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CORPORATE INFORMATION

30 September 2018

BOARD OF DIRECTORS

Chairman (Non-Executive Director)

Mr. Li Hang

Vice Chairman (Non-Executive Director)

Dr. Lam Lee G.

Executive Directors

Mr. Ji Kecheng (*Chief Executive Officer*)

Mr. Wang Zhenjiang (*Vice President*)

Mr. Yau Wai Lung

Mr. Li Zhen Yu

Non-Executive Directors

Mr. Qiu Jianyang

Mr. Lo Man Tuen

Independent Non-Executive Directors

Mr. To Shing Chuen

Mr. Cheung Wing Ping

Mr. Wang Huixuan

Mr. Guan Huanfei

AUDIT COMMITTEE

Mr. Cheung Wing Ping (*Chairman*)

Mr. To Shing Chuen

Mr. Wang Huixuan

Mr. Guan Huanfei

REMUNERATION COMMITTEE

Mr. Cheung Wing Ping (*Chairman*)

Mr. Wang Zhenjiang

Mr. Yau Wai Lung

Mr. To Shing Chuen

Mr. Wang Huixuan

NOMINATION COMMITTEE

Mr. Li Hang (*Chairman*)

Mr. Yau Wai Lung

Mr. To Shing Chuen

Mr. Cheung Wing Ping

Mr. Wang Huixuan

EXECUTIVE COMMITTEE

Mr. Ji Kecheng (*Chairman*)

Mr. Wang Zhenjiang

Mr. Yau Wai Lung

Mr. Li Zhen Yu

COMPANY SECRETARY

Ms. Chan Lai Ping

AUTHORISED REPRESENTATIVES

Mr. Yau Wai Lung

Ms. Chan Lai Ping

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

**HEAD OFFICE AND PRINCIPAL PLACE
OF BUSINESS IN HONG KONG**

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China Resources Building
26 Harbour Road
Wanchai
Hong Kong

STOCK CODE

412

AUDITOR

HLB Hodgson Impey Cheng Limited
31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

LEGAL ADVISERS

Hong Kong law:
Li & Partners
22/F, World-Wide House
Central
Hong Kong

Reed Smith Richards Butler
20/F, Alexandra House
18 Chater Road
Central
Hong Kong

Bermuda law:

Conyers Dill & Pearman
29/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited
Bank of China Tower
No. 1 Garden Road Central
Hong Kong

Industrial and Commercial Bank of China
(Macau) Limited
18/F, ICBC Tower,
Macau Landmark,
555 Avenida da Amizade,
Macau

PRINCIPAL REGISTRAR IN BERMUDA

MUFG Fund Services (Bermuda) Limited
The Belvedere Building
69 Pitts Bay Road
Pembroke HM08
Bermuda

BRANCH REGISTRAR IN HONG KONG

Computershare Hong Kong Investor
Services Limited
17M Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

WEBSITE

www.csfg.com.hk

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	For the six months ended	
		2018	2017
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
REVENUE	4	281,900	74,299
COST OF SERVICES		(80,775)	(34,263)
Other income		12,622	3,582
Other gains and losses, net	5	(434,757)	–
Fair value losses on financial assets measured at fair value through profit or loss, net	7	(31,925)	–
Fair value losses on investments at fair value through profit or loss, net	7	–	(222,861)
Gain on disposal of a subsidiary		–	14,713
Employee benefit expenses	7	(64,557)	(27,472)
Depreciation		(2,535)	(7,072)
Minimum lease payments under operating leases		(12,009)	(10,606)
Administrative expenses		(67,416)	(24,673)
Finance costs	6	(142,848)	(46,649)
Share of results of associates		(830)	–
LOSS BEFORE TAX	7	(543,130)	(281,002)
Income tax credit	8	84,505	40,929
LOSS FOR THE PERIOD		(458,625)	(240,073)
Loss for the period attributable to:			
Owners of the Company		(455,161)	(240,073)
Non-controlling interests		(3,464)	–
		(458,625)	(240,073)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic	9	HK(2.11) cents	HK(1.25) cents
Diluted	9	HK(2.11) cents	HK(1.25) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	(458,625)	(240,073)
OTHER COMPREHENSIVE (LOSS)/INCOME		
<i>Item that will not be classified to profit or loss:</i>		
Fair value changes on financial assets measured at fair value through other comprehensive income	234,251	–
<i>Item that may be reclassified subsequently to the condensed consolidated income statement:</i>		
Exchange difference arising on translation of foreign operations	(371,303)	46,835
TOTAL OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(137,052)	46,835
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(595,677)	(193,238)
Total comprehensive loss for the period attributable to:		
Owners of the Company	(584,993)	(193,238)
Non-controlling interests	(10,684)	–
	(595,677)	(193,238)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		10,698	12,322
Intangible assets	11	1,257,210	1,463,715
Interests in associates		51,187	47,894
Available-for-sale investments	12	–	1,936,000
Financial assets measured at fair value through other comprehensive income	13	1,829,451	–
Finance lease receivables	14	1,729,602	1,950,858
Financial assets measured at fair value through profit or loss	16	1,883,343	–
Investments at fair value through profit or loss	17	–	1,340,761
Loans receivables	15	773,313	629,883
Total non-current assets		7,534,804	7,381,433
CURRENT ASSETS			
Finance lease receivables	14	910,700	1,016,581
Financial assets measured at fair value through profit or loss	16	2,879,874	–
Investments at fair value through profit or loss	17	–	2,526,583
Loans receivables	15	986,894	728,922
Trade and other receivables	18	950,658	1,193,226
Restricted cash		–	12,795
Cash and cash equivalents		619,661	1,555,133
Total current assets		6,347,787	7,033,240
CURRENT LIABILITIES			
Other payables and accruals		271,109	252,269
Borrowings	19	5,521,971	5,267,746
Convertible bonds	20	693,326	463,480
Tax payables		53,934	69,798
Total current liabilities		6,540,340	6,053,293

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
	Notes		
NET CURRENT (LIABILITIES)/ASSETS		(192,553)	979,947
TOTAL ASSETS LESS CURRENT LIABILITIES		7,342,251	8,361,380
NON-CURRENT LIABILITIES			
Borrowings	19	2,006,308	2,005,744
Convertible bonds	20	–	291,885
Other payables		–	32,408
Deferred tax liabilities		98,260	186,519
Total non-current liabilities		2,104,568	2,516,556
Net assets		5,237,683	5,844,824
CAPITAL AND RESERVES			
Issued Capital	21	6,113	6,138
Reserves		5,173,138	5,769,570
Equity attributable to owners of the Company		5,179,251	5,775,708
Non-controlling interests		58,432	69,116
Total equity		5,237,683	5,844,824

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

Attributable to owners of the Company

	Issued capital HK\$'000 (Unaudited)	Share premium account HK\$'000 (note i) (Unaudited)	Share options reserve HK\$'000 (note ii) (Unaudited)	Capital redemption reserve HK\$'000 (note iii) (Unaudited)	Contributed surplus HK\$'000 (note iv) (Unaudited)	Available-for-sale investments revaluation reserve HK\$'000 (note v) (Unaudited)	Convertible bonds reserve HK\$'000 (note vi) (Unaudited)	Statutory reserve HK\$'000 (note vii) (Unaudited)	Translation reserve HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Non-controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
At 1 April 2017 (Audited)	4,797	3,154,542	40,150	1,177	1,524,577	120	59,384	20,899	(64,749)	(1,554,228)	3,186,669	-	3,186,669
Loss for the period	-	-	-	-	-	-	-	-	-	(240,073)	(240,073)	-	(240,073)
Other comprehensive income for the period:													
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	46,835	-	46,835	-	46,835
Other comprehensive income for the period	-	-	-	-	-	-	-	-	46,835	(240,073)	(193,238)	-	(193,238)
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	-	-	(60,077)	159,356	99,279	-	99,279
At 30 September 2017 (Unaudited)	4,797	3,154,542	40,150	1,177	1,524,577	120	59,384	20,899	(17,914)	(1,794,301)	2,993,431	-	2,993,431

Attributable to owners of the Company

	Issued capital HK\$'000 (Unaudited)	Share premium account HK\$'000 (note i) (Unaudited)	Share options reserve HK\$'000 (note ii) (Unaudited)	Capital redemption reserve HK\$'000 (note iii) (Unaudited)	Contributed surplus HK\$'000 (note iv) (Unaudited)	Available-for-sale investments revaluation reserve HK\$'000 (note v) (Unaudited)	Financial assets at fair value through other comprehensive income reserve HK\$'000 (note vi) (Unaudited)	Convertible bonds reserve HK\$'000 (note vii) (Unaudited)	Statutory reserve HK\$'000 (note viii) (Unaudited)	Translation reserve HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Non-controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
At 1 April 2018 (Audited)	6,138	4,801,197	40,150	1,177	1,524,577	55,144	-	59,734	37,995	126,910	(877,314)	5,775,708	69,116	5,844,824
Adjustment (Note 2)	-	-	-	-	-	(55,144)	55,144	-	-	-	5,660	5,660	-	5,660
At 1 April 2018 (Restated)	6,138	4,801,197	40,150	1,177	1,524,577	-	55,144	59,734	37,995	126,910	(871,654)	5,781,368	69,116	5,850,484
Loss for the period	-	-	-	-	-	-	-	-	-	-	(455,161)	(455,161)	(3,464)	(458,625)
Other comprehensive income for the period:														
Fair value changes on financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	234,251	-	-	-	-	234,251	-	234,251
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	-	(364,083)	-	(364,083)	(7,220)	(371,303)
Other comprehensive income for the period	-	-	-	-	-	-	234,251	-	-	(364,083)	-	(129,832)	(7,220)	(137,052)
Total comprehensive (loss) /income for the period	-	-	-	-	-	-	234,251	-	-	(364,083)	(455,161)	(584,983)	(10,684)	(595,677)
Repurchase of ordinary shares	(25)	(17,099)	-	-	-	-	-	-	-	-	-	(17,124)	-	(17,124)
At 30 September 2018 (Unaudited)	6,113	4,784,098	40,150	1,177	1,524,577	-	289,395	59,734	37,995	(237,173)	(1,326,815)	5,179,251	58,432	5,237,683

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

Notes:

(i) Share premium account

Share premium account represents the excess of proceeds received over the nominal value of the Company's shares issued, less share issue expenses. Pursuant to the Companies Act of Bermuda, the Company's share premium account may be distributed in the form of fully paid bonus shares.

(ii) Share options reserve

Share options reserve relates to share options granted to employees under new share option scheme.

(iii) Capital redemption reserve

Capital redemption reserve arose from the reduction of the nominal value of the issued capital of the Company upon the cancellation of the repurchased shares.

(iv) Contributed surplus

Contributed surplus arose from capital reorganisation in previous years. Under the Companies Act of Bermuda, the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities.

(v) Available-for-sale investments revaluation reserve

The reserve comprises the cumulative net changes in fair value of available-for-sale investments held at the end of the reporting period.

(vi) Convertible bonds reserve

Convertible bonds reserve relates to convertible bonds issued/redeemed during the year.

(vii) Statutory reserve

The statutory reserve of the Group refers to the People's Republic of China ("PRC") statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax as recorded in the statutory financial statements of the PRC subsidiaries. The amount should not be less than 10% of the profit after tax as recorded in the statutory financial statements unless the aggregate amount exceeds 50% of the registered capital of the PRC subsidiaries. The statutory reserve can be used to make up prior year losses, if any, and can be applied in conversion into the PRC subsidiaries' capital by means of capitalisation issue.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	For the six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash (used in)/from operations	(55,519)	79,792
Increase in loans receivables	(452,064)	(408,219)
(Increase)/decrease in finance lease receivables	(151,366)	84,780
Net cash used in operating activities	(658,949)	(243,647)
Net cash (used in)/from investing activities	(4,897)	95,205
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings raised	355,353	400,359
Repayment of bank borrowings	(355,353)	(100,132)
Other cash flows used in financing activities	(216,923)	(41,690)
Net cash (used in)/from financing activities	(216,923)	258,537
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		
	(880,769)	110,095
Cash and cash equivalents at the beginning of the period	1,555,133	275,722
Effect of foreign exchange rate changes	(54,703)	7,566
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	619,661	393,383

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

1. CORPORATE INFORMATION

China Shandong Hi-Speed Financial Group Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The addresses of the registered office and the principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and Rooms 1405-1410, 14th Floor, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong, respectively.

2. BASIS OF PREPARATION

(a) Statement of compliance

These unaudited condensed consolidated financial statements for the six months ended 30 September 2018 (the “Interim Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Interim Financial Statements are presented in Hong Kong Dollar (“HK\$”), which is the same as the functional currency of the Company and all values are rounded to the nearest thousands (HK\$’000) except when otherwise indicated.

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2018.

Except as described below, the Group’s accounting policies applied in preparing these Interim Financial Statements are consistent with those policies applied in preparing the annual financial statements for the year ended 31 March 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. BASIS OF PREPARATION (continued)

(b) Application of New and Amended HKFRSs

The Group has adopted the following new and amended Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these Interim Financial Statements.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle except HKFRS 12 (Amendments)
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers
HKAS 40 (Amendments)	Transfers of Investment Property
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of the new and amended HKFRSs has had no significant financial effect on these Interim Financial Statements and there have been no significant changes to the accounting policies applied in these Interim Financial Statements, except the following set out below.

HKFRS 9 Financial instruments

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018. The difference between carrying amounts as at 31 March 2018 and the carrying amounts as at 1 April 2018 are recognised in the opening accumulated losses and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. BASIS OF PREPARATION (continued)

(b) Application of New and Amended HKFRSs (continued)

HKFRS 9 Financial Instruments (continued)

(i) Classification of financial assets and financial liabilities

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

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

- Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;
- FVTOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss; or
- FVTPL, if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. BASIS OF PREPARATION (continued)

(b) Application of New and Amended HKFRSs (continued)

HKFRS 9 Financial instruments (continued)

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

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

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

The directors of the Company reviewed and assessed the Group's financial assets as at 1 April 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in note 2 (c).

The measurement categories for all financial liabilities remain the same.

The carrying amounts for all financial liabilities at 1 April 2018 have not been impacted by the initial application of HKFRS 9.

(ii) Credit losses

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

The Group applies the new ECL model to financial assets measured at amortised cost (including cash and cash equivalents, finance lease receivables, loans receivables, trade and other receivables).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. BASIS OF PREPARATION (continued)

(b) Application of New and Amended HKFRSs (continued)

HKFRS 9 Financial Instruments (continued)

(ii) *Credit losses* (continued)

Measurement of ECLs

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

The expected cash shortfalls are discounted using the effective interest rate determined at initial recognition or an approximation thereof for fixed rate financial assets and trade and other receivables where the effect of discounting is material.

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

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

ECLs are measured on either of the following bases:

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. BASIS OF PREPARATION (continued)

(b) Application of New and Amended HKFRSs (continued)

HKFRS 9 Financial instruments (continued)

(ii) *Credit losses* (continued)

Significant increases in credit risk

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. BASIS OF PREPARATION (continued)

(b) Application of New and Amended HKFRSs (continued)

HKFRS 9 Financial instruments (continued)

(ii) *Credit losses* (continued)

Significant increases in credit risk (continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for financial asset at fair value through profit or loss.

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. BASIS OF PREPARATION (continued)

(b) Application of New and Amended HKFRSs (continued)

HKFRS 9 Financial instruments (continued)

(ii) *Credit losses* (continued)

Write-off policy

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

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

(iii) *Transition*

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

- Information relating to comparative periods has not been restated.
- The assessments have been made on the basis of the facts and circumstances that exist as at 1 April 2018 (the date of initial application of HKFRS 9 by the Group) for the determination of the business model within which a financial asset is held.
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. BASIS OF PREPARATION (continued)

(c) Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 April 2018.

	Notes	Available- for-sale investments HK\$'000	Finance lease receivables HK\$'000	Investments at fair value through profit or loss HK\$'000	Loans receivables HK\$'000	Financial assets measured at FVTOCI HK\$'000	Financial assets measured at FVTPL HK\$'000	Trade and other receivables HK\$'000
Closing balances at 31 March 2018 (Audited)		1,936,000	2,967,439	3,867,344	1,358,805	-	-	1,193,226
Effect arising from initial application of HKFRS 9:								
Reclassification:								
From available-for-sale investments	(i)	(1,936,000)	-	-	-	1,595,200	340,800	-
From investments at fair value through profit or loss	(ii)	-	-	(3,867,344)	-	-	3,867,344	-
Re-measurement:								
Impairment under ECL	(iii)	-	(13,342)	-	(9,236)	-	-	(12,617)
Fair value change	(i)	-	-	-	-	-	40,855	-
Opening balances								
At 1 April 2018		-	2,954,097	-	1,349,569	1,595,200	4,248,999	1,180,609

(i) Available-for-sale investments

From AFS club membership debenture to financial assets measured at FVTOCI

The Group elected to present in other comprehensive income the subsequent change in fair value of its club membership debenture previously classified as AFS investments. The Group intends to hold it for long term strategic purpose. As a result, the financial asset was reclassified from AFS investments with original carrying amount of approximately HK\$5,200,000 to financial assets measured at FVTOCI and no change in its measurement on 1 April 2018. Cumulative fair value gain of approximately HK\$720,000 was reclassified from AFS investments revaluation reserve to financial assets measured at FVTOCI reserve upon remeasurement on 1 April 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. BASIS OF PREPARATION (continued)

(c) Summary of effects arising from initial application of HKFRS 9 (continued)

(i) Available-for-sale investments (continued)

From AFS unlisted equity investment to financial assets measured at FVTPL

The unlisted equity investment with a fair value of HK\$340,800,000 was reclassified from AFS investments to financial assets measured at FVTPL. As a result, the financial asset was reclassified from AFS unlisted equity investment with original carrying amount of approximately HK\$340,800,000 to financial assets measured at FVTPL and was remeasured at fair value of approximately HK\$381,655,000. Fair value gain of approximately HK\$40,855,000 was recognised in accumulated losses upon remeasurement on 1 April 2018.

From AFS unlisted equity investment to financial assets measured at FVTOCI

The Group elected to present in other comprehensive income the subsequent change in fair value changes of its unlisted equity investment previously classified as available-for-sale investment. This investment is not held for trading and not expected to be sold in the foreseeable future. As a result, the financial asset was reclassified from available-for-sale investment with original carrying amount of approximately HK\$1,590,000,000 to financial assets measured at FVTOCI and no change in its measurement on 1 April 2018. Cumulative fair value gain of approximately HK\$54,424,000 was reclassified from the AFS revaluation reserve to the financial assets measured at FVTOCI reserve upon remeasurement on 1 April 2018.

(ii) Investments at FVTPL

From investments at FVTPL to financial assets measured at FVTPL

Listed equity investments, held-for-trading listed equity investments and held-for-trading investment funds with fair value of approximately HK\$1,340,761,000, HK\$721,869,000 and HK\$1,804,714,000 respectively. These investments are required to be classified as financial assets measured at FVTPL under HKFRS 9. There was no impact on the amounts recognised in relation to these assets from the application of HKFRS 9.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. BASIS OF PREPARATION (continued)

(c) Summary of effects arising from initial application of HKFRS 9 (continued)

(iii) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivable. To measure the ECL, trade receivable, other receivables, restricted cash and cash and cash equivalents have been grouped based on shared credit risk characteristics and their aging. The Group collectively used a provision matrix with appropriate aging groupings to assess level of provision rate.

Loss allowances for other financial assets at amortised cost mainly comprise finance lease receivables and loans receivables which are measured on lifetime ECL basis as those credit risk had increased significantly since initial recognition.

As at 1 April 2018, the additional credit loss allowance of approximately HK\$35,195,000 has been recognised against accumulated losses for the Group. The additional loss allowance is charged against the respective assets.

All loss allowances for financial assets including finance lease receivables, trade and other receivables, restricted cash and cash and cash equivalents as at 31 March 2018 reconciled to the opening loss allowance as at 1 April 2018 are as follows:

	Finance lease receivables HK\$'000	Loans receivables HK\$'000	Trade and other receivables HK\$'000
At 31 March 2018 – HKAS 39	–	45,000	–
Amounts remeasured through opening accumulated losses	13,342	9,236	12,617
At 1 April 2018	13,342	54,236	12,617

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

2. BASIS OF PREPARATION (continued)

(d) Reconciliation of statement of financial position balances from HKAS 39 to HKFRS 9

The Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. The following table reconciles the carrying amounts of financial assets and financial liabilities upon transition to HKFRS 9 on 1 April 2018:

	31 March 2018 HK\$'000 (Audited)	HKFRS 9 HK\$'000	1 April 2018 HK\$'000 (Restated)
NON-CURRENT ASSETS			
Available-for-sale investments	1,936,000	(1,936,000)	–
Financial assets measured at FVTOCI	–	1,595,200	1,595,200
Finance lease receivables	1,950,858	(2,704)	1,948,154
Investments at FVTPL	1,340,761	(1,340,761)	–
Financial assets measured at FVTPL	–	1,722,416	1,722,416
Loans receivables	629,883	–	629,883
CURRENT ASSETS			
Finance lease receivables	1,016,581	(10,638)	1,005,943
Investments at FVTPL	2,526,583	(2,526,583)	–
Financial assets measured at FVTPL	–	2,526,583	2,526,583
Loans receivables	728,922	(9,236)	719,686
Trade and other receivables	1,193,226	(12,617)	1,180,609

(e) Judgements and estimates

In preparing these Interim Financial Statements, the management makes judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty was the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports that are used to make strategic decisions reviewed by the Group's chief operating decision maker ("CODM"). For the six months ended 30 September 2018, the Group had four reportable operating segments. Details are as follows:

- (i) the investments in securities segment engages primarily in the purchase and sale of securities and derivatives and the holding of equity and debt investments primarily for interest income, dividend income and capital appreciation;
- (ii) the money lending segment engages primarily in money lending operations and advisory services;
- (iii) the financial leasing segment engages primarily in the direct financial leasing, advisory services and asset trading platform; and
- (iv) the financial technology segment engages primarily in online investment and technology-enabled lending services and online new media services.

CODM monitors the results of the Group's operating segments separately as described above, for the purpose of making decisions about resource allocation and assessment of the Group's performance. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that unallocated income, unallocated finance costs, unallocated expenses and share of results of associates are excluded from such measurement.

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

- all assets are allocated to reportable segments other than unallocated corporate assets such as property, plant and equipment; and
- all liabilities are allocated to reportable segments other than current and deferred tax liabilities, and unallocated corporate liabilities such as other payables and accruals.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. OPERATING SEGMENT INFORMATION (continued)

	Investments in securities		Money lending		Financial leasing		Financial technology		Unallocated		Condensed	
	For the six months ended		For the six months ended		For the six months ended		For the six months ended		For the six months ended		For the six months ended	
	30 September		30 September		30 September		30 September		30 September		30 September	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:												
Revenue from external customers	56,611	3,000	67,284	19,167	92,776	51,773	65,229	-	-	359	281,900	74,299
Segment results	(55,710)	(185,012)	59,442	17,642	(356,538)	(22,527)	(1,668)	-	-	-	(354,474)	(189,897)
Reconciliations:												
Unallocated finance costs											(101,730)	(45,132)
Unallocated expenses*											(86,096)	(45,973)
Share of results of associates											(830)	-
Loss before tax											(543,130)	(281,002)
Other segment information:												
Finance costs	(21,284)	-	(6,068)	(1,517)	(13,766)	-	-	-	(101,730)	(45,132)	(142,848)	(46,649)
Depreciation	-	-	-	-	(798)	(2,244)	(567)	-	(1,170)	(4,828)	(2,535)	(7,072)
Gain on disposal of a subsidiary	-	-	-	-	-	-	-	-	-	14,713	-	14,713
Fair value losses on financial assets measured at FVTPL	(31,925)	-	-	-	-	-	-	-	-	-	(31,925)	-
Fair value losses on investments at fair value through profit or loss, net	-	(183,738)	-	-	-	(39,123)	-	-	-	-	-	(222,861)
Impairment loss, net of reversal recognised in respect of												
- Goodwill	-	-	-	-	(146,586)	-	-	-	-	-	(146,586)	-
- Finance lease receivables	-	-	-	-	(213,083)	-	-	-	-	-	(213,083)	-
- Loans receivables	-	-	2,416	-	-	-	(5,134)	-	-	-	(2,718)	-
- Trade and other receivables	(62,932)	-	-	-	(9,439)	-	1	-	-	-	(72,370)	-
Capital expenditure**	-	-	-	-	100	-	286	-	920	6,862	1,306	6,862

Note:

* Unallocated expenses mainly included employee benefit expenses of approximately HK\$38,759,000 (six months ended 30 September 2017: HK\$26,241,000), minimum lease payment under operating lease of approximately HK\$4,558,000 (six months ended 30 September 2017: HK\$10,606,000), exchange loss of approximately HK\$9,421,000 (six months ended 30 September 2017: gains of approximately HK\$563,000), legal and professional fee of approximately HK\$13,477,000 (six months ended 30 September 2017: HK\$3,219,000) and depreciation of approximately HK\$1,170,000 (six months ended 30 September 2017: HK\$4,828,000).

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. OPERATING SEGMENT INFORMATION (continued)

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

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Segment assets:		
Investment in securities	7,482,489	7,214,929
Money lending	1,233,129	1,371,728
Financial leasing	4,179,253	5,402,303
Financial technology	980,613	365,661
	13,875,484	14,354,621
Unallocated assets	7,107	60,052
Total assets	13,882,591	14,414,673
Segment liabilities:		
Investment in securities	4,551,158	3,756,007
Money lending	224,755	527,457
Financial leasing	2,736,362	3,086,090
Financial technology	58,333	123,668
	7,570,608	7,493,222
Unallocated liabilities	1,074,300	1,076,627
Total liabilities	8,644,908	8,569,849

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

3. OPERATING SEGMENT INFORMATION (continued)

Information about major customers

Revenue from customers individually contributing over 10% of the Group's revenue is as follows:

	For the six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Customer A	N/A	19,320
Customer B	N/A	13,865

Customer A and Customer B did not contribute over 10% of the total revenue during the six months ended 30 September 2018.

Geographical information

The Group's operations are mainly located in Hong Kong and other parts of the PRC. The geographical information about the Group's revenue based on the locations of the customers and non-current assets based on the locations of the assets is set out below:

	Revenue from external customers		Non-current assets (note)	
	For the six months ended 30 September		30 September	31 March
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Hong Kong	123,895	22,527	7,107	7,388
Others parts of the PRC	158,005	51,772	1,260,801	1,468,649
	281,900	74,299	1,267,908	1,476,037

Note: Non-current assets exclude interests in associates, financial assets measured at fair value through other comprehensive income, finance lease receivables, financial assets measured at fair value through profit or loss and loans receivables (31 March 2018: Non-current assets exclude interests in associates, available-for-sale investments, finance lease receivables, investments at fair value through profit or loss and loans receivables).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

4. REVENUE

Revenue, which is also the Group's turnover, represents consultancy services income; financial leasing income; interest income from money lending operations; handling fee income; distribution and dividend from investments at fair value through profit or loss; interest income from financial assets measured at fair value through profit or loss; and online investment and technology-enabled lending services and online new media services income during the period.

	For the six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
An analysis of revenue is as follows:		
Consultancy services income (Note i)	34,804	6,256
Financial leasing income	68,104	44,364
Interest income from money lending operations	82,568	5,455
Handling fee income (Note ii)	52,336	15,224
Distribution from investments at fair value through profit or loss	27,499	–
Dividend income from investments at fair value through profit or loss	–	3,000
Interest income from financial assets measured at fair value through profit or loss	12,912	–
Online investment and technology-enabled lending services and online new media services income	3,677	–
	281,900	74,299

Notes:

- (i) Consultancy services income represents income derived from advisory and consultancy services provided for customers, including but not limited to:
 - (a) provision of advisory services on financial leasing and trading platform structure;
 - (b) provision of regulatory analysis;
 - (c) provision of advisory services on transaction arrangement; and
 - (d) financial and taxation analysis.
- (ii) Included in handling fee income was an amount of approximately HK\$12,948,000 (six months ended 30 September 2017: HK\$1,153,000) from asset trading platform in financial leasing segment, approximately HK\$5,000,000 (six months ended 30 September 2017: HK\$13,712,000) from money lending segment, approximately HK\$18,188,000 (six months ended 30 September 2017: nil) from financial technology segment and approximately HK\$16,200,000 (six months ended 30 September 2017: HK\$359,000) from securities brokerage business which is included in the unallocated segment for the six months ended 30 September 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

5. OTHER GAINS OR LOSSES, NET

	For the six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Included in other gains and losses, net are		
Impairment loss, net of reversal recognised in respect of:		
– Goodwill	146,586	–
– Finance lease receivables	213,083	–
– Loans receivables	2,718	–
– Trade and other receivables	72,370	–
	434,757	–

6. FINANCE COSTS

	For the six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
An analysis of finance costs is as follows:		
Interest on bank borrowings wholly repayable within five years	19,833	2,245
Interest on margin and other loans	21,286	1
Amortised interest on bonds	57,720	577
Amortised interest on convertible bonds (note 20)	44,009	43,826
	142,848	46,649

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

7. LOSS BEFORE TAX

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

	For the six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Employee benefit expenses:		
Directors' remuneration:		
– Fees	–	–
– Salaries and allowances	6,756	4,388
– Retirement benefit scheme contributions (defined contribution scheme)	44	54
Sub-total	6,800	4,442
Other staff's costs:		
– Salaries and allowances	54,029	22,386
– Retirement benefit scheme contributions (defined contribution scheme)	3,728	644
Sub-total	57,757	23,030
Total employee benefit expenses	64,557	27,472
Sales proceeds from disposal of securities and bonds	–	(724,000)
Carrying amount of securities and bonds	–	739,027
Realised losses from investments at fair value through profit or loss – securities and bonds	–	15,027
Unrealised losses from investments at fair value through profit or loss – securities and bonds	–	207,834
Fair value losses on investment at fair value through profit or loss, net	–	222,861
Sales proceeds from disposal of securities and bonds	(470,105)	–
Carrying amount of securities and bonds	477,640	–
Realised losses from financial assets measured at fair value through profit or loss (note 16(b))	7,535	–
Unrealised losses from financial assets measured at fair value through profit or loss (note 16(a))	24,390	–
Fair value losses on financial assets measured at fair value through profit or loss, net	31,925	–
Foreign exchange loss, net	9,421	563
Amortisation	2,545	–
Depreciation	2,535	7,072

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

8. INCOME TAX CREDIT

	For the six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Current tax		
– PRC Enterprise Income Tax	3,754	2,702
Deferred tax credit	(88,259)	(43,631)
Total income tax credit recognised in the condensed consolidated income statement	(84,505)	(40,929)

No provision for current Hong Kong Profits Tax had been made for the six months ended 30 September 2018 and 2017 as the Group did not generate any assessable profits arising in Hong Kong during the period.

PRC Enterprise Income Tax was calculated at 25% of the estimated assessable profit for the six months ended 30 September 2018 and 2017.

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	For the six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	(455,161)	(240,073)
Number of share ('000)		
Weighted average number of ordinary shares for the purposes of diluted loss per share	21,528,611	19,188,648
Basic loss per share (in HK cents)	(2.11)	(1.25)
Diluted loss per share (in HK cents)	(2.11)	(1.25)

10. DIVIDEND

The Board of the Company does not recommend the payment of any interim dividend in respect of the current period (six months ended 30 September 2017: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

11. INTANGIBLE ASSETS

As at 30 September 2018, goodwill of approximately HK\$649,570,000 (31 March 2018: HK\$796,156,000) has been allocated to Hong Kong Leasing Group CGU.

The recoverable amount of the Hong Kong Leasing Group CGU under the financial leasing segment was determined based on a value-in-use calculation and used cash flow projections based on financial budgets approved by the directors of the Company with reliance on the valuation performed by an independent valuer covering a five-year period and a pre-tax discount rate of 21.03% (31 March 2018: 21.75%) per annum. Cash flows beyond that five-year period have been extrapolated at 3% (31 March 2018: 3%) growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Key assumptions used in the preparation of the financial budgets included revenue and gross margin which were determined by the directors of the Company based on past performance and its expectation for market development. The values assigned to key assumptions were based on historical experience, current market condition and approved forecasts and consistent with external information sources. Due to the unfavorable market situation, the directors of the Company reduced the financial budgeted revenue estimation, which caused the carrying amount of Hong Kong Leasing Group CGU as at 30 September 2018 exceeds its value in use based on cash flow projections. Accordingly, an impairment loss of approximately HK\$146,586,000 was recognised to goodwill allocated to Hong Kong Leasing Group CGU during the six months ended 30 September 2018.

12. AVAILABLE-FOR-SALE INVESTMENTS

	31 March 2018 HK\$'000 (Audited)
Non-current assets	
Club membership debenture, at fair value	5,200
Unlisted equity investment, at cost less impairment	
– In elsewhere	340,800
– In the PRC	–
Unlisted equity investment, at fair value at subsequent reporting date	
– In elsewhere	1,590,000
	<hr/> 1,936,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

13. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 September 2018 HK\$'000 (Unaudited)
Non-current asset	
Club membership debenture (note i)	5,200
Unlisted equity investment (note ii)	
– In elsewhere	1,824,251
	1,829,451

Notes:

- (i) Club membership debenture is stated at fair value at the end of the reporting period and detail of the fair value measurement is disclosed in note 25.

During the six months ended 30 September 2018, no fair value gain on club membership debenture was recognised in other comprehensive income (year ended 31 March 2018: fair value gain of AFS investments of approximately HK\$600,000).

- (ii) During the year ended 31 March 2018, the Group acquired 40% equity interest in Shandong Hi-Speed (BVI) International Holdings Limited ("Shandong (BVI)") by way of issuance of 5,000,000,000 consideration shares of the Company with the fair value at initial recognition determined to be approximately HK\$1,530,000,000 plus respective transaction cost of approximately HK\$5,576,000. The directors of the Company consider that the Group has no significant influence over Shandong (BVI) and therefore such equity investment was classified as an investment measured at fair value through other comprehensive income.

The fair value of Shandong (BVI) as at 31 March 2018 was approximately HK\$1,590,000,000, which is determined with reference to the valuation report issued by a firm of independent valuers using discounted cash flow method. The fair value gain of approximately HK\$234,251,000 on the investment in Shandong (BVI) was recognised in other comprehensive income for the six months ended 30 September 2018. This is classified as Level 3 fair value measurement under HKFRS 13. Details of the fair value measurement are set out in note 25 to the condensed financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

14. FINANCE LEASE RECEIVABLES

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Present value of minimum lease payments receivables	2,640,302	2,967,439
Less: Current portion included under current assets	(910,700)	(1,016,581)
Amounts due after one year included under non-current assets	1,729,602	1,950,858

As at 30 September 2018 and 31 March 2018, none of the finance lease receivables were pledged to secure the bank borrowings obtained by the Group.

Reconciliation between the minimum lease payments receivables and the present value of minimum lease payments receivables under such leases is set out below:

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Minimum lease payments receivables	2,935,102	3,286,573
Less: Unearned finance income related to minimum lease payments receivables	(294,800)	(319,134)
Present value of minimum lease payments receivables	2,640,302	2,967,439

The table below analyses the Group's minimum lease payments receivable under finance leases by relevant maturity groupings:

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
– Within one year	1,062,217	1,161,799
– In the second year	852,441	830,104
– In the third to fifth years	1,020,444	1,294,670
	2,935,102	3,286,573

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

14. FINANCE LEASE RECEIVABLES (continued)

The table below analyses the Group's present value of minimum lease payments receivable under finance leases by relevant maturity groupings:

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
– Within one year	910,700	1,016,581
– In the second year	767,790	739,486
– In the third to fifth years	961,812	1,211,372
	2,640,302	2,967,439

During the six months ended 30 September 2018, lifetime expected credit loss in respect of finance lease receivables of approximately HK\$212,714,000 was provided for individually impaired receivables which have default or past due events.

Movement of allowance for impairment losses:

	30 September 2018 HK\$'000 (Unaudited)
As at 31 March 2018	–
Effect arising from adoption of HKFRS 9	13,342
As at 1 April 2018	13,342
Addition during the period	215,516
Reversal during the period	(2,110)
Exchange realignment	(323)
As at 30 September 2018	226,425

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

14. FINANCE LEASE RECEIVABLES (continued)

Stage analysis on allowance for impairment losses:

	12m ECL HK\$'000	Lifetime ECL Not credit- impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000	Total HK\$'000
As at 30 September 2018	8,777	217,648	–	226,425

Concentration of risks of financial assets with credit exposure

During the six months ended 30 September 2018 and the years ended 31 March 2018, all the lessees of the Group are located in the PRC. If any of them experiences financial difficulties, the recovery of the Group's finance lease receivables through regular lease payments might be adversely affected and the Group may have to resort to recovery through repossession of the leased assets.

As at 30 September 2018, the Group's finance lease receivables were secured by collaterals, being plant and machinery, and deposits of approximately HK\$47,742,000 (31 March 2018: HK\$52,339,000). When a finance lease receivable is identified as impaired, the corresponding fair value of collateral of that receivable is updated by reference to market value such as recent transaction price of the assets.

The Group is not permitted to sell, or repledge the collaterals of the finance lease receivables without consent from the lessees in the absence of default by the lessees. No assets have been repledged to secure borrowings of the Group as at 30 September 2018 (31 March 2018: nil).

To manage this risk, the Group assesses the business performance of the lessees on a regular basis. In view of the fact that the lessees are operating smoothly and the sound collection history of the receivable due from them, management believes that the credit risk inherent in the Group's outstanding finance lease receivable balances from lessees is low.

As at 30 September 2018, the Group's finance lease receivables of approximately HK\$569,762,000 and HK\$683,714,000 were due from China Tieniu Group Co., Ltd.* (鐵牛集團有限公司) and Hangzhou ESSEN Auto Component Co., Ltd.* (杭州易辰孚特汽車零部件有限公司) respectively, which are controlled by the same controlling party. These related finance lease arrangements (on an aggregated basis) constituted a major transaction of the Company and were therefore subject to reporting, announcement and shareholders' approval under Chapter 14 of the Listing Rules. A special general meeting had been held on 10 August 2018 and the resolution approving and ratifying the above finance lease arrangements was duly passed by the shareholders of the Company.

* For identification purpose only

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

15. LOANS RECEIVABLES

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Loans receivables	1,816,896	1,403,805
Less: allowance for impairment loss	(56,689)	(45,000)
	1,760,207	1,358,805
Less: amount classified as current assets	(986,894)	(728,922)
Non-current portion	773,313	629,883

Loans receivables represent receivables arising from the money lending business of the Group, and bear interest at rates ranging from 4% to 20% per annum (31 March 2018: from 4% to 20% per annum). The grants of these loans were approved and monitored by the Group's management.

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Type of borrowers that loans receivables are arising from:		
Individual customers	247,607	245,279
Corporate customers	1,569,289	1,158,526
	1,816,896	1,403,805
Less: allowance for impairment loss		
Individual customers	(2,434)	–
Corporate customers	(54,255)	(45,000)
	(56,689)	(45,000)
	1,760,207	1,358,805

An ageing analysis of loans receivables (net of impairment), determined based on the time to maturity of the loans receivables, as at the end of the reporting period is as follows:

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Loans receivables:		
Within 90 days	249,355	28,922
91 days to 180 days	199,400	500,000
181 days to 1 year	538,139	200,000
1 year to 2 years	578,879	434,883
More than 2 years	194,434	195,000
	1,760,207	1,358,805

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For the six months ended 30 September 2018

15. LOANS RECEIVABLES (continued)

Included in the Group's loans receivables is a borrower with an amount of HK\$1,129,000 (31 March 2018: HK\$3,000,000) which was past due as at the end of the reporting period for which the Group has not provided for impairment loss.

An aging analysis of the loans receivables that are not considered to be impaired as at the end of the reporting period, based on the payment due date, is as follows:

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Neither past due nor impaired	1,759,078	1,355,805
Six months past due but not impaired	1,129	3,000
	1,760,207	1,358,805

For the past due but not impaired receivable, the Group has assessed the credit worthiness, past payment history, pledge of collateral and substantial settlement after the end of the reporting period, and considers that such amount is still recoverable and no impairment provision is required.

Movement of allowance for impairment losses:

	30 September 2018 HK\$'000 (Unaudited)
As at 31 March 2018	45,000
Effect arising from adoption of HKFRS 9	9,236
As at 1 April 2018	54,236
Addition during the period	5,910
Reversal during the period	(3,192)
Exchange realignment	(265)
As at 30 September 2018	56,689

Stage analysis on allowance for impairment losses:

	12m ECL HK\$'000	Lifetime ECL Not credit- impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000	Total HK\$'000
As at 30 September 2018	9,995	46,694	–	56,689

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For the six months ended 30 September 2018

16. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Non-current assets		
Listed equity investments		
In Hong Kong (note (i) and (v))	1,324,367	–
Unlisted equity investments		
In elsewhere (note (iii) and (v))	392,645	–
In the PRC (note (ii), (iv) and (v))	56,188	–
Sub-total	448,833	–
Other investments		
In the PRC (note (v))	110,143	–
Total	1,883,343	–
Current assets		
Held-for-trading listed equity investments		
In Hong Kong (note (i) and (v))	695,976	–
Held-for-trading investment funds (note (v))		
In Hong Kong	538,263	–
In elsewhere	723,427	–
Sub-total	1,261,690	–
Held-for-trading bonds (note (v))		
In elsewhere	848,788	–
Held-for-trading other investments (note (v))		
In elsewhere	73,420	–
Total	2,879,874	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

16. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes:

- (i) As at 30 September 2018, the listed equity investments were classified as financial assets measured at fair value through profit or loss (31 March 2018: classified as investments at fair value through profit or loss). The fair values of the listed equity investments were determined by quoted prices in active markets.
- (ii) As at 30 September 2018, the Group holds 29,951,000 (31 March 2018: 29,951,000) shares of China Yunnan Highway Construction Group Co., Ltd. (“Yunnan Highway”), representing 8.32% (31 March 2018: 8.32%) of its issued share capital. Yunnan Highway was delisted in the National Equities Exchange and Quotations (the “NEEQ”) in April 2018. As at 30 September 2018, the fair value of Yunnan Highway was approximately HK\$56,188,000 and an unrealised loss of approximately HK\$178,674,000 was recognised in the condensed consolidated income statement during the period. The fair value was determined with reference to the valuation report issued by a firm of independent qualified professional valuer using the income approach. This is classified as Level 3 fair value measurement under HKFRS 13. Details of the fair value measurement are set out in note 25 to the condensed consolidated financial statements.
- (iii) The balance represented an unlisted equity investment in a private entity principally engaged in integrated financial services, securities brokerage services, money lending, securities and other direct investments.
- (iv) The Group, through the acquisition of China Innovative Finance Zhonghong, acquired an unlisted equity investment in a private entity engaged in software development and electronic hardware trading with the initial carrying amount approximately Renminbi (“RMB”) 684,000 (equivalent to approximately HK\$794,000).

During the year ended 31 March 2017, the Group recognised a full impairment loss on the carrying amount of RMB684,000 (equivalent to approximately HK\$771,000) in profit or loss as the directors of the Company considered that as the private entity was loss-making and the recoverable amount of the unlisted equity investment was less than its carrying amount.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

16. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

(v) (a) Unrealised losses from financial assets measured at fair value through profit or loss:

Nature of investments	Number of Shares/units held		Percentage of shareholding		Fair value		Percentage to the Group's net assets	
	as at 30 September 2018 (Unaudited)	as at 31 March 2018 (Audited)	as at 30 September 2018 (Unaudited) %	as at 31 March 2018 (Audited) %	as at 30 September 2018 (Unaudited) HK\$'000	as at 31 March 2018 (Audited) HK\$'000	as at 30 September 2018 (Unaudited) %	as at 31 March 2018 (Audited) %
Non-current asset								
Listed equity investment in Hong Kong Jiayuan International Group Limited (stock code: 2768)	98,833,336	-	3.99	-	1,324,367	-	25.29	-
Unlisted equity investments in Hong Kong Satinu Resources Group Limited	48,000,000	-	6.95	-	392,645	-	7.50	-
Unlisted equity investment in the PRC Yunnan Highway	29,851,000	-	8.32	-	56,188	-	1.07	-
					448,833	-		
Other investments in the PRC	N/A	-	N/A	-	110,143	-	2.10	-
					1,883,343	-		
Current assets								
Held-for-trading listed equity investments in Hong Kong China Smarter Energy Group Holding Limited (stock code: 1004)	677,360,000	-	7.23	-	582,853	-	11.13	-
Code Agriculture (Holdings) Limited (stock code: 8153)	60,000,000	-	2.39	-	5,280	-	0.10	-
Far East Holdings International Limited (stock code: 36)	11,814,000	-	1.08	-	5,789	-	0.11	-
Hao Tian Development Group Limited (stock code: 474)	385,000,000	-	7.86	-	102,025	-	1.95	-
Huatai Securities Company Limited (stock code: 6886)	2,600	-	0.00	-	29	-	0.00	-
					695,976	-		
Held-for-trading investment funds in Hong Kong Sinolink Securities (HK) Co. Ltd.	N/A	-	N/A	-	538,263	-	10.28	-
Held-for-trading investment funds in elsewhere Haitong International Investment Fund	200,000	-	N/A	-	144,768	-	2.76	-
Altair Asia Investment Limited	5,292,982	-	N/A	-	123,542	-	2.36	-
China Times Investments Limited	668,210	-	N/A	-	455,117	-	8.69	-
					1,261,690	-		
Held-for-trading investment bonds in elsewhere Jiarui Investment (Hong Kong) Company Limited	N/A	-	N/A	-	234,212	-	4.47	-
Future Land Development Holdings Limited	9,930,588	-	N/A	-	230,886	-	4.41	-
Zhenro Properties Group Limited	10,000,000	-	N/A	-	152,298	-	2.91	-
Tus-Holdings Company Limited	30,000,000	-	N/A	-	76,392	-	1.46	-
Suning Appliance Group Limited	10,000,000	-	N/A	-	155,000	-	2.96	-
					848,788	-		
Other investments in the PRC	N/A	-	N/A	-	73,420	-	1.40	-
					2,879,874	-		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

16. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

(v) (a) **Unrealised losses from financial assets measured at fair value through profit or loss:** (continued)

	For the six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Unrealised gains of investments in Hong Kong for the period, net	139,892	–
Unrealised losses of investments outside Hong Kong (including PRC) for the period, net	(164,282)	–
Unrealised losses from financial assets measured at fair value through profit or loss (note 7)	(24,390)	–

(b) **Realised losses from financial assets measured at fair value through profit or loss:**

	For the six months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Realised losses of investments in Hong Kong for the period	(7,535)	–
Realised losses from financial assets measured at fair value through profit or loss (note 7)	(7,535)	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

17. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 March 2018 HK\$'000 (Audited)
Non-current assets	
Listed equity investments	
In the PRC	234,862
In Hong Kong	1,105,899
Total	1,340,761
Current assets	
Held-for-trading listed equity investments	
In Hong Kong	721,869
Held-for-trading investment funds	
In Hong Kong	546,828
In elsewhere	1,257,886
Sub-total	1,804,714
Total	2,526,583

Upon adoption of HKFRS 9 on 1 April 2018, the Group has designated the investments at fair value through profit or loss as financial assets measured at fair value through profit or loss. Details are set out in note 2(c). As at 31 March 2018, the above investments were at fair value.

18. TRADE AND OTHER RECEIVABLES

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Trade receivables	17,485	14,559
Prepayments	17,169	5,838
Deposits	59,029	60,528
Advance to an investee company	–	15,899
Interest receivables	29,227	26,006
Other receivables (note)	827,748	1,070,396
	950,658	1,193,226

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

18. TRADE AND OTHER RECEIVABLES (continued)

At the end of the reporting period, the aging analysis of trade receivables, based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Within 90 days	6,130	13,304
91 days to 180 days	2,265	118
181 days to 1 year	8,976	1,038
Over 1 year	114	99
	17,485	14,559

Movement of allowance for impairment losses:

	HK\$'000 (Unaudited)
As at 31 March 2018	–
Effect arising from adoption of HKFRS 9	267
As at 1 April 2018	267
Addition during the period	8
Reversal during the period	(1)
As at 30 September 2018	274

Stage analysis on allowance for impairment losses:

	12m ECL HK\$'000	Lifetime ECL Not credit- impaired HK\$'000	Lifetime ECL credit impaired HK\$'000	Total HK\$'000
As at 30 September 2018	274	–	–	274

Note:

As at 30 September 2018, other receivables mainly represent:

- (a) proceed with an aggregate amount of approximately HK\$560,880,000 (31 March 2018: HK\$590,400,000) arising from the disposal of certain investments at fair value through profit or loss.
- (b) an amount due from China Hover Dragon Group Limited ("China Hover Dragon") of approximately HK\$140,299,000 (31 March 2018: HK\$153,811,000) of which China Hover Dragon has committed to pay on behalf of Hainan Xinli Industry Limited of approximately HK\$10,914,000 (31 March 2018: HK\$14,957,000), had been past due as of 31 March 2018. A stop notice had been served by the Company pursuant to the Rules of High Court to stop the transfer of 1,951,714,383 ordinary shares of the Company held by the shareholders of China Hover Dragon ("Subject Shares"), and payment of dividend. The Group has taken legal action to protect its legal right and obtain appropriate remedies. The Subject Shares have an aggregate fair value of approximately HK\$485,977,000 (31 March 2018: HK\$585,514,000) as at 30 September 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

19. BORROWINGS

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Interest-bearing bank borrowings (Note i):		
– portion of bank borrowings due for repayment within one year	341,857	374,780
– portion of bank borrowings due for repayment after one year but within two years	–	–
– portion of bank borrowings due for repayment after two years but within five years	436,500	436,500
Bonds due for repayment (Note ii):		
– within one year	4,644,637	4,643,113
– after one year	19,808	19,244
Other borrowings (Note iii):		
– within one year	535,477	249,853
– after one year	1,550,000	1,550,000
	7,528,279	7,273,490
Less: amount classified as current liabilities	(5,521,971)	(5,267,746)
Amount classified as non-current liabilities	2,006,308	2,005,744

Notes:

(i) Interest-bearing bank borrowings

	30 September 2018		31 March 2018	
	HK\$'000 (Unaudited)	Effective interest rate (Unaudited)	HK\$'000 (Audited)	Effective interest rate (Audited)
Term loans				
– Variable rate (note a)	341,857	5.65%	374,780	5.65%
Guarantee loan				
– Variable rate (note a)	436,500	2.45%	436,500	2.45%
	778,357		811,280	

Note:

- (a) As at 30 September 2018 and 31 March 2018, such term loan was guaranteed by Shandong Hi-Speed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

19. BORROWINGS (continued)

Notes: (continued)

(ii) Bonds

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
At beginning of the period/year	4,662,357	20,076
Gross proceeds from issue of guaranteed bonds during the period/year	–	4,628,808
Interest charged calculated at effective interest rate	93,763	14,473
Less: Bond interest paid during the period/year	(91,675)	(1,000)
At end of the period/year	4,664,445	4,662,357
Less: Amount classified under current liabilities	(4,644,637)	(4,643,113)
Non-current liabilities	19,808	19,244

On 6 March 2018, Coastal Emerald Limited (“Coastal Emerald”), an indirect wholly-owned subsidiary of the Company, issued 3.9% guaranteed bonds in the principal amount of US\$400,000,000 guaranteed by the Company and with the benefit of a keepwell deed by Shandong Hi-Speed (the “Original Guaranteed Bonds”) to the independent third parties. On 13 March 2018, Coastal Emerald further issued an additional 3.9% guaranteed bonds in the principal amount of US\$200,000,000 (the “Additional Guaranteed Bonds”) to the independent third parties. The Additional Guaranteed Bonds were consolidated to form a single series with the Original Guaranteed Bonds. The Original Guaranteed Bonds and the Additional Guaranteed Bonds in an aggregate amount of US\$600,000,000 (equivalent to approximately HK\$4,642,130,000) will mature on 3 March 2019.

As at 30 September 2018 and 31 March 2018, the Group has other two outstanding bonds in an aggregate amount of HK\$19,808,000 (31 March 2018: HK\$20,227,000), including (a) a 5% unsecured seven-year straight bond with principal amount of HK\$10,000,000 to an independent third party. The final maturity of the bond issued is in the year ending 31 March 2022; and (b) a 5% unsecured seven-year straight bond with principal amount of HK\$10,000,000 to an independent third party. The final maturity of the bond issued is in the year ending 31 March 2021.

(iii) Other loans

As at 30 September 2018 and 31 March 2018, the Group has two outstanding other borrowings advanced from certain affiliates of Shandong Hi-Speed, including (a) an entrusted loan of an amount of RMB200,000,000 (equivalent to approximately HK\$249,853,000) (31 March 2018: RMB200,000,000 (equivalent to approximately HK\$249,853,000)) from an associate of Shandong Hi-Speed, which is unsecured, bears interest at 9% per annum and repayable in year ending 31 March 2019; and (b) a loan of an amount of USD200,000,000 (equivalent to approximately HK\$1,550,000,000) (31 March 2018: USD200,000,000 (equivalent to approximately HK\$1,550,000,000)) from a subsidiary of Shandong Hi-Speed, which is unsecured, bear interest at 4.5% per annum and repayable in year ending 31 March 2021.

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20. CONVERTIBLE BONDS

Convertible bond 1 (“CB 1”)

On 28 October 2015, the Company issued 8% USD-denominated convertible bonds with the aggregate principal amount of US\$50,000,000 (equivalent to approximately HK\$387,500,000). Each bond entitles the holder to convert to Company’s ordinary share at a conversion price of HK\$0.68 and the maturity of the bond is on 28 October 2018. Details of the CB 1 are set out in the Company’s announcements dated 13 October 2015 and 28 October 2015.

The CB 1 bears interest from the date of issue at 8% per annum on the principal amount of the convertible bonds and payment to be made on the maturity date. The CB 1 is secured by a share charge of the entire share capital of China Shandong Hi-Speed Hong Kong Leasing Limited (formerly known as Hong Kong Leasing Limited).

The CB 1 contains two components: liability and equity elements. The equity element is presented in equity heading “convertible bonds reserve”. The effective interest rate of the liability component on initial recognition is 12.08% per annum.

Convertible bond 2 (“CB 2”)

On 24 December 2015, the Company issued 8% USD-denominated convertible bonds with the aggregate principal amount of US\$40,000,000 (equivalent to approximately HK\$310,000,000). Each bond entitles the holder to convert to the Company’s ordinary shares at a conversion price of HK\$0.72 and maturity on 24 December 2018. On 6 February 2018, the Company early redeemed CB 2 in full, which was settled by the issuance of CB 5 and recognised losses of approximately HK\$16,254,000 in profit or loss for the year ended 31 March 2018. Details of the CB 2 are set out in the Company’s announcements dated 15 December 2015, 24 December 2015, 23 January 2018 and 6 February 2018.

The CB 2 bears interest from and including the issue date at 8% per annum payable every six months in arrears on 22 June and 22 December in each year commencing from 22 June 2016.

The CB 2 contains two components: liability and equity elements. The equity element is presented in equity heading “convertible bonds reserve”. The effective interest rate of the liability component on initial recognition is 10.60% per annum.

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20. CONVERTIBLE BONDS (continued)

Convertible bond 3 ("CB 3")

On 31 December 2015, the Company issued 7% USD-denominated convertible bonds with the aggregate principal amount of US\$40,000,000 (equivalent to approximately HK\$310,000,000). Each bond entitles the holder to convert to Company's ordinary share at a conversion price of HK\$0.72 and maturity on 31 December 2017. On 16 August 2016, the Company early redeemed fully the CB 3, which was settled by the issuance of CB 4 and recognised losses of approximately HK\$2,954,000 in profit or loss. Details of the CB 3 are set out in the Company's announcements dated 24 December 2015, 31 December 2015, 30 June 2016 and 16 August 2016.

The CB 3 bears interest at 7% per annum payable in arrears every six months after the date of issue.

The CB 3 contains two components: liability and equity elements. The equity element is presented in equity heading "convertible bonds reserve". The effective interest rate of the liability component on initial recognition is 12.91% per annum.

Convertible bond 4 ("CB 4")

On 16 August 2016, the Company issued 8% USD-denominated convertible bonds with the aggregate principal amount of US\$40,000,000 (equivalent to approximately HK\$310,000,000). The proceeds of the CB 4 was used to redeem the CB 3 in full in an aggregate amount of US\$40,000,000 (equivalent to approximately HK\$310,000,000). Each bond entitles the holder to convert to Company's ordinary share at a conversion price of HK\$0.72 and maturity on 16 August 2018. On 17 October 2016 and 5 January 2017, the Company early redeemed the CB 4 in the principal amount of US\$10,000,000 and US\$20,000,000 (equivalent to approximately HK\$77,500,000 and HK\$155,000,000) and recognised losses of approximately HK\$6,884,000 and HK\$12,096,000 in profit or loss for the year ended 31 March 2017 respectively. Details of the CB 4 are set out in the Company's announcements dated 27 July 2016, 16 August 2016, 7 December 2016 and 5 January 2017.

The CB 4 bears interest at 8% per annum payable in arrears every six months after the date of issue.

The CB 4 contains two components: liability and equity elements. The equity element is presented in equity heading "convertible bonds reserve". The effective interest rate of the liability component on initial recognition is 13.19% per annum.

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20. CONVERTIBLE BONDS (continued)

Convertible bond 5 ("CB 5")

On 6 February 2018, the Company issued 6% USD-denominated convertible bonds with the aggregate principal amount of US\$40,000,000 (equivalent to approximately HK\$310,000,000). The proceed of the CB 5 was used to redeem the CB 2 in full in an aggregate amount of US\$40,000,000 (equivalent to approximately HK\$310,000,000). CB 5 is divided into two tranches, namely Tranche A Bonds and Tranche B Bonds. Tranche A Bonds in the principal amount of US\$20,000,000 (equivalent to approximately HK\$155,000,000) entitles the holder to convert to the Company's ordinary shares at a conversion price of HK\$0.35 and Tranche B Bonds in the principal amount of US\$20,000,000 (equivalent to approximately HK\$155,000,000) entitles the holder to convert to the Company's ordinary shares at a conversion price of HK\$0.42. If the average closing price of the shares of the Company for any five consecutive trading days is equal to or greater than HK\$0.38, the Tranche A Bonds shall immediately become convertible into shares of the Company. Both the maturity date of Tranche A Bonds and Tranche B Bonds are on 6 August 2019. Details of the CB 5 are set out in the Company's announcements dated 23 January 2018 and 6 February 2018.

The CB 5 bears interest at 6% per annum payable in arrears every six months after the date of issue.

The CB 5 contains two components: liability and equity elements. The equity element is presented in equity heading "convertible bonds reserve". The effective interest rate of the liability component on initial recognition is 11.32% per annum.

CB 1, CB 2, CB 3, CB 4 and CB 5 ("All CBs")

All CBs may be converted into shares of the Company at any time on or after issue date up to the close of business on the maturity date.

Unless previously redeemed, converted, purchased or cancelled, the Company will redeem each CB at its principal amount with accrued and unpaid interest thereon on the maturity date.

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20. CONVERTIBLE BONDS (continued)

CB 1, CB 2, CB 3, CB 4 and CB 5 ("All CBs") (continued)

The convertible bonds recognised in the statement of financial position are calculated as follows:

	CB 1 HK\$'000	CB 2 HK\$'000	CB 3 HK\$'000	CB 4 HK\$'000	CB 5 HK\$'000	Total HK\$'000
Principal amounts:						
Liability component	345,789	287,564	276,404	282,113	287,145	
Equity component	41,711	22,436	33,596	27,887	22,855	
Nominal value of CB – as at issue date	387,500	310,000	310,000	310,000	310,000	
As at 1 April 2018 (Audited)	385,915	–	–	77,565	291,885	755,365
Imputed interest charge (note 6)	23,497	–	–	3,811	16,701	44,009
Interest paid and payable	(15,372)	–	–	(3,100)	(9,300)	(27,772)
Redemption	–	–	–	(78,276)	–	(78,276)
As at 30 September 2018 (Unaudited)	394,040	–	–	–	299,286	693,326

Transaction cost included legal fee and arrangement fee.

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Analysed for the reporting purpose as:		
Non-current	–	291,885
Current	693,326	463,480
	693,326	755,365

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

21. ISSUED CAPITAL

Authorised and issued capital

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Authorised capital:		
2,000,000,000,000 (31 March 2018: 2,000,000,000,000) ordinary shares of HK\$0.00025 (31 March 2018: HK\$0.00025) each	500,000	500,000
Issued and fully paid		
24,452,450,002 (31 March 2018: 24,551,714,002) ordinary shares of HK\$0.00025 (31 March 2018: HK\$0.00025) each	6,113	6,138

A summary of the movements in the Company's issued ordinary share capital and share premium account is as follows:

	Number of shares in issue/ (repurchase)	Issued/ (repurchase) capital	Share premium account	Total
Note	(repurchase)	HK\$'000	HK\$'000	HK\$'000
At 1 April 2018 (Audited)	24,551,714,002	6,138	4,801,197	4,807,335
Shares repurchased and cancelled	(99,264,000)	(25)	(17,099)	(17,124)
At 30 September 2018 (Unaudited)	24,452,450,002	6,113	4,784,098	4,790,211

Note:

- (a) During the six months ended 30 September 2018, the Company repurchased 99,264,000 shares at prices ranging from HK\$0.148 to HK\$0.21 per share at a total consideration of approximately HK\$17,124,000 (before brokerage and expenses in amount of HK\$25,000). The 99,264,000 repurchased ordinary shares were cancelled during the period. The premium of approximately HK\$17,099,000 paid on the repurchase of such shares was debited to share premium account.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

22. COMMITMENTS

Operating lease arrangements

As lessee

The Group leases certain office premises under operating lease arrangements, with leases negotiated for initial terms ranging from one to three years (31 March 2018: one to three years).

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Within one year	18,826	9,618
In the second to fifth years, inclusive	6,628	6,530
	25,454	16,148

Capital commitments

In addition to the operating lease commitments detailed above, the Group had the following capital commitments at the end of the reporting period:

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
Acquisition of a company	7,500	7,500
Contracted for acquisition for the intangible assets	513	–
	8,013	7,500

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

23. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the interim report, the Group had the following material transactions with related parties during the period.

(a) Transactions and balances with affiliates of Shandong Hi-Speed

As at 30 September 2018, the Company is 42.78% owned by Shandong Hi-Speed. The Group entered into the following material transactions with the affiliates of Shandong Hi-Speed:

Balances with affiliates of Shandong Hi-Speed

	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)
With a bank, which is a subsidiary of Shandong Hi-Speed		
– bank deposits	116,630	249,087
– interest-bearing bank borrowing	341,857	374,780
Other borrowings from		
– an associate of Shandong Hi-Speed	227,905	249,853
– a subsidiary of Shandong Hi-Speed	1,550,000	1,550,000

Transactions with affiliates of Shandong Hi-Speed

	For the six months ended 30 September 2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest income from a bank, which is a subsidiary of Shandong Hi-Speed	462	–
Interest income on a loan to an associate of Shandong Hi-Speed included in revenue	–	289
Interest expenses on borrowings from an associate and a subsidiary of Shandong Hi-Speed	17,932	2,214

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

23. RELATED PARTY TRANSACTIONS (continued)

(b) Transactions and balances with other government-related entities in the PRC

During the six months ended 30 September 2018 and the year ended 31 March 2018, certain bank deposits, cash and cash equivalents and bank borrowings and the relevant interest earned or paid were transacted with banks and other financial institutions controlled by the PRC government. In the opinion of the directors of the Company, all such transactions were conducted in the ordinary course of business and on normal commercial terms.

(c) Transactions and balances with a company controlled by a former director of the Company

As at 30 September 2018, the Group has an amount due from China Hover Dragon, in which Mr. Ji Kewei, the former director of the Company, has interest in it, of approximately HK\$140,299,000 (31 March 2018: HK\$153,811,000).

(d) Balances with non-controlling interests

As at 30 September 2018, included in "Other payables and accruals" balance in the condensed consolidated statement of financial position was an aggregate amount due to subsidiaries from the non-controlling interests of an amount of approximately HK\$399,000 (31 March 2018: HK\$17,177,000).

(e) Transactions with an associate

As at 31 March 2018, included in "Trade and other receivables" balance in the condensed consolidated statement of financial position was an amount due from an associate, namely China Innovative Finance Securities Limited, of an amount of HK\$230,000,000, which was the proceed arising from the disposal of an investment at fair value through profit or loss in which CIFS was the securities broker of the transaction under normal commercial terms and conditions.

(f) Compensation of key management personnel of the Group:

	For the six months ended	
	30 September	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	4,736	8,464
Retirement benefit scheme contributions	26	72
	4,762	8,536

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

24. FINANCIAL INSTRUMENTS

Fair value of financial assets and financial liabilities measured at amortised cost

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Interim Financial Statements approximate their fair values.

25. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS

(a) Fair value of financial assets that are measured at fair value

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair value.

The fair values of financial assets and financial liabilities are determined as follows:

- (i) the fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- (ii) the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The carrying amount of other financial assets and liabilities carried at amortised cost, approximate their respective fair values due to the relatively short-term nature of these financial instruments.

Fair value measurements recognised in the condensed consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable as at 30 September 2018 and 31 March 2018.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included with Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation model(s) and inputs used).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

25. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(a) Fair value of financial assets that are measured at fair value (continued)

Items	Fair value as at		Fair value hierarchy	Valuation technique(s)	Valuation model(s) and key input(s)
	30 September 2018 HK\$'000 (Unaudited)	31 March 2018 HK\$'000 (Audited)			
Financial asset at FVTOCI					
Club membership debenture	5,200	-	Level 2	Market comparison	N/A
Unlisted equity investment - in elsewhere	1,824,251	-	Level 3	Discounted cash flow	Discount rate: 9.3% Terminal growth rate: 3%
Available-for-sale investment					
Club membership debenture	-	5,200	Level 2	Market comparison	N/A
Unlisted equity investment - in elsewhere	-	1,590,000	Level 3	Discounted cash flow	Discount rate: 15.6% Terminal growth rate: 3%
Financial assets at FVTPL					
Listed equity investments - in Hong Kong	2,020,343	-	Level 1	Quoted price in an active market	N/A
Unlisted equity investments - in elsewhere	392,645	-	Level 3	Asset approach	Net asset value
- in the PRC	56,188	-	Level 3	Market approach	Price to book ratio: 1.48 Price to sale ratio: 1.01 Lack of marketability discount: 13.05%
Investment funds - in Hong Kong	538,263	-	Level 2	Latest transaction price	N/A
- in the PRC	723,427	-	Level 2	Latest transaction price	N/A
Bonds - in elsewhere	614,576	-	Level 2	Latest transaction price	N/A
- in elsewhere	234,212	-	Level 3	Hull white model	Discount rate: 10.56%-11.35%
Other investments - in the PRC	183,563	-	Level 2	Latest transaction price	N/A
Investment at fair value through profit or loss					
Listed equity investments - in the PRC	-	234,862	Level 3	Discounted cash flow [#]	Discount rate: 9.3% Terminal growth rate: 3%
- in Hong Kong	-	1,827,768	Level 1	Quoted price in an active market	N/A
Investment funds - in Hong Kong	-	546,828	Level 2	Latest transaction price	N/A
- in elsewhere	-	1,257,886	Level 2	Latest transaction price	N/A

[#] The investment is listed in the NEEQ which is not considered as an active market as there are minimal transactions in the NEEQ. Therefore, a discounted cash flow approach is adopted in determining the fair value of the investment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

25. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(a) Fair value of financial assets that are measured at fair value (continued)

Financial assets measured at fair value:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 30 September 2018 (Unaudited)				
Financial assets measured at FVTOCI	–	5,200	1,824,251	1,829,451
Financial assets measured at FVTPL	2,020,343	2,059,829	683,045	4,763,217
	2,020,343	2,065,029	2,507,296	6,592,668
As at 31 March 2018 (Audited)				
Available-for-sale investments	–	5,200	1,590,000	1,595,200
Investments at fair value through profit or loss	1,827,768	1,804,714	234,862	3,867,344
	1,827,768	1,809,914	1,824,862	5,462,544

(b) Fair value measurement and valuation process

The management of the Group is responsible for determining the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of a financial asset or a financial liability, the Group uses market observable data to the extent it is available. When Level 1 inputs are not available, the Group engaged independent qualified external valuers to perform the valuation. The management of the Group works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management of the Group reports to executive directors of the Company semi-annually to explain the cause of fluctuations in the fair value of the financial assets and financial liabilities.

26. COMPARATIVE FIGURES

Certain comparative figures have been restated to conform to the current period's presentation.

27. APPROVAL FOR THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements have been reviewed by the Audit Committee of the Company and were approved and authorised for publication by the board of directors on 28 November 2018.

FINANCIAL RESULTS AND BUSINESS REVIEW

The Board announces that the Group, for the six months ended 30 September 2018, has recorded an unaudited net loss of approximately HK\$458,625,000 (2017: HK\$240,073,000). The net loss is mainly attributable to the impairment loss of approximately HK\$434,757,000 (2017: not applicable) arising from financial assets.

The Company is an investment holding company with its subsidiaries engaging in the following major business during the six months ended 30 September 2018:

a) Financial leasing

The financial leasing business recorded a loss of approximately HK\$356,538,000 for the six months ended 30 September 2018 (2017: HK\$22,527,000). The loss was mainly attributable to the impairment of approximately HK\$369,108,000, of which the impairment of goodwill was approximately HK\$146,586,000. Although the past year has been a challenging year for the financial leasing industry, with China ramping up its efforts to address the financing issues of domestic enterprises, there will be more development opportunities for the financial leasing industry in the future.

b) Investment in securities

The Group's securities portfolio had an unrealised fair value loss on financial assets measured at fair value through profit or loss of approximately HK\$24,390,000 for the six months ended 30 September 2018 (2017: HK\$168,711,000) and a realised loss of approximately HK\$7,535,000 (2017: HK\$15,027,000).

c) Money lending business

The money lending business recorded a turnover of approximately HK\$67,284,000 for the six months ended 30 September 2018 (2017: HK\$19,167,000). The increase in turnover was mainly due to expansion of the business. The Group will continue to adopt a cautious approach for risk management so as to maintain the profitability of the business.

C.I.F. Financial Limited, a wholly-owned subsidiary of the Company, holds a money lenders license.

d) Financial technology

The Group currently owns 60% shares of Kun Peng. Kun Peng controls the operation of Shenzhen Honesta New Finance Holding Company Ltd.* (深圳厚生新金融控股有限公司) ("Honesta New Finance") and its subsidiaries. The financial technology, asset management and new media services, under Honesta New Finance continue to create synergy with the business of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

e) Asset trading platform

The Group is engaged in the trading business of financial leasing, leasing assets as well as other leasing properties, and provision of spot trading platform and marketing and consulting services related to the above businesses.

Shenzhen Asia-Pacific Leasing Assets Exchange Center Co., Ltd.* (深圳亞太租賃資產交易中心有限公司), the Company's wholly-owned subsidiary based in Qianhai of Shenzhen, would continue to benefit from the policy advantages of the Guangdong Free Trade Area and Qianhai-Shenzhen-Hong Kong Modern Service Industry Cooperation Zone. The Company intends to develop it into a leading domestic and international asset trading platform and integrated services provider.

The Group also carried on the business in securities brokerage and commercial factoring during the six months ended 30 September 2018.

FUTURE PROSPECTS

Relying on the background of its substantial shareholder, Shandong Hi-Speed Group Co., Ltd. ("Shandong Hi-Speed Group"), the Company will continue to make the most of being a listed platform and licensed institution and focus on the markets in the Greater China and "One Belt, One Road" regions. It will establish a first class investment and financing and financial holding platform with diversified business structure and distinctive business features, delivering higher profitability and excellent asset quality through an organic and inorganic development approaches.

With support from its shareholder, Shandong Hi-Speed Group, the Group will constantly explore and seek excellent investment opportunities in the countries along the "One Belt, One Road" regions and in the Guangdong – Hong Kong – Macao Greater Bay Area ("Greater Bay Area") plan. The Ministry of Commerce of the People's Republic of China announced that China's investments in the 59 countries along the "One Belt, One Road" regions in 2017 had increased by a total of US\$14.36 billion. The newly added investments mainly targeted at Singapore, Vietnam, Indonesia, Russia and the United Arab Emirates. Meanwhile, the gross national product ("GNP") of the Greater Bay Area exceeded US\$1,500 billion in 2017, making it the second largest bay area in the world in terms of GNP. In the future, besides being a financial hub participant in the Greater Bay Area, the Group will also continue to rely on the background and strength of its substantial shareholder and be rooted in the overall economic development of China.

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

The Group would like to develop financial investment as one of its principal business activities. Recently, the Group has made certain investments in financial instruments in line with its strategy and the directors of the Company expect that such financial investment would better utilise its existing internal financial resources and diversify the investment portfolio of the Group, thereby broadening its source of revenue and enhancing shareholders' value. The Group would continue to seek opportunities to expand its financial investment segment, which has already accounted for approximately more than 50% of the total assets of the Group. In the coming year, the Company intends to expand the scale of its asset management business and will pay close attention to investment opportunities in the Belt and Road projects as well as seek and research on education, transportation, urban development and healthcare projects to adapt to various national policies.

The Group will also look for potential acquisition targets that will create synergy with the Group and enhance profitability. As at the date of this report, the Group does not have any specific acquisition targets.

EVENTS AFTER THE END OF THE REPORTING PERIOD

No material event affecting the Group has occurred after the end of the reporting period.

FUND RAISING ACTIVITIES

The Group did not conduct any fund raising activity during the period under review.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2018, the Group's total assets and borrowings were HK\$13,882,591,000 and HK\$8,221,605,000 respectively. The borrowings of the Group represented bank borrowings, bonds and other borrowings which were HK\$778,357,000, HK\$4,664,445,000 and approximately HK\$2,085,477,000 respectively. As at 30 September 2018, the Group had two outstanding convertible bonds in the aggregate amount of HK\$693,326,000 with a fixed interest rate of 6-8% per annum, and a public bond of HK\$4,664,637,000 with a fixed interest rate of 3.9% per annum and two unsecured bonds for a term of seven years of approximately HK\$19,808,000 with a fixed rate of interest of 5% per annum. Although the convertible bonds, the public bond and other borrowings were denominated in US dollars, the exchange rate was relatively stable and the unsecured bonds were denominated in Hong Kong dollars, thus the Company was not subject to the risks in relation to exchange rate fluctuations. The gearing ratio (total borrowings divided by total assets) as at 30 September 2018 was approximately 59.2% (2017: 32.5%).

MANAGEMENT DISCUSSION AND ANALYSIS

CURRENCY RISK MANAGEMENT

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollars and US dollars. The Group is mainly exposed to foreign exchange risk with respect to Renminbi which may affect the Group's performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of Renminbi and will closely monitor its impact on the performance of the Group and consider adopting appropriate hedging measures in the future when necessary. In addition, the Group also pays close attention to the impact of the U.S. interest rate increase cycle on the U.S. dollar-denominated assets, and will adopt appropriate response measures.

PLEDGE OF ASSETS

As at 30 September 2018, certain borrowings of the Group were secured by shares of a subsidiary of the Company.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

There was no material change in the Group's contingent liabilities and capital commitment as compared to the most recently published annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

On 16 August 2018, the Board has exercised its authority under the repurchase mandate, pursuant to which, the Company has repurchased 55,170,000 shares of the Company ("Shares") in total on market, at an aggregate consideration of approximately HK\$9,997,000 (before brokerage and expenses).

On 15 August 2018, the Board has exercised its authority under the repurchase mandate, pursuant to which, the Company has repurchased 44,094,000 Shares in total on market, at an aggregate consideration of approximately HK\$7,127,000 (before brokerage and expenses).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group had no other material acquisitions or disposals of subsidiaries during the six months ended 30 September 2018.

EMPLOYEES, REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

As at 30 September 2018, the Group had a workforce of 566 employees (2017: 113), of which 525 (2017: 70) were based in the PRC. Staff costs incurred and charged to profit or loss for the six months ended 30 September 2018 including directors' remuneration were approximately HK\$64,557,000 (2017: approximately HK\$27,472,000). The increase in staff costs is in line with the business expansion and revenue growth of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group selects and promotes staff based on their qualification, experience and suitability for the position offered. The Group's remuneration policy aims to retain and motivate staff. Performance of staff is appraised annually to provide a basis for the review of the remuneration package. The Group participates in a Mandatory Provident Fund Scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all its employees.

The employees of the Group's PRC subsidiaries are members of a state-managed retirement benefit plan operated by the government of the PRC. The PRC subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The Group provides training programmes and development opportunities for its staff. During the six months ended 30 September 2018, we have established individual training and development record for each of our employees to improve their professional service standards and to keep them updated with the latest knowledge developments and help them develop sufficient professional capability to provide better services for investors and other stakeholders. We have also been implementing the "Internal Sharing Plan" in the Group, encouraging our staff to share their expertise and experience to others. In addition, we encouraged all employees to participate in financial knowledge trainings organised by various commercial institutions to enrich and improve their understanding of finance. The Group also provided other benefits to the staff in accordance with the prevailing market practice.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to supporting environmental sustainability. The Group implements policies and measures in our daily business operations to reduce the Group's impact on the environment.

The Group pays high attention to indicators of energy usage and emission. Although the Group is not involved in any manufacturing activities, it adheres to low-carbon travel without hindering the efficient operations of the Group. Employees shall strictly comply with the specifications of travel allowance claim under the daily expense standards. They are required to choose their mode of transportation based on efficiency and conservation. Low-carbon and efficient transportation, such as MTR and other public transport, is encouraged. We also encourage employees to travel together and pick the same flight to allow pick-up in one go and conserve energy.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group adheres to the policies of efficient use of energy, water and other resources as we endorse conservation of energy and resources in daily operations. We post notes at lighting switches and other conspicuous areas as one of the measures for energy conservation. We advocate the Energy Saving Charter on Indoor Temperature and maintain an average indoor temperature of our office between 24 – 26°C during summer time to save energy; use LED lights included in the Voluntary Energy Efficiency Labelling Scheme of the Electrical and Mechanical Services Department of Hong Kong; select energy efficient appliances (e.g. refrigerators, air-conditioners); request employees to switch off the lights before leaving offices; encourage reuse of stationery, such as old envelopes and folders; promote double-sided printing and reuse of paper for facsimile.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the six months ended 30 September 2018, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws or regulations by the Group that has a material adverse impact on the business and operations of the Group.

RELATIONSHIPS WITH STAKEHOLDERS

The Group recognises that employees are its valuable assets. The Group's employee management focuses on recruiting and developing the right people. Staff performance is measured on a regular and structured basis to provide employees with appropriate feedback and to ensure their alignment with the Group's corporate strategy. The Group also understands that maintaining good long-term relationship with business partners is one of its primary objectives. Accordingly, the management has used its best endeavor to maintain good communications, promptly exchanged ideas and shared business updates with them when appropriate. During the six months ended 30 September 2018, there was no material and significant dispute between the Group and its business partners.

On 10 August 2018, special resolutions (i) to approve the proposed amendments to the bye-laws of the Company; and (ii) to approve the adoption of new bye-laws of the Company were passed at the annual general meeting of the Company.

SHARE OPTION SCHEME

On 18 August 2014, the Company adopted a share option scheme (the “Share Option Scheme”) pursuant to an ordinary resolution passed at the annual general meeting of the Company. Summary of the Share Option Scheme is set out in the annual report for the year ended 31 March 2018.

Details of the share option movements during the six months ended 30 September 2018 under the Share Option Scheme are as follows:

Category/ Name of participants	Date of grant	Number of share options					Outstanding as at 30.09.2018	Vesting period	Validity period	Exercise price of share options per share (HK\$)
		Outstanding as at 01.04.2018	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
Directors										
Mr. Yau Wai Lung	05.12.2014	169,400,000	-	-	-	-	169,400,000	-	05.12.2014 to 04.12.2024	0.42
Total		169,400,000	-	-	-	-	169,400,000			

Save as disclosed above, no share option was granted, exercised or cancelled in accordance with the terms of the Share Option Scheme during the six months ended 30 September 2018.

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATION

As at 30 September 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 SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the “SFO”) (including interests or short positions which the directors and the chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) 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:

OTHER INFORMATION

Long positions in Shares and underlying Shares

Name of Directors	Number of Shares				Interests in underlying Shares/equity derivatives	Total interests	Percentage of total issued Shares (Note 2)
	Personal interests	Family interests	Corporate interests	Other interests			
Mr. You Wai Lung	-	-	-	-	169,400,000 (Note 1)	169,400,000	0.69%
Mr. Lo Man Tuen	30,000,000	-	-	-	-	30,000,000	0.12%

Notes:

1. These 169,400,000 underlying Shares are Shares issuable upon the exercise of share options granted by the Company to Mr. You Wai Lung, an executive Director, under the Share Option Scheme.
2. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 24,452,450,002 Shares as at 30 September 2018.

Save as disclosed above, as at 30 September 2018, none of the Directors and chief executive of the Company was interested in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or the chief executive of the Company were taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register maintained by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save for the share options granted under the Share Option Scheme as disclosed above, at no time during the six months ended 30 September 2018 were rights to acquire benefits by means of the acquisition of Shares in or debentures of the Company granted to any other Directors or their respective spouses or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN SHARES OF THE COMPANY

As at 30 September 2018, according to the register of interests required to be kept by the Company under Section 336 of the SFO, the following persons, other than the Directors and chief executive of the Company, had interests or short positions in the Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Interests or short positions in Shares

Substantial shareholders	Capacity	Interests in underlying Shares /equity derivatives	Total number of Shares interested	Percentage of total number of issued Shares (Note 7)
Shandong Hi-Speed Group Co., Ltd. 山東高速集團有限公司 (Note 1)	Corporate interest	–	10,459,648,350	42.78%
Li Shao Yu (Notes 2 & 3)	Corporate interest	–	4,468,689,650	18.28%
Hao Tian Development Group Limited (Note 3)	Corporate interest	–	4,424,559,650	18.09%
Haitong Securities Co., Ltd. (Note 4)	Corporate interest	–	1,951,441,372 750,000(S)	7.98%
Huang Shiyong (Note 5)	Corporate interest Beneficial interest	– –	1,320,000,000 500,000,000	7.44%
Huang Tao (Note 5)	Corporate interest Corporate interest	– –	1,320,000,000 401,810,000	7.04%

OTHER INFORMATION

Notes:

1. Shandong Hi-Speed Group Co., Ltd. is deemed to be interested in the 10,459,648,350 Shares pursuant to the SFO, by virtue of its interests in (i) 5,000,000,000 Shares held by Shandong International (Hong Kong) Limited; and (ii) 5,459,648,350 Shares held by Shandong Hi-Speed (Hong Kong) International Capital Limited, each of which is an indirect wholly-owned subsidiary of Shandong Hi-Speed Group Co., Ltd.
2. Ms. Li Shao Yu is deemed to be interested in the 4,468,689,650 Shares pursuant to the SFO, among which, (i) 4,424,559,650 Shares are held by Hao Tian Management (Hong Kong) Limited, which is a subsidiary of Hao Tian Development Group Limited (stock code 474); and (ii) 44,130,000 Shares are held by TRXY Development (HK) Limited, which is beneficially and wholly owned by Ms. Li Shao Yu.
3. These 4,424,559,650 Shares are held by Hao Tian Management (Hong Kong) Limited, an indirect subsidiary of Hao Tian Development Group Limited (stock code 474) which is owned as to 61.49% by Asia Link Capital Investment Holdings Limited. Ms. Li Shao Yu is the sole shareholder of Asia Link Capital Investment Holdings Limited.
4. Haitong Securities Co., Ltd. is deemed to be interested in the 1,951,441,372 Shares pursuant to the SFO, among which, (i) 817,142,856 underlying Shares are issuable under certain convertible bonds of the Company and held by Haitong International Asset Management (HK) Limited; and (ii) 750,000 Shares are held by Haitong International Financial Solutions Limited, each of which is an indirect wholly owned subsidiary of Haitong International Securities Group Limited (stock code 665), which is indirectly owned as to 63.08% by Haitong Securities Co., Ltd.
5. Each of Mr. Huang Shiyong and Mr. Huang Tao is deemed to be interested in the 1,320,000,000 Shares held by Century Golden Resources Investment Co., Ltd. pursuant to the SFO by virtue of his controlling interest in Century Golden Resources Investment Co., Ltd.
6. Mr. Huang Tao is deemed to be interested in 401,810,000 Shares held by Alpha Wealth Global Limited pursuant to the SFO by virtue of his controlling interest in Alpha Wealth Global Limited.
7. The percentage of shareholding is calculated on the basis of the Company's issued share capital of 24,452,450,002 Shares as at 30 September 2018.
8. (S) – Short position.

Save as disclosed above, the Company had not been notified of any other corporation or individual (other than a Director or the chief executive of the Company) which/who had 5% or more interests (whether directly or indirectly) or short positions in the Shares or underlying Shares as recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 30 September 2018.

CORPORATE GOVERNANCE

During the six months ended 30 September 2018, the Company has complied with all code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Listing Rules with a view to enhancing the corporate governance practices of the Company.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the CG Code for the purposes of, among others, reviewing and providing supervision over the Group’s financial reporting processes and internal controls. The audit committee comprises four independent non-executive Directors of the Company. The Company’s unaudited interim condensed consolidated financial statements for the six months ended 30 September 2018 have been reviewed by the audit committee of the Company.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as the code for securities transactions by Directors. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the required standard under the Model Code for the six months ended 30 September 2018.

CHANGES IN INFORMATION OF DIRECTORS

The changes in information of Directors since the publication of 2018 Annual Report of the Company are as follows:

Name of Directors	Details of changes
Mr. Lo Man Tuen	Appointed as the vice-chairman of the 10th committee of All-China Federation of Returned Overseas Chinese in August 2018
Mr. Wang Huixuan	Appointed as a director of Unisplendour Co., Ltd., whose shares were listed on the Main Board of Shenzhen Stock Exchange with stock code 938, with effect from 8 April 2018
Mr. Guan Huanfei	Appointed as an independent non-executive director of HongDa Financial Holding Limited, whose shares were listed on the Main Board of Stock Exchange with stock code 1822, with effect from 22 June 2018

OTHER INFORMATION

Name of Directors	Details of changes
Dr. Lam Lee G.	<p>Appointed as an independent director of China Medical (International) Group Limited, whose shares were listed on the Singapore Exchange with stock code 5IB, with effect from 14 May 2018</p> <p>Appointed as an independent non-executive director of Hsin Chong Group Holdings Limited, whose shares were listed on the Main Board of Stock Exchange with stock code 404, with effect from 17 May 2018</p> <p>Resigned as an independent non-executive director of Xi'an Haitiantian Holdings Co., Ltd, whose shares were listed on the GEM of Stock Exchange with stock code 8227, with effect from 23 July 2018</p> <p>Appointed as an independent non-executive director of Mingfa Group (International) Company Limited, whose shares were listed on the Main Board of Stock Exchange with stock code 846, with effect from 1 September 2018</p>

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

By order of the Board
China Shandong Hi-Speed Financial Group Limited
Li Hang
Chairman

Hong Kong, 29 November 2018

* for identification purpose only