



中國山東高速金融集團有限公司

CHINA SHANDONG HI-SPEED FINANCIAL GROUP LIMITED

(Formerly known as China Innovative Finance Group Limited)
(Incorporated in Bermuda with limited liability)

Stock Code: 00412

INTERIM REPORT 2017



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Corporate Information

30 September 2017

BOARD OF DIRECTORS

Chairman (Non-Executive Director)

Mr. Li Hang

Vice Chairman (Non-Executive Director)

Dr. Lam Lee G. (appointed on 10 November 2017)

Executive Directors

Mr. Ji Kecheng (*Chief Executive Officer*)

(appointed on 10 November 2017)

Mr. Wang Zhenjiang (*Vice President*)

Mr. Yau Wai Lung

Mr. Li Zhen Yu (appointed on 25 October 2017)

Non-Executive Directors

Mr. Qiu Jianyang

Mr. Lo Man Tuen

(appointed on 10 November 2017)

Independent Non-Executive Directors

Mr. To Shing Chuen

Mr. Cheung Wing Ping

Mr. Wang Huixuan

(appointed on 10 November 2017)

Mr. Guan Huanfei

(appointed on 10 November 2017)

AUDIT COMMITTEE

Mr. Cheung Wing Ping (*Chairman*)

(appointed as Chairman on 10 November 2017)

Mr. To Shing Chuen

Mr. Wang Huixuan

(appointed on 10 November 2017)

Mr. Guan Huanfei

(appointed on 10 November 2017)

REMUNERATION COMMITTEE

Mr. Cheung Wing Ping (*Chairman*)

Mr. Wang Zhenjiang

Mr. Yau Wai Lung

Mr. To Shing Chuen

Mr. Wang Huixuan

(appointed on 10 November 2017)

NOMINATION COMMITTEE

Mr. Li Hang (*Chairman*)

Mr. Yau Wai Lung

Mr. To Shing Chuen

Mr. Cheung Wing Ping

Mr. Wang Huixuan

(appointed on 10 November 2017)

EXECUTIVE COMMITTEE

Mr. Ji Kecheng (*Chairman*)

(appointed on 10 November 2017)

Mr. Wang Zhenjiang

Mr. Yau Wai Lung

Mr. Li Zhen Yu

(appointed on 25 October 2017)

COMPANY SECRETARY

Mr. Yeung Chun Lap

AUTHORISED REPRESENTATIVES

Mr. Yau Wai Lung

Mr. Yeung Chun Lap

REGISTERED OFFICE

Clarendon House
2 Church Street
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Bermuda

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Wanchai
Hong Kong

STOCK CODE

412

AUDITOR

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11 Pedder Street
Central
Hong Kong SAR

LEGAL ADVISERS

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22/F, World-Wide House
Central
Hong Kong

Bermuda law:
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Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited
Bank of China Tower
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Hong Kong

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
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183 Queen's Road East
Wanchai
Hong Kong

WEBSITE

www.csfg.com.hk

Condensed Consolidated Income Statement

For the six months ended 30 September 2017

	Notes	For the six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
REVENUE	4	74,299	114,482
Cost of revenue		(34,263)	(77,945)
Other income		3,582	2,505
Fair value losses on investments at fair value through profit or loss, net	6	(222,861)	(539,598)
Gain on disposal of a subsidiary	17	14,713	—
Employee benefit expenses	6	(27,472)	(22,540)
Depreciation		(7,072)	(7,866)
Minimum lease payments under operating leases in respect of land and buildings		(10,606)	(5,420)
Administrative expenses		(24,673)	(43,336)
Finance costs	5	(46,649)	(61,873)
LOSS BEFORE TAX	6	(281,002)	(641,591)
Income tax credit	7	40,929	90,848
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		(240,073)	(550,743)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	8		
Basic and diluted		HK(1.25) cents	HK(2.86) cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2017

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
LOSS FOR THE PERIOD	(240,073)	(550,743)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Items that may subsequently be reclassified to the condensed consolidated income statement:		
Exchange difference arising on translation of financial statements of foreign operations	46,835	(11,431)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	(193,238)	(562,174)

Condensed Consolidated Statement of Financial Position

As at 30 September 2017

	Notes	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		12,809	153,569
Intangible assets		1,270,835	1,248,269
Available-for-sale investments		345,400	345,400
Finance lease receivables	10	254,592	411,133
Loans receivables	11	235,000	—
Investments at fair value through profit or loss	12	226,598	253,795
Restricted cash		31,670	30,126
Total non-current assets		2,376,904	2,442,292
CURRENT ASSETS			
Finance lease receivables	10	319,911	215,995
Loans receivables	11	230,700	56,503
Investments at fair value through profit or loss	12	674,218	1,578,957
Prepayments, deposits and other receivables	13	815,513	196,487
Restricted cash		31,510	25,052
Cash and cash equivalents		330,203	220,544
Total current assets		2,402,055	2,293,538
CURRENT LIABILITIES			
Other payables and accruals		80,679	80,442
Borrowings	14	697,350	218,314
Convertible bonds	15	75,687	—
Tax payable		1,587	2,035
Total current liabilities		855,303	300,791
NET CURRENT ASSETS		1,546,752	1,992,747
TOTAL ASSETS LESS CURRENT LIABILITIES		3,923,656	4,435,039

Condensed Consolidated Statement of Financial Position

30 September 2017

	Notes	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Borrowings	14	95,668	313,105
Convertible bonds	15	683,939	743,522
Deferred tax liabilities		150,618	191,743
Total non-current liabilities		930,225	1,248,370
Net assets		2,993,431	3,186,669
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Issued capital	16	4,797	4,797
Reserves		2,988,634	3,181,872
Total equity		2,993,431	3,186,669

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2017

	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 bond reserve HK\$'000 (note vi) (Unaudited)	Translation reserve HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
At 1 April 2016 (Audited)	4,828	3,236,117	40,150	1,177	1,524,577	120	81,615	(4,672)	(1,724,557)	3,159,355
Loss for the period	–	–	–	–	–	–	–	–	(550,743)	(550,743)
Other comprehensive loss for the period:										
Exchange difference arising on translation of financial statements of foreign operations	–	–	–	–	–	–	–	(11,431)	–	(11,431)
Total comprehensive loss for the period	–	–	–	–	–	–	–	(11,431)	(550,743)	(562,174)
Share buy-back	(31)	(81,575)	–	–	–	–	–	–	–	(81,606)
Release from early redemption of convertible bond	–	–	–	–	–	–	(28,053)	–	4,441	(23,612)
Equity component of convertible bond	–	–	–	–	–	–	27,887	–	–	27,887
Deferred tax arising on issue of convertible bond	–	–	–	–	–	–	(4,601)	–	–	(4,601)
At 30 September 2016 (Unaudited)	4,797	3,154,542	40,150	1,177	1,524,577	120	76,848	(16,103)	(2,270,859)	2,515,249

	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 bond reserve HK\$'000 (note vi) (Unaudited)	Statutory reserve HK\$'000 (note vii) (Unaudited)	Translation reserve HK\$'000 (Unaudited)	Accumulated losses 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
Loss for the period	–	–	–	–	–	–	–	–	–	(240,073)	(240,073)
Other comprehensive income for the period:											
Exchange difference arising on translation of financial statements of foreign operations	–	–	–	–	–	–	–	–	46,835	–	46,835
Total comprehensive income/(loss) for the period	–	–	–	–	–	–	–	–	46,835	(240,073)	(193,238)
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

Condensed Consolidated Statement of Changes in Equity*For the six months ended 30 September 2017*

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 1981 of Bermuda (as amended), 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 the share option scheme(s).

(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 1981 of Bermuda (as amended), 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 reporting period.

(vii) Statutory reserve

The statutory reserve of the Group refers to the People's Republic of China (the "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 capitalization issue.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2017

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Cash flows from operating activities		
Cash from/(used in) operations	79,792	(198,602)
Increase in loans receivables	(408,219)	(148,000)
Decrease in finance lease receivables	84,780	154,932
Net cash used in operating activities	(243,647)	(191,670)
Net cash from investing activities	95,205	153,430
Cash flows from financing activities		
New bank borrowings raised	400,359	73,192
Repayment of bank borrowings	(100,132)	(95,741)
Other cash flows used in financing activities	(41,690)	(49,096)
Net cash from/(used in) financing activities	258,537	(71,645)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	110,095	(109,885)
Cash and cash equivalents at beginning of period	275,722	436,952
Effect of foreign exchange rate changes	7,566	(10,601)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	393,383	316,466
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Pledged and restricted bank deposits	63,180	90,712
Cash and bank balances	330,203	225,754
	393,383	316,466

Notes to the Condensed Consolidated Financial Statements

30 September 2017

1. CORPORATE INFORMATION

China Shandong Hi-Speed Financial Group Limited (formerly known as China Innovative Finance 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 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 2017 (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 2017.

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 2017.

Notes to the Condensed Consolidated Financial Statements

30 September 2017

2. BASIS OF PREPARATION (continued)

(b) Application of new and amended Hong Kong Financial Reporting Standards

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 March 2017, except for the application of certain new and amended Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKASs and Interpretations) issued by the HKICPA for the first time in the current period.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	Disclosure of Interests in Other Entities

The application of these new and amended HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current period and prior years.

The Group has not early applied any new and amended HKFRSs, interpretation or amendment that have been issued but are not yet effective.

(c) Judgements and estimates

In preparing these Interim Financial Statements, management make 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 management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2017.

3. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports that are used to make strategic decisions reviewed by the chief operating decision maker ("CODM"). The Group has three reportable operating segments. Details are as follows:

- (i) the investment 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 in Hong Kong; and
- (iii) the financial leasing segment engages primarily in the direct financial leasing, advisory services and asset trading platform.

CODM monitors the results of the Group's operating segments separately as described above, for the purpose of making decisions about resources allocation and 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 finance costs and unallocated expenses 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 and convertible bonds.

Notes to the Condensed Consolidated Financial Statements

30 September 2017

3. OPERATING SEGMENT INFORMATION (continued)

	Investment in securities		Money lending		Financial leasing		Unallocated		Consolidated	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)								
Segment revenue										
Revenue from external customers	3,000	847	19,167	9,083	51,773	104,552	359	–	74,299	114,482
Other income	1	–	1	74	2,844	2,431	736	–	3,582	2,505
Total	3,001	847	19,168	9,083	54,617	104,552	1,095	–	77,881	116,987
Segment results	(185,012)	(601,100)	17,642	9,004	(22,527)	66,639	–	–	(189,897)	(525,457)
Reconciliations:										
Unallocated finance costs									(45,132)	(60,944)
Unallocated expenses									(45,973)	(55,190)
Loss before tax									(281,002)	(641,591)
Other segment information										
Finance costs	–	(417)	(1,517)	–	–	(512)	(45,132)	(60,944)	(46,649)	(61,873)
Depreciation	–	–	–	–	(2,244)	(2,377)	(4,828)	(5,489)	(7,072)	(7,866)
Gain on disposal of a subsidiary	–	–	–	–	–	–	14,713	–	14,713	–
Fair value losses on investments at fair value through profit or loss, net (note)	(183,738)	(603,869)	–	–	(39,123)	64,271	–	–	(222,861)	(539,598)
Capital expenditure	–	–	–	–	–	–	6,862	10	6,862	10

Note:

There was a fair value loss on investments at fair value through profit or loss of approximately HK\$39,123,000 (2016: gain of approximately HK\$64,271,000) included in the segment results of the financial leasing segment. The fair value change on an investment at fair value through profit or loss under the financial leasing segment represented an unrealised fair value change on a listed investment. Such investment has not been classified as held for trading. Significant involvement from the management of financial leasing segment had been made on acquisition of such investment, including investment analysis, contract negotiation with the sellers and project monitoring and management. Moreover, all of the related purchase costs and expenses of such investment were also recorded under the financial leasing segment. Therefore, such fair value change on an investment has been recorded under the financial leasing segment for the six months ended 30 September 2017.

The whole financial leasing segment is separately and regularly reviewed by the CODM to make decisions about resources to be allocated to the segment and assess its performance.

Notes to the Condensed Consolidated Financial Statements

30 September 2017

3. OPERATING SEGMENT INFORMATION (continued)

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

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Segment assets:		
Investment in securities	1,565,170	1,610,243
Money lending	479,700	118,434
Financial leasing	2,140,887	2,295,786
	4,185,757	4,024,463
Unallocated assets	593,202	711,367
Total assets	4,778,959	4,735,830
Segment liabilities:		
Investment in securities	359	5,665
Financial leasing	373,006	496,627
	373,365	502,292
Unallocated liabilities	1,412,163	1,046,869
Total liabilities	1,785,528	1,549,161

Revenue from external customers

The Group's revenue is substantially derived from its external customers in Hong Kong and other parts of the PRC.

Notes to the Condensed Consolidated Financial Statements

30 September 2017

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	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Customer A*	19,320	—
Customer B	13,865	20,001
Customer C*	—	16,754

* Customer A and C did not contribute over 10% of the Group's revenue for the six months ended 30 September 2016 and 2017 respectively.

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
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2017 HK\$'000 (Audited)
Hong Kong	22,527	9,930	21,277	159,960
Other parts of the PRC	51,772	104,552	1,294,037	1,272,004
	74,299	114,482	1,315,314	1,431,964

Note: Non-current assets exclude available-for-sale investments, investments at fair value through profit or loss, loans receivables and finance lease receivables.

Notes to the Condensed Consolidated Financial Statements

30 September 2017

4. REVENUE

Revenue, which is also the Group's turnover, represents interest income from money lending operations; financial leasing and consultancy services income from financial leasing operations; handling fee income; and dividend and interest income from investments at fair value through profit or loss during the period.

An analysis of revenue is as follows:

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Financial leasing income	44,364	53,525
Consultancy services income (note a)	6,256	48,964
Interest income from money lending operations	5,455	7,471
Handling fee income (note b)	15,224	3,675
Dividend and interest income from investments at fair value through profit or loss	3,000	847
	74,299	114,482

Notes:

- (a) Consultancy services income arising from the financial leasing segment represents income derived from consultancy services provided for the financial leasing customers and asset trading platform service provided for investors and issuers, including but not limited to:
- (i) formulation of financial leasing structure;
 - (ii) provision of legal analysis;
 - (iii) provision of advice on transaction arrangement; and
 - (iv) financial and taxation analysis.
- (b) Included in handling fee income was an amount of approximately HK\$1,153,000 (2016: approximately HK\$2,063,000) from financial leasing segment, approximately HK\$13,712,000 (2016: approximately HK\$1,612,000) from money lending segment and approximately HK\$359,000 (2016: Nil) from securities brokerage business which is included in the unallocated segment for the six months ended 30 September 2017.

Notes to the Condensed Consolidated Financial Statements

30 September 2017

5. FINANCE COSTS

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Interest on bank borrowings wholly repayable within five years (note)	2,245	4,468
Interest on margin, bank overdrafts and other loans	1	416
Imputed interest on bonds (note 14(b))	577	573
Imputed interest on convertible bonds (note 15)	43,826	56,416
	46,649	61,873

Note:

The Group's bank borrowings containing on-demand clause have been classified as current liabilities. For the purpose of the above disclosure, the interest on such borrowings is disclosed as "Interest on bank borrowings wholly repayable within five years".

6. LOSS BEFORE TAX

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

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Employee benefit expenses (including directors' remuneration):		
Directors' remuneration:		
– Fee	–	–
– Salaries and allowances	4,388	5,680
– Retirement benefits scheme contributions (defined contribution scheme)	54	27
– Emolument shares	–	2,219
	4,442	7,926
Other staff's costs:		
– Salaries and allowances	22,386	14,312
– Retirement benefits scheme contributions (defined contribution scheme)	644	302
	23,030	14,614
Total employee benefits expenses	27,472	22,540

Notes to the Condensed Consolidated Financial Statements

30 September 2017

6. LOSS BEFORE TAX (continued)

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

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Sales proceeds from disposal of securities and bonds	(724,000)	(300,103)
Carrying amount of securities and bonds	739,027	376,174
Realised losses from investments at fair value through profit or loss – securities and bonds (note 12(b)(ii))	15,027	76,071
Unrealised losses/(gains) from investments at fair value through profit or loss – securities and bonds (note 12(b)(i))	207,834	(36,182)
Fair value losses on investments at fair value through profit or loss – securities and bonds, net	222,861	39,889
Realised losses from investments at fair value through profit or loss – derivative financial instruments	–	503,796
Unrealised gains from investments at fair value through profit or loss – derivative financial instruments	–	(4,087)
Fair value losses on investments at fair value through profit or loss – derivative financial instruments, net (note a)	–	499,709
Fair value losses on investments at fair value through profit or loss, net	222,861	539,598
Net foreign exchange losses	563	5,344
Net loss on early redemption of a convertible bond	–	275

Note:

- (a) The amount in 2016 mainly included realised losses on call option of shares of China New City Commercial Development Ltd. of HK\$495,400,000.

Notes to the Condensed Consolidated Financial Statements

30 September 2017

7. INCOME TAX CREDIT

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Current tax		
— PRC Enterprise Income Tax	(2,702)	(2,731)
Deferred tax credit, net	43,631	93,579
Total income tax credit recognised in the condensed consolidated income statement	40,929	90,848

No provision for current Hong Kong Profits Tax had been made for the six months ended 30 September 2017 and 2016 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 2017 and 2016.

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8. 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:

(a) Basic loss per share

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Loss for the purposes of basic loss per share	(240,073)	(550,743)
Number of shares		
Weighted average number of ordinary shares in issue during the period for the purpose of basic loss per share for the period ('000 share)	19,188,648	19,284,491

(b) Diluted loss per share

The potential ordinary shares arising from the conversion of share options and convertible bonds had an anti-dilutive effect on the basic loss per share hence they were ignored in the calculation of diluted loss per share.

9. DIVIDEND

The board of directors of the Company does not recommend the payment of any interim dividend in respect of the current period (six months ended 30 September 2016: Nil).

Notes to the Condensed Consolidated Financial Statements

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10. FINANCE LEASE RECEIVABLES

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Present value of minimum lease payments receivable	574,503	627,128
Less: Current portion included under current assets	(319,911)	(215,995)
Amounts due after one year included under non-current assets	254,592	411,133

As at 30 September 2017, finance lease receivables of approximately HK\$389,402,000 were pledged to secure the bank borrowings obtained by the Group (31 March 2017: approximately HK\$450,557,000).

No impairment allowance was made for the finance lease receivables as at 30 September 2017 and 31 March 2017.

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

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Minimum lease payments receivables	634,007	712,142
Less: Unearned finance income related to minimum lease payments receivables	(59,504)	(85,014)
Present value of minimum lease payments receivables	574,503	627,128

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10. FINANCE LEASE RECEIVABLES (continued)

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

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
– Within one year	362,080	268,247
– In the second year	183,765	333,254
– In the third to fifth years	88,162	110,641
	634,007	712,142

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

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
– Within one year	319,911	215,995
– In the second year	171,702	309,758
– In the third to fifth years	82,890	101,375
	574,503	627,128

The Group's finance lease receivables are denominated in Renminbi.

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10. FINANCE LEASE RECEIVABLES (continued)**Concentration of risks of financial assets with credit exposure**

During the six months ended 30 September 2017 and the year ended 31 March 2017, 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 2017, the Group's finance lease receivables were secured by collaterals, mainly properties, and deposits of approximately HK\$41,585,000 (31 March 2017: approximately HK\$48,315,000).

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 2017 (31 March 2017: Nil).

To manage this risk, the Group assesses the business performance of the lessee on a regular basis. The Group seeks to maintain strict control over its outstanding lease receivable balances and to monitor credit risk. Overdue balances are reviewed regularly by senior management.

11. LOANS RECEIVABLES

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Loans receivables	510,700	101,503
Less: allowance for impairment loss	(45,000)	(45,000)
	465,700	56,503
Less: amount classified as current assets	(230,700)	(56,503)
Non-current portion	235,000	—

Loans receivables represent receivables arising from the money lending business of the Group, and bear interest at rates ranging from 7.5% to 20% per annum (31 March 2017: 7.5% to 24% per annum). The grants of these loans were approved and monitored by the Group's management.

Except for loans receivables with carrying amount of HK\$458,000,000 (31 March 2017: HK\$45,473,000) as at 30 September 2017 which were secured by the pledge of collateral and personal guarantees, all remaining loans receivables as at 30 September 2017 and 31 March 2017 were unsecured.

Notes to the Condensed Consolidated Financial Statements

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11. LOANS RECEIVABLES (continued)

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 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Loans receivables:		
Within 90 days	3,000	45,424
91 days to 180 days	227,700	—
181 days to 365 days	—	11,079
Over 365 days	235,000	—
	465,700	56,503

The movements in the allowance for impairment loss of loans receivables are as follows:

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
At beginning and end of period/year	45,000	45,000

No impairment loss was recognised during the six months ended 30 September 2017 and the year ended 31 March 2017.

The allowance for impairment loss of loans receivables as at 30 September 2017 and 31 March 2017 was an individually impaired loans receivable amount of HK\$45,000,000 with an original carrying amount of HK\$45,000,000.

An ageing 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 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Neither past due nor impaired	462,700	56,503
Less than one month past due	3,000	—
	465,700	56,503

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12. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Non-current assets		
Listed equity investment, at fair value In the PRC (note b)	226,598	253,795
Current assets		
Held-for-trading listed equity investments, at fair value (notes a and b): In Hong Kong	534,863	757,079
Unlisted equity investment, at fair value (note b): In elsewhere	—	265,837
Unlisted convertible bonds, at fair value (note b): In Hong Kong	—	394,190
Investment fund, at fair value (note b): In elsewhere	139,355	161,851
Sub-total	139,355	821,878
Total	674,218	1,578,957

Notes to the Condensed Consolidated Financial Statements

30 September 2017

12. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes:

- (a) As at 30 September 2017 and 31 March 2017, the listed equity investments were held for trading and were classified as financial assets at fair value through profit or loss. The fair values of the listed equity investments were determined by quoted prices in active markets.
- (b) (i) Unrealised gains/(losses) from investments at fair value through profit or loss:

Nature of investments	Number of	Percentage of	Fair value/	Fair value/	Percentage to
	shares held as at 30 September 2017	shareholding as at 30 September 2017	amount as at 30 September 2017	amount as at 31 March 2017	the Group's net assets as at 30 September 2017
	(Unaudited)	(Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)	(Unaudited)
Non-current assets					
Listed equity investment in the PRC					
China Yunnan Highway Construction Group Co., Ltd. (stock code: 839650)	29,951,000	8.32%	226,598	253,795	7.57%
Current assets					
Listed equity investments in Hong Kong					
China Smarter Energy Group Holdings Limited (stock code: 1004)	677,736,000	7.23%	406,642	614,411	13.59%
Code Agriculture (Holdings) Limited (stock code: 8153)	60,000,000	3.58%	18,000	—	0.60%
Far East Holdings International Limited (stock code: 36)	11,814,000	1.08%	8,151	8,979	0.27%
Huatai Securities Co., Ltd. (stock code: 6886)	2,600	—	45	39	—
Hao Tian Development Group Limited (stock code: 474)	385,000,000	7.88%	102,025	133,650	3.41%
			534,863	757,079	17.87%
Unlisted equity investment outside Hong Kong					
Ba Shen Bai Asia Investment Limited	—	—	—	265,837	—
Unlisted convertible bonds in Hong Kong					
Code Agriculture (Holdings) Limited (1,000,000,000 conversion shares)	—	—	—	394,190	—
Investment fund outside Hong Kong					
Haitong International Investment Fund	200,000	N/A	139,355	161,851	4.65%
			674,218	1,578,957	22.52%

Notes to the Condensed Consolidated Financial Statements

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12. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS (continued)

Notes: (continued)

(b) (i) Unrealised gains/(losses) from investments at fair value through profit or loss: (continued)

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Unrealised losses of Hong Kong securities and bonds, net	(146,216)	(36,934)
Unrealised (losses)/gains of outside Hong Kong (including the PRC) securities, net	(61,618)	73,116
Unrealised (losses)/gains from investments at fair value through profit or loss — securities and bonds (note 6)	(207,834)	36,182

(b) (ii) Realised gains/(losses) from investments at fair value through profit or loss:

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Realised losses of Hong Kong securities and bonds, net	(15,190)	(76,118)
Realised gains of outside Hong Kong (including the PRC) securities, net	163	47
Realised losses from investments at fair value through profit or loss — securities and bonds (note 6)	(15,027)	(76,071)

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 30 September 2017, receivables with an aggregate amount of HK\$590,400,000 arising from the disposals of certain investments at fair value through profit or loss are included in other receivables in the condensed consolidated statement of financial position.

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14. BORROWINGS

	Notes	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Interest-bearing bank borrowings:	(a)		
– portion of bank borrowings due for repayment within one year or which contain a repayment on demand clause		696,036	217,331
– portion of bank borrowings due for repayment after one year but within two years		76,970	251,455
– portion of bank borrowings due for repayment after two years but within five years		–	42,557
Bank overdrafts		359	–
Bonds due for repayment:	(b)		
– within one year		955	983
– after one year		18,698	19,093
		793,018	531,419
Less: amount classified as current liabilities		(697,350)	(218,314)
Amount classified as non-current liabilities		95,668	313,105
Analysed as:			
Secured		373,006	511,343
Unsecured		420,012	20,076
		793,018	531,419

Notes to the Condensed Consolidated Financial Statements

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14. BORROWINGS (continued)

Notes:

(a) Interest-bearing bank borrowings

As at 30 September 2017, the Group has a term loan and factoring loans with an aggregate carrying amount of approximately HK\$400,000,000 and HK\$373,006,000 (31 March 2017: approximately HK\$60,786,000 and HK\$450,557,000), respectively.

Ignoring the effect of any repayment on demand clause and based on the maturity terms of the loans, the loans were repayable:

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Within one year	696,036	217,331
In the second year	76,970	251,455
In the third to fifth years, inclusive	—	42,557
	773,006	511,343

As at 30 September 2017, approximately HK\$343,402,000 (31 March 2017: approximately HK\$394,237,000) of the Group's factoring loans and approximately HK\$400,000,000 (31 March 2017: approximately HK\$60,786,000) of the Group's term loan were variable-rate borrowings. The effective interest rates of variable-rate borrowings range from 1.15% to 5.25% per annum (31 March 2017: 3.27% to 5.25% per annum). Approximately HK\$29,604,000 (31 March 2017: approximately HK\$56,320,000) of the Group's factoring loans were fixed-rate borrowing which carried effective interest rate of 8% per annum (31 March 2017: 8% per annum).

As at 30 September 2017, the factoring loans with aggregate carrying amount of approximately HK\$373,006,000 (31 March 2017: approximately HK\$450,557,000) were secured by finance lease receivables with aggregate carrying amount of approximately HK\$389,402,000 (31 March 2017: approximately HK\$450,557,000) and bank deposits of approximately HK\$43,630,000 (31 March 2017: approximately HK\$41,502,000).

As at 30 September 2017, a term loan with a carrying amount of approximately HK\$400,000,000 was guaranteed by a Company's substantial shareholder.

Notes to the Condensed Consolidated Financial Statements

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14. BORROWINGS (continued)

Notes: (continued)

(b) Bonds

	HK\$'000
At 1 April 2017 (Audited)	20,076
Interest charged calculated at an effective interest rate (note 5)	577
Less: repayment during the period	(1,000)
At 30 September 2017 (Unaudited)	19,653
Less: Amount classified under current liabilities	(955)
Non-current portion	18,698

As at 30 September 2017, the Company has two outstanding bonds, (i) a 5% unsecured seven-year straight bond in the principal amount of HK\$10,000,000 to an independent third party with the final maturity being year 2021; and (ii) a 5% unsecured seven-year straight bond in the principal amount of HK\$10,000,000 to an independent third party with the final maturity being year 2020.

15. CONVERTIBLE BONDS**Convertible bond 1 (“the CB 1”)**

On 28 October 2015, the Company issued 8% denominated convertible bonds with the aggregate principal amount of US\$50,000,000 (approximately HK\$387,500,000). The CB 1 entitles the holder to convert to Company’s ordinary share at a conversion price of HK\$0.68 and maturity 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 Hong Kong Leasing Limited, a wholly-owned subsidiary of the Company.

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

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15. CONVERTIBLE BONDS (continued)

Convertible bond 2 (“the CB 2”)

On 24 December 2015, the Company issued 8% denominated convertible bonds with the aggregate principal amount of US\$40,000,000 (approximately HK\$310,000,000). The CB 2 entitles the holder to convert to Company’s ordinary share at a conversion price of HK\$0.72 and maturity on 24 December 2018. Details of the CB 2 are set out in the Company’s announcements dated 15 December 2015 and 24 December 2015.

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 bond reserve”. The effective interest rate of the liability component on initial recognition is 10.60% per annum.

Convertible bond 3 (“the CB 3”)

On 16 August 2016, the Company issued 8% 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 3 was used to redeem the previous convertible bond in an aggregate amount of US\$40,000,000 (equivalent to approximately HK\$310,000,000). The CB 3 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 3 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). Details of the CB 3 are set out in the Company’s announcements dated 27 July 2016, 16 August 2016, 7 December 2016 and 5 January 2017.

The CB 3 bears interest at 8% 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 13.19% per annum.

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15. CONVERTIBLE BONDS (continued)**CB 1, CB 2 and CB 3 (“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 and cancelled, the Company will redeem each CB at its principal amount with accrued and unpaid interest thereon on the maturity date.

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

	CB 1	CB 2	CB 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Principal amounts:				
Liability component	345,789	287,564	282,113	
Equity component	41,711	22,436	27,887	
Nominal value of CB				
— as at issue date	387,500	310,000	310,000	
As at 1 April 2017 (Audited)	371,404	298,215	73,903	743,522
Imputed interest charge (note 5)	22,596	16,346	4,884	43,826
Interest paid and payable	(15,373)	(12,400)	(3,100)	(30,873)
Less: transaction cost [#]	—	3,151	—	3,151
As at 30 September 2017 (unaudited)	378,627	305,312	75,687	759,626
Less: Amount classified under current liabilities	—	—	(75,687)	(75,687)
Non-current portion	378,627	305,312	—	683,939

[#] Transaction cost included legal fee and arrangement fee.

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16. ISSUED CAPITAL**Authorised and issued capital**

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Authorised capital: 2,000,000,000,000 (31 March 2017: 2,000,000,000,000) ordinary shares of HK\$0.00025 (31 March 2017: HK\$0.00025) each	500,000	500,000
Issued and fully paid: 19,188,648,437 (31 March 2017: 19,188,648,437) ordinary shares of HK\$0.00025 (31 March 2017: HK\$0.00025) each	4,797	4,797

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

	Number of shares in issue	Issued capital HK\$'000
At 1 April 2017 (Audited) and 30 September 2017 (Unaudited)	19,188,648,437	4,797

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17. DISPOSAL OF A SUBSIDIARY

On 31 March 2017, the Group entered into a sale and purchase agreement with Leading Fortune International Group Limited (“Leading Fortune”), a wholly-owned company of Mr. Yau Wai Lung, an executive director of the Company, pursuant to which the Group agreed to sell and Leading Fortune agreed to purchase the entire issued share capital of Park Rise Investments Limited (“Park Rise”), a wholly-owned subsidiary of the Group. All conditions precedent in the agreement have been fulfilled and the disposal of Park Rise was completed on 11 August 2017. The cash consideration was determined at HK\$100,680,000 with reference to the completion accounts of Park Rise. The net assets of Park Rise at the date of disposal were as follows:

	HK\$'000
Net assets disposed of:	
Property, plant and equipment	141,175
Other receivables	3,058
Cash and cash equivalents	319
Borrowings	(58,585)
	85,967
Gain on disposal of a subsidiary	14,713
Consideration satisfied by cash in respect of disposal of Park Rise	100,680
Net cash inflow arising on disposal:	
Cash consideration received	100,680
Less: cash and cash equivalents disposed of	(319)
	100,361

Gain on disposal of Park Rise of approximately HK\$14,713,000 has been included in the condensed consolidated income statement for the six months ended 30 September 2017.

Further details were set out in the Company’s announcements dated 31 March 2017 and 11 August 2017.

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18. COMMITMENTS**Operating lease arrangements**

The Group leases certain office premises under operating lease arrangements, with leases negotiated for initial terms ranging from 1 to 3 years.

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

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Within one year	17,891	16,364
In the second to fifth years, inclusive	20,563	23,774
	38,454	40,138

Capital commitments

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

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Acquisition of a company	7,500	7,500
Contracted for acquisition for the property, plant and equipment	—	2,408
	7,500	9,908

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19. TRANSACTIONS WITH RELATED PARTIES

Save as disclosed elsewhere in the interim report, the Group had the following transactions with related parties:

Compensation of key management personnel of the Group:

	For the six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Short term employee benefits	8,464	8,378
Retirement benefit scheme contributions	72	99
Emolument shares	—	2,219
Total compensation paid to key management personnel	8,536	10,696

20. 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.

21. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS**(a) Fair value of financial assets that are measured at fair value**

Some of the Group's financial assets are measured at fair value at the end of each reporting period.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- 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.

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21. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)**(a) Fair value of financial assets that are measured at fair value (continued)**

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).

	Fair value as at		Fair value hierarchy	Valuation model(s) and key input(s)
	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)		
Available-for-sale investment				
Club membership debenture	4,600	4,600	Level 2	Price in an open market taken into account the estimated transfer fee of the club membership upon sale
Investments at fair value through profit or loss				
Investments in listed equity securities	534,863	757,079	Level 1	Quoted price in an active market
Investments in unlisted equity securities	—	265,837	Level 3	Income approach
Convertible bonds	—	394,190	Level 3	Price quoted by counter parties
Investment fund	139,355	161,851	Level 2	Latest transaction price

During the six months ended 30 September 2017, the Group does not have any financial assets transferred between Level 1 and Level 2 fair value hierarchy and no transfer into or out of level 3 fair value hierarchy.

21. 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:

	Fair value hierarchy			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
As at 30 September 2017 (Unaudited)				
Available-for-sale investments	—	4,600	—	4,600
Investments at fair value through profit or loss	534,863	139,355	226,598	900,816
	534,863	143,955	226,598	905,416
As at 31 March 2017 (Audited)				
Available-for-sale investments	—	4,600	—	4,600
Investments at fair value through profit or loss	757,079	161,851	913,822	1,832,752
	757,079	166,451	913,822	1,837,352

(b) Fair value measurement and valuation process

The management of the Group is responsible to determine 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.

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22. EVENTS AFTER THE END OF THE REPORTING PERIOD

- a) On 30 June 2017, the Board proposed to change the English name of the Company from “China Innovative Finance Group Limited” to “China Shandong Hi-Speed Financial Group Limited” and to adopt the Chinese name of “中國山東高速金融集團有限公司” as the Company’s secondary name in Chinese in replacement of the original secondary name in Chinese “中國新金融集團有限公司” (“Change of Company Name”). The shareholders approved the Change of Company Name on 18 August 2017.

A Certificate of Incorporation on Change of Name and Certificate of Secondary Name have been issued by Registrar of Companies in Bermuda on 14 September 2017 certifying the Change of Company Name. A Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 4 October 2017 confirming the Company has altered its name and is now registered under the name of “China Shandong Hi-Speed Financial Group Limited 中國山東高速金融集團有限公司” in Hong Kong.

Details of the Change of Company Name were set out in the Company’s announcements dated 30 June 2017, 18 August 2017 and 13 October 2017 and circular dated 27 July 2017.

- b) On 10 October 2017, the Group entered into the subscription documents with Altair Asia Investments Limited (“Altair”) and China Silver Asset Management (Hong Kong) Limited, pursuant to which the Group agreed to subscribe for the participating shares issued by Altair at the consideration of HK\$200 million.

Further details were set out in the Company’s announcement dated 11 October 2017.

- c) On 13 October 2017, the major and connected transaction in relation to the acquisition of 40% equity interest in Shandong Hi-Speed (BVI) International Holdings Limited was completed and 5,000,000,000 consideration shares were issued by the Company to the seller pursuant to the sale and purchase agreement.

Further details were set out in the Company’s announcements dated 25 April 2017, 16 May 2017, 30 June 2017, 18 August 2017, 29 September 2017, 13 October 2017 and the circular dated 27 July 2017.

22. EVENTS AFTER THE END OF THE REPORTING PERIOD (continued)

- d) On 31 October 2017, the Group entered into a sale and purchase agreement with Li Shao Yu ("the Seller"), pursuant to which the Group conditionally agreed to acquire, and the Seller conditionally agreed to sell 24,365,400 ordinary shares of Asia Link Capital Investment Holdings Limited ("Asia Link"), representing 30% of the total issued share capital (comprising all the preference shares and ordinary shares) or 6.94% of the effective voting rights of Asia Link as at 31 October 2017.

The consideration shall be HK\$934,500,000, which shall be settled by way of the Group issuing a promissory note in the principal amount of HK\$934,500,000 to the Seller upon completion. The promissory note matures on the first anniversary after its issue and is non-interest bearing and pursuant to the promissory note, the Group shall pay the entire amount in cash to the Seller on or before the first anniversary after completion. Immediately upon completion, the Company will be indirectly interested in 30% of the total issued share capital of Asia Link (comprising all the preference shares and ordinary shares).

Further details were set out in the Company's announcement dated 31 October 2017.

23. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements have been reviewed by the Audit Committee of the Company and were approved and authorised for issue by the board of directors on 24 November 2017.

Chairman's Statement

On behalf of the board of directors (the "Board" or the "Directors") of China Shandong Hi-Speed Financial Group Limited ("CSFG" or the "Company" and, together with its subsidiaries, the "Group") (stock code: 0412.HK), I am pleased to present to shareholders the interim results of CSFG for the 6 months ended 30 September 2017.

During the period, CSFG was engaged in the operations of sector-focus investment and management, asset management and financial leasing as its three principal business segments, while pursuing other financial businesses on the back of the stable development of these three cornerstone operations to form reciprocal growth drivers among different segments. We set the profit effectiveness and quality as our aim, using innovation and technology as our impetus and following standard and prudent practices as our protection. Throughout horizontal and vertical partnerships, we continue to drive business growth by boarding our product portfolio.

Following the introduction of Shandong Hi-Speed Group Co., Ltd. ("Shandong Hi-Speed Group"), a large-scale, state-owned comprehensive business group, as a strategic shareholder and the completion of acquisition of 40% issued share capital of Shandong Hi-Speed (BVI) International Holdings Limited from Shandong Hi-Speed Group in October 2017, the Company was renamed from "China Innovative Finance Group Limited" to "China Shandong Hi-Speed Financial Group Limited" to reflect its relationship with the new controlling shareholder.

Shandong Hi-Speed Group is a large-scale wholly state-owned comprehensive business group with financial assets that worth more than RMB200 billion. It is principally engaged in the investment, construction, operation and management of expressways, bridges, railways, ports, airports and logistics, while claiming strong potentials for developments in financial sectors such as banking, insurance and investment funds. As the controlling shareholder's only outreach to the overseas market, CSFG is poised to enhance its market position by building a comprehensive financial business regime in tandem with the national "One Belt, One Road" initiative by leveraging Shandong Hi-Speed Group's industry resources and strengths.

As at 30 September 2017, the Group's business continued to report revenue contributions, with turnover approximately HK\$74 million.

Building on its close collaboration with enterprises in the invested regions and relevant countries as well as governments of regions along "One Belt, One Road" and leveraging the strengths of Shandong Hi-Speed Group, our controlling shareholder, the Group will continue to accelerate the consolidation of sub-sectors in the second half of 2017, in a bid to develop into a financial institution claiming a specialised and internationalised end-to-end financial service chain unique in the Hong Kong financial market.

FUTURE PROSPECTS

In the future, the “One Belt, One Road” strategy will remain the top priority for the nation’s economic endeavours. Infrastructure construction in countries along “One Belt, One Road” will not only generate enormous funding requirements but also increasing the demand for cross-border financial services, such as cross-border corporate financing, mergers and acquisitions, financial advisory services, trade loans, financial settlement, account management and risk management significantly, providing new opportunities for the internationalisation of People’s Republic of China (“PRC”) financial sector. Benefitting from such positive developments in the industry, CSFG will actively support the national “One Belt, One Road” strategy and seize any opportunities arising therefrom with a special emphasis on establishing business outlets fund management in “One Belt, One Road” regions and investing in sectors associated with urban development in countries along “One Belt, One Road”, such as medical care, education, public consumption, utilities, public transit, urban digitalisation and information systems, financial services, e-commerce, logistics, property development and management, and public facilities management, etc.

In response to the government’s vigorous promotion of the public-private partnership model, the Group will seek for public infrastructure involvement opportunity through cooperation with private enterprises, private capital and the government, with a view to increasing efficiency and lowering the risks. We will implement the public-private partnership model, which is strongly advocated by the Chinese government at the moment, through the financial leasing company, in order to better serve the community and the public.

In the meantime, with the advancement of the national policy of financial inclusion, the online micro-credit industry is expected to expand in size in the future. Riding the trend, CSFG will actively adapt to the new economic status, support relevant national strategies and plans, and seize opportunities arising from the implementation of more intensive financial reforms to make further inroads in the development of the online micro-credit business, in order to establish a new growth niche in the financial technology sector.

CSFG will also actively identify merger and acquisition opportunities in the asset management and financial service sectors in a bid to diversify the business risks and create value for shareholders. The Group’s operations and future investments will continue to be financed by internal resources and bank borrowings.

May I take this opportunity to express my heart-felt appreciation to the Directors and all employees for the contributions to and support of CSFG. I must also thank the shareholders and customers for their trust. We look forward to meeting their expectations by continuing to deliver strong results.

Li Hang

Chairman and Non-Executive Director

24 November 2017

Management Discussion and Analysis

FINANCIAL RESULTS

The Board announces that the Group has made a loss of approximately HK\$240 million for the six months ended 30 September 2017 (2016: loss of approximately HK\$551 million). The loss is mainly attributable to the fair value loss arising from investments at fair value through profit or loss for the six months ended 30 September 2017 of approximately HK\$223 million (2016: loss of approximately HK\$540 million). The Group is an investment holding company with the following major lines of business:

a) Financial leasing

The financial leasing segment recorded a loss of approximately HK\$23 million for the six months ended 30 September 2017 (2016: profit of approximately HK\$67 million).

b) Investment in securities

The Group's securities portfolio had unrealised fair value loss on investments at fair value through profit or loss of approximately HK\$169 million for the six months ended 30 September 2017 and realised loss of approximately HK\$15 million.

c) Money lending

The money lending business recorded a turnover of approximately HK\$19 million for the period (2016: approximately HK\$9 million). The increase in turnover was mainly due to expansion of the business, as accumulated lending principal amounted to approximately HK\$466 million for the six months ended 30 September 2017. The Group will continue to adopt a cautious approach to manage risk and upkeep the profitability for the business.

d) Asset Trading Platform

The Group engaged in trading business relating to leasing facilities, leasing assets and other related leasing properties, and provision of spot trading platform and marketing services and consulting services relating to the aforesaid businesses.

The Group's wholly-owned subsidiary, Shenzhen Asia-Pacific Leasing Assets Exchange Center Co., Ltd., which is based in Qianhai, Shenzhen, and benefits from the preferential policy of the Guangdong Free Trade Area and Qianhai-Shenzhen-Hong Kong Cooperation Area. The Group plans to develop the said company into a leading domestic and international integrated financial leasing business service provider and financial leasing transaction service platform. This is to create synergy with other business segments of the Group to seize business opportunities in the financial leasing sector.

e) Business factoring

This segment is principally engaged in factoring business, provision of consultancy services and provision of financial guarantee in Shenzhen.

The management believes that the factoring business can generate a stable income source and can achieve potential business synergies with other business segments of the Group after its development stage.

PROSPECT

Following the introduction of Shandong Hi-Speed Group Co., Ltd. as the strategic shareholder, we will leverage the industry resources and strengths of Shandong Hi-Speed Group and work actively in tandem with the nation's "One Belt, One Road" strategy to explore market opportunities in the infrastructure (including financial and social infrastructure) and private investment sectors with a strong emphasis on "value creation" and "reward for shareholders". Backed by the advantageous resources in financing, professional staff and market development available in Hong Kong as an international financial centre, we will introduce innovative business models and strengthen the foundation on which we generate our profit, driving the Company's ongoing growth in strength, quality and scale on the back of solid results. Looking to the future, we are committed to building the Group into a financial institution claiming a specialised and internationalized end-to-end financial service chain unique in the Hong Kong financial market.

EVENTS AFTER THE END OF THE REPORTING PERIOD

The events after the end of the reporting period are set as in note 22 to the Interim Financial Statements.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2017, the Group's total assets and borrowings were approximately HK\$4,779 million and HK\$1,553 million respectively. The borrowings of the Group represented bank borrowings of HK\$773 million and three convertible bonds in the aggregate amount of HK\$760 million, each with a fixed rate of interest of 8% per annum issued by the Company and two unsecured seven-year bonds of approximately HK\$20 million, each with a fixed rate of interest of 5% per annum issued by the Company. Though the convertible bonds were denominated in United States dollars, the exchange rate is relatively stable and the bonds were denominated in Hong Kong dollars, thus there is no exposure to fluctuations in exchange rate. The gearing ratio (total borrowings divided by total assets) as at 30 September 2017 was approximately 32.5% (2016: 45.1%).

CURRENCY RISK MANAGEMENT

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollar and United States dollar. 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 appropriate hedging measures in the future when necessary.

PLEDGE OF ASSETS

As at 30 September 2017, the banking facilities of the Group were secured by property, plant and equipment, finance lease receivables and restricted cash.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed shares of the Company during the six months ended 30 September 2017.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

Except for the disposal of a subsidiary as detailed in note 17 to this interim report, the Group had no material acquisitions, disposals or significant investments during the six months ended 30 September 2017.

EMPLOYEES, REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

As at 30 September 2017, the Group had a workforce, including directors of the Company, of 113, of which 70 were based in the PRC. Staff costs incurred and charged to profit or loss for the period including directors' remuneration was approximately HK\$27 million (2016: HK\$23 million).

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 base for the review of the remuneration package. The Group operates a defined contribution mandatory provident fund retirement benefits 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.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to supporting environmental sustainability. The Group implements policies and measures in its daily business operations to mitigate the Group's environmental impact, such as (i) video conferencing meetings among the Hong Kong headquarters and the PRC subsidiaries to reduce the number of business travels; (ii) use of recycled papers and office light-out measures after office hours, etc.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

So far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by the Group during the six months ended 30 September 2017 that had a material adverse impact on the business and operations of the Group.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognises employees as its valuable assets. The Group's employee management focuses on recruiting and growing 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 relations with business partners on a long-term basis is one of its primary objectives. Accordingly, the Management have maintained effective communication, promptly exchanged ideas and shared business updates with them as appropriate.

Other Information

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 2017.

Details of the share options movements during the six months ended 30 September 2017 under the Share Option Scheme are as follows:

Name of category	Date of grant of share options	Number of share options					Outstanding as at 30.09.2017	Validity Vesting period of share options	Exercise price of share options (HK\$) per share	
		Outstanding as at 01.04.2017	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
Director										
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 2017.

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 2017, 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:

Long positions in ordinary shares of the Company ("Shares") and underlying Shares

Name of Director	Number of Shares					Interests in underlying shares/equity derivatives	Total Interests	Percentage of Company's issued share capital as at 30 September 2017 (Note 2)
	Beneficial interests	Family interests	Corporate interests	Other interests				
Yau Wai Lung (Note)	—	—	—	—	—	169,400,000 (Note 1)	169,400,000	0.88

Notes:

- The 169,400,000 underlying Shares are Shares issuable upon the exercise of share options granted by the Company to Mr. Yau Wai Lung under the Share Option Scheme.
- Based on 19,188,648,437 Shares in issue as at 30 September 2017.

Save as disclosed above, as at 30 September 2017, 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.

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

As at 30 September 2017, 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 of the Company 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

Name of substantial Shareholders	Capacity	Interests in underlying Shares/equity derivatives	Number of Shares interested	Percentage of the issued share capital as at 30 September 2017 (Note 6)
Shandong Hi-Speed Group Co., Ltd. (山東高速集團有限公司) (Note 1)	Corporate interest	—	5,459,648,350	28.45
Li Shao Yu (Note 2)	Corporate interest	—	3,547,689,650 80,729,170(S) (Note 5)	18.49 0.42
Huang Rulun (Note 3)	Corporate interest	—	1,320,000,000	6.88
Ji Kewei (Note 4)	Corporate interest	—	1,083,538,169	5.65
	Beneficial interest	—	5,617,977	0.03
Wang Zi Yi	Beneficial interest	—	1,083,538,169	5.65

Notes:

1. Shandong Hi-Speed Group Co., Ltd. is deemed to be interested in the 5,459,648,350 Shares held by Shandong Hi-Speed (Hong Kong) International Capital Limited pursuant to the SFO by virtue of Shandong Hi-Speed (Hong Kong) International Capital Limited, a company incorporated in Hong Kong with limited liability, being a subsidiary of Shandong Hi-Speed (BVI) Capital Management Limited, a company incorporated in the British Virgin Islands with limited liability, which in turn is a subsidiary of Shandong Hi-Speed Group Co., Ltd., a company incorporated in the PRC with limited liability.
2. Ms. Li Shao Yu is deemed to be interested in the 3,503,559,650 Shares held by Hao Tian Management (Hong Kong) Limited pursuant to the SFO by virtue of Hao Tian Management (Hong Kong) Limited, being a subsidiary of Win Team Investments Limited, which in turn is a subsidiary of Hao Tian Development Group Limited, which in turn is a subsidiary of Asia Link Capital Investment Holdings Limited, in which Ms. Li Shao Yu holds 100% beneficial interest. In addition, Ms. Li Shao Yu is deemed to be interested in the 44,130,000 Shares held by TRXY Development (HK) Limited pursuant to the SFO by virtue of TRXY Development (HK) Limited being owned as to 90% and 9%, respectively, by Hao Tian Integrated Group Development Limited and Hao Tian Group Holdings Limited, both of which are wholly-owned by Ms. Li Shao Yu.
3. Mr. Huang Rulun 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.
4. Mr. Ji Kewei is deemed to be interested in 1,083,539,169 Shares held by Chinanet Consultancy Limited pursuant to the SFO by virtue of Chinanet Consultancy Limited being wholly-owned by its executive director, Mr. Ji Kewei. Mr. Ji Kewei is also beneficially interested in 5,617,977 Shares.
5. (S) — Short position.
6. Based on 19,188,648,437 Shares in issue as at 30 September 2017.

Save as disclosed above, the Company had not been notified of any other person (other than director or chief executive of the Company) who had an interest (whether direct or indirect) in 5% or more of the Shares comprised in the relevant share capital or a short position which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 30 September 2017.

CORPORATE GOVERNANCE

Throughout the six months ended 30 September 2017, the Company has complied with the code provisions as set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), except for the following deviations:

The independent non-executive Directors are not appointed for a specific term and thus the Company has deviated from Code Provision A.4.1. However, as specified by the Company’s bye-laws, not less than one-third of the Directors of the Company (both executive and non-executive Directors) are subject to retirement by rotation at the Company’s annual general meeting. Code Provision A.4.2 requires every Director should be subject to retirement by rotation at least once every three years. Therefore, the Company considers that sufficient measures have been taken to ensure that the Company’s corporate governance practices are similar to those provided in the Code.

Code Provision C.1.2 which requires the management to provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company’s performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties. During the six months ended 30 September 2017, the management did not provide monthly updates to all members of the Board as required by Code Provision C.1.2, as all the executive Directors were involved in the daily operation of the Group and were fully aware of the performance, position and prospects of the Company, and the management has provided to all Directors (including non-executive Directors and independent non-executive Directors) half-yearly updates giving a balanced and understandable assessment of the Company’s performance, position and prospects in sufficient detail prior to the regular Board meetings. In addition, the management has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient background or explanatory information for matters brought before the Board. Therefore, the Company considers that all members of the Board have been given a balanced and understandable assessment of the Company’s performance, position and prospects in sufficient detail.

Code Provision D.1.4 requires that issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for some of the Directors. All of the Directors of the Company are, however, required to refer to the guidelines set out in “A Guide on Directors’ Duties” issued by the Companies Registry and “Guidelines for Directors” and “Guide for Independent Non-Executive Directors” published by the Hong Kong Institute of Directors in performing their duties and responsibilities as directors of the Company. In the opinion of the Company, this meets the objective of Code Provision D.1.4.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purposes of 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 2017 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code for securities transactions by directors of the Company. Following specific enquiry by the Company, the directors of the Company have confirmed that they have complied with the required standard under the Model Code for the six months ended 30 September 2017.

CHANGES IN INFORMATION OF DIRECTORS OF THE COMPANY UNDER RULE 13.51B(1) OF THE COMPANY

The following are the changes in information of Directors since the 2017 Annual Report of the Company, which are required to be disclosed pursuant to Rule 13.51(B) of the Listing Rules.

1. Ms. Cheng Yan ("Ms. Cheng") has resigned from the post of executive Director and chief executive of the Company with effect from 13 September 2017. Upon resignation, Ms. Cheng also ceased to be a member of the executive committee of the Company (the "Executive Committee") on 13 September 2017.
2. Mr. Li Zhen Yu was appointed as an executive Director and a member of the Executive Committee on 25 October 2017;
3. Mr. Ma Chao ("Mr. Ma") has resigned from the post of executive Director with effect from 10 November 2017. Upon resignation, Mr. Ma also ceased to be a member of the Executive Committee on 10 November 2017;
4. Mr. Chung Yuk Lun ("Mr. Chung") has resigned from the post of independent non-executive Director with effect from 10 November 2017. Upon resignation, Mr. Chung also ceased to be the chairman and a member of the audit committee of the Company (the "Audit Committee"), a member of the remuneration committee of the Company (the "Remuneration Committee") and a member of the nomination committee of the Company (the "Nomination Committee") on 10 November 2017;

Other Information

5. Mr. Ji Kecheng, was appointed as an executive Director and the chief executive of the Company and a member and the chairman of the Executive Committee on 10 November 2017;
6. Dr. Lam Lee G. was appointed as a non-executive Director and the vice chairman of the Company on 10 November 2017;
7. Mr. Lo Man Tuen was appointed as a non-executive Director with effect from 10 November 2017;
8. Mr. Wang Huixuan was appointed as an independent non-executive Director and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee on 10 November 2017;
9. Mr. Guan Huanfei was appointed as an independent non-executive Director and a member of the Audit Committee on 10 November 2017;
10. Mr. Yau Wai Lung, an executive Director of the Company, resigned from the post of chairman of the Executive Committee on 10 November 2017 but remains as a member of the Executive Committee; and
11. Mr. Cheung Wing Ping, an independent non-executive Director of the Company, was appointed as the chairman of the Audit Committee on 10 November 2017.

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

Hong Kong, 24 November 2017

As at the date of this report, the Company has four executive directors, being Mr. Ji Kecheng, Mr. Wang Zhenjiang, Mr. Yau Wai Lung and Mr. Li Zhen Yu; and four non-executive directors, being Mr. Li Hang, Dr. Lam Lee G., Mr. Qiu Jianyang and Mr. Lo Man Tuen; and four independent non-executive directors, being Mr. To Shing Chuen, Mr. Cheung Wing Ping, Mr. Wang Huixuan and Mr. Guan Huanfei.