.

Share of results of investments accounted for using equity method: a net loss of approximately HK\$26.88 million (2017: gain of HK\$42.92 million) mainly accounted for our share of results of CCOP New Life and BITIC.

Other comprehensive income: Changes to the Group’s NAV, otherwise not accounted for in “loss for the Period”, are found in “other comprehensive income”. Upon the application of HKFRS 9 on 1 April 2018, AFS were all reclassified to FVPL. The fair value changes of these assets were recognized in profit or loss during the Period. The net loss of HK\$378,000 (2017: gain of HK\$28.17 million) only represents the share of other comprehensive income of investments accounted for using equity method and the exchange differences. Combining with the “loss for the Period”, the total comprehensive income for the Period was a loss of HK\$35.34 million.

DIVIDEND POLICY AND PROPOSED INTERIM DIVIDEND

The Board has resolved not to pay any interim dividend in respect of the six months ended 30 September 2018 (2017: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

Dividend income from investments held, interest and other income from bank deposits and financial instruments held are currently the Group’s major source of revenue.

During the Period, the Group had cash and bank balances of HK\$501.13 million (31 March 2018: HK\$1.77 billion). The Group had an aggregate of HK\$365.02 million of bank loans from our principal bankers, bank margin financing on listed equity investments and interest-free borrowings from one of the associates for a PRC potential investment at 30 September 2018 (31 March 2018: HK\$127.98 million). The debt-to-equity ratio (interest-bearing external borrowings divided by shareholders’ equity) stood at 5.5% (31 March 2018: 0.9%) while the current ratio (current assets divided by current liabilities) was 6 times (31 March 2018: 8 times). For further analysis of the Group’s cash position, current assets and gearing, please refer to paragraphs under subsections headed “Financial Position” above. The Board believes that the Group has sufficient financial resources to satisfy its immediate investments and working capital requirements.

CAPITAL STRUCTURE

As at 30 September 2018, the Group's shareholders' equity and the total number of shares in issue for the Company stood at HK\$5.41 billion (31 March 2018: HK\$5.59 billion) and 2,937,696,000 (31 March 2018: 2,937,396,000) respectively.

MATERIAL ACQUISITIONS AND DISPOSALS OF INVESTMENTS

The Group had the following material acquisitions as well as disposals of investments during the Period.

	New Investment <i>(HK\$ million)</i>	Divestment/ Disposal <i>(HK\$ million)</i>
Long-term Core Holding ⁽¹⁾	1,099	–
Mid-term private equity and venture capital	267	433
Short-term arbitrage opportunities		
– Listed security	618	708
– Debt instrument	1,134	721
	<hr/>	<hr/>
Total	<u>3,118</u>	<u>1,862</u>

(1) The new investment represents our core holding investment – iCarbonX.

SEGMENT INFORMATION

Segment information of the Group is set out in note 4 on pages 8 and 9 of this announcement.

EMPLOYEES

As of 30 September 2018, the Group had 48 employees (2017: 39), inclusive of all directors of the Group and its subsidiaries. Total staff costs for the Period amounted to HK\$27.41 million (2017: HK\$24.64 million). The Group's remuneration policies are in line with the market practice and are determined on the basis of the performance and experience of the individual employee.

SHARE OPTION SCHEME

During the Period, the Board had not granted any share option under the Company's share option scheme to any Directors or eligible employee of the Group and 300,000 granted share options were exercised (2017: nil). As at 30 September 2018, there were 72,700,000 (31 March 2018: 73,000,000) share options that remained outstanding under the scheme.

The detailed disclosures relating to the Company's share option scheme and valuation of options will be set out in the interim report to be published soon.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

At 30 September 2018, the Group exposure to foreign currency risk from financial instruments that are monetary items including investments recognized as financial assets at fair value through profit or loss, loan and interest receivables, bank balances, other payables (31 March 2018: financial assets at fair value through profit or loss, loan and interest receivables, bank balances, account and other payables). These assets were denominated in RMB and the maximum exposure to foreign currency risk was RMB350,607,000, equivalent to HK\$399,237,000 (31 March 2018: RMB406,108,000, equivalent to HK\$502,944,000).

At 30 September 2018, the Group held certain financial assets which were denominated in USD. The Board is of the opinion that the Group's exposure to USD foreign currency risk is minimal as HKD was pegged to USD by the Hong Kong's Linked Exchange Rate System.

CHARGES ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 30 September 2018, the Group's financial assets at fair value through profit or loss amounting to HK\$107,940,000 was pledged for bank borrowings.

At 30 September 2108, the Group had given guarantees in respect of the settlement of RMB20,000,000 (equivalent to HK\$22,774,000) (31 March 2018: HK\$24,769,000) loan provided by 博石資產管理股份有限公司 to 上海幸福九號網絡科技有限公司, a potential investee of the Company. In the opinion of the directors of the Company, the fair values of the financial guarantee contract of the Group are insignificant at initial recognition and the directors of the Company consider that the possibility of default of the parties involved is remote, accordingly, no value has been recognized at the inception of the guarantee contract and at the end of the Period.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS AND THEIR EXPECTED SOURCES OF FUNDING

As at 30 September 2018, there were no plans for material investments or capital assets, but the Company may, at any point, be negotiating potential investments. The Company considers new investments as part of its normal business, and therefore management may publically announce these plans as they become necessarily disclosable to shareholders during the course of the financial year.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company or any of its subsidiaries has not purchased, sold or redeemed any of the Company's securities during the Period.

CORPORATE GOVERNANCE CODE

Except otherwise stated herein, none of the Directors is aware of any information that would reasonably indicate that the Company is not, or was not, at any time during the Period, in compliance with the Corporate Governance Code set out in Appendix 14 to the Listing Rules.

Code Provision A.6.7 provided that, the independent non-executive Directors and other non-executive Directors, as equal Board members, should give the Board and any committees on which they serve the benefit of their skills, expertise and varied backgrounds and qualifications through regular attendance and active participation. They should also attend general meetings and develop a balanced understanding of the views of shareholders. During the Period, each of Mr. ZHANG Zhi Ping, Mr. ZHANG Weidong, Dr. WU Zhong, Dr. FU Weigang and Mr. KWONG Che Keung Gordon attended both of the extraordinary general meeting which was held on 28 August 2018 (“EGM”) and the annual general meeting which was held on 28 August 2018 (“AGM”). However, due to other business commitment on urgent basis, Mr. ZHANG Gaobo, Mr. CHEN Yuming, Prof. HE Jia and Mr. WANG Xiaojun did not attend both of the general meetings.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a “Policy for Director and Employee Dealings in the Company’s Securities” which supplements the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) set out in Appendix 10 of the Listing Rules and is available on the Company’s website. Following specific enquiry by the Company, all Directors have confirmed, that they have fully complied with the Model Code and the aforesaid internal policy regarding directors’ securities transactions throughout the Period.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES AND DEBENTURES

At no time during the Period was the Company or its associated corporation(s) a party to any arrangements to enable the Directors or chief executive of the Company to acquire any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporation(s).

AUDIT COMMITTEE

The Company’s audit committee, comprising three independent non-executive Directors, has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including a review of the condensed consolidated financial statements for the Period before recommending them to the Board for approval.

REVIEW OF INTERIM FINANCIAL INFORMATION

The external auditor has reviewed the interim financial information for the Period 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 Hong Kong Institute of Certified Public Accountants.

FORWARD-LOOKING STATEMENTS

This announcement contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of the Company regarding the industry and markets in which it invests. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.opfin.com.hk). The interim report will be dispatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and that of the Company in due course.

By order of the Board
OP Financial Limited
Zhang Gaobo
Executive Director, Chairman and CEO

Hong Kong SAR, 27 November 2018

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Zhang Zhi Ping, Mr. Zhang Gaobo and Mr. Zhang Weidong; three non-executive Directors, namely Dr. Wu Zhong, Mr. Chen Yuming and Dr. Fu Weigang; and three independent non-executive Directors, namely, Mr. Kwong Che Keung, Gordon, Professor He Jia and Mr. Wang Xiaojun.