



中國山東高速金融集團有限公司

CHINA SHANDONG HI-SPEED FINANCIAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00412

Interim Report
2019



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director and Chairman

Mr. Wang Xiaodong

Executive Director and Vice Chairman

Mr. Liu Han

Executive Directors

Mr. Liu Zhijie

Mr. Liu Yao

Ms. Liao Jianrong

Non-Executive Directors

Dr. Lam Lee G.

Mr. Qiu Jianyang

Mr. Lo Man Tuen

Independent Non-Executive Directors

Mr. To Shing Chuen

Mr. Cheung Wing Ping

Mr. Guan Huanfei

Mr. Tan Yuexin

AUDIT COMMITTEE

Mr. Cheung Wing Ping (*Chairman*)

Mr. To Shing Chuen

Mr. Guan Huanfei

Mr. Tan Yuexin

REMUNERATION COMMITTEE

Mr. Cheung Wing Ping (*Chairman*)

Mr. To Shing Chuen

Mr. Liu Zhijie

Ms. Liao Jianrong

Mr. Tan Yuexin

NOMINATION COMMITTEE

Mr. Wang Xiaodong (*Chairman*)

Mr. To Shing Chuen

Mr. Cheung Wing Ping

Dr. Lam Lee G.

Mr. Tan Yuexin

EXECUTIVE COMMITTEE

Mr. Wang Xiaodong (*Chairman*)

Mr. Liu Han (*Vice-Chairman*)

Mr. Liu Zhijie

Mr. Liu Yao

Ms. Liao Jianrong

Mr. Mei Weiyi*

* *Mr. Mei Weiyi is the chief executive officer of the company and has been appointed by the Board as a member of the executive committee*

COMPANY SECRETARY

Mr. Tam Chong Cheong Aaron

AUTHORISED REPRESENTATIVES

Mr. Liu Yao

Mr. Tam Chong Cheong Aaron

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rooms 1405-1410, 14/F
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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 BANKERS

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 SHARE REGISTRAR IN BERMUDA

MUFC Fund Services (Bermuda) Limited
4th floor North Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

BRANCH SHARE REGISTRAR IN HONG KONG

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

COMPANY WEBSITE

www.csfg.com.hk

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2019

		For the six months ended 30 June 2019 HK\$'000 (Unaudited)	For the six months ended 30 September 2018 HK\$'000 (Unaudited)
	Notes		
REVENUE	4	329,973	281,900
COST OF SERVICES		(143,854)	(80,775)
Gross profit		186,119	201,125
Other income		37,772	12,622
Other gains and losses, net		–	(146,586)
Impairment losses, net of reversal	5	(166,698)	(288,171)
Fair value losses on financial assets measured at fair value through profit or loss, net	7	(1,382,284)	(31,925)
Employee benefit expenses	7	(75,885)	(64,557)
Depreciation		(2,648)	(2,535)
Minimum lease payments under operating lease		(14,131)	(12,009)
Administrative expenses		(44,305)	(67,416)
Finance costs	6	(144,739)	(142,848)
Share of results of associates		(946)	(830)
LOSS BEFORE TAX	7	(1,607,745)	(543,130)
Income tax (expense)/credit	8	(1,897)	84,505
LOSS FOR THE PERIOD		(1,609,642)	(458,625)
(Loss)/profit for the period attributable to:			
Owners of the Company		(1,617,719)	(455,161)
Non-controlling interests		8,077	(3,464)
		(1,609,642)	(458,625)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic	9	HK\$(6.62) cents	HK\$(2.11) cents
Diluted	9	HK\$(6.62) cents	HK\$(2.11) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	For the six months ended 30 June 2019 HK\$'000 (Unaudited)	For the six months ended 30 September 2018 HK\$'000 (Unaudited)
LOSS FOR THE PERIOD	(1,609,642)	(458,625)
OTHER COMPREHENSIVE INCOME/(LOSS)		
<i>Item that will not be reclassified to profit or loss:</i>		
Fair value changes on investments in equity instruments measured at fair value through other comprehensive income	363,511	234,251
<i>Item that may be reclassified subsequently to the condensed consolidated income statement:</i>		
Exchange difference arising on translation of foreign operations	20,412	(371,303)
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	383,923	(137,052)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(1,225,719)	(595,677)
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	(1,233,939)	(584,993)
Non-controlling interests	8,220	(10,684)
	(1,225,719)	(595,677)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

		30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		8,532	10,011
Intangible assets		1,290,909	1,269,605
Right-of-use assets		25,982	–
Interests in associates		51,038	51,703
Financial assets measured at fair value through other comprehensive income	11	2,082,700	1,719,189
Financial assets measured at fair value through profit or loss	12	691,947	1,789,930
Finance lease receivables	13	1,517,100	1,736,275
Loans receivables	14	483,593	488,653
Total non-current assets		6,151,801	7,065,366
CURRENT ASSETS			
Financial assets measured at fair value through other comprehensive income	11	726,316	580,248
Financial assets measured at fair value through profit or loss	12	1,842,429	2,130,402
Finance lease receivables	13	1,580,050	1,083,033
Loans receivables	14	501,007	843,713
Trade and other receivables	15	1,070,662	991,083
Restricted cash		68,249	2,222
Cash and cash equivalents		412,339	681,398
Total current assets		6,201,052	6,312,099
CURRENT LIABILITIES			
Other payables and accruals		191,261	203,008
Lease liabilities		3,924	–
Borrowings	16	5,520,427	5,393,192
Convertible bonds	17	318,175	311,037
Tax payables		26,650	46,166
Total current liabilities		6,060,437	5,953,403

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
NET CURRENT ASSETS		140,615	358,696
TOTAL ASSETS LESS CURRENT LIABILITIES		6,292,416	7,424,062
NON-CURRENT LIABILITIES			
Borrowings	16	2,461,276	2,381,727
Other payables		44,071	37,499
Lease liabilities		22,577	–
Deferred tax liabilities		111,965	126,590
Total non-current liabilities		2,639,889	2,545,816
Net assets		3,652,527	4,878,246
CAPITAL AND RESERVES			
Issued Capital	18	6,113	6,113
Reserves		3,554,974	4,788,913
Equity attributable to owners of the Company		3,561,087	4,795,026
Non-controlling interests		91,440	83,220
Total equity		3,652,527	4,878,246

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company												Total equity HK\$'000 (Unaudited)
	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)	Fair value through other comprehensive income 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)	
At 1 April 2018 (Audited) (Restated)	6,138	4,801,197	40,150	1,177	1,524,577	54,424	59,734	37,995	126,910	(870,934)	5,781,368	69,116	5,850,484
Loss for the period	-	-	-	-	-	-	-	-	-	(455,161)	(455,161)	(3,464)	(458,625)
Other comprehensive income/(loss) for the period:													
Fair value change on investment in equity instruments 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/(loss) for the period	-	-	-	-	-	234,251	-	-	(364,083)	-	(129,832)	(7,220)	(137,052)
Total comprehensive income/(loss) for the period	-	-	-	-	-	234,251	-	-	(364,083)	(455,161)	(584,993)	(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	288,676	59,734	37,995	(237,173)	(1,326,095)	5,179,251	58,432	5,237,683

	Attributable to owners of the Company												Total equity HK\$'000 (Unaudited)
	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)	Fair value through other comprehensive income 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)	
At 1 January 2019 (Audited)	6,113	4,784,098	40,150	1,177	1,524,577	181,069	19,084	37,995	(263,673)	(1,535,564)	4,795,026	83,220	4,878,246
Loss for the period	-	-	-	-	-	-	-	-	-	(1,617,719)	(1,617,719)	8,077	(1,609,642)
Other comprehensive income for the period:													
Fair value change on investment in equity instruments measured at fair value through other comprehensive income	-	-	-	-	-	363,511	-	-	-	-	363,511	-	363,511
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	20,269	-	20,269	143	20,412
Other comprehensive income for the period	-	-	-	-	-	363,511	-	-	20,269	-	383,780	143	383,923
Total comprehensive income/(loss) for the period	-	-	-	-	-	363,511	-	-	20,269	(1,617,719)	(1,233,939)	8,220	(1,225,719)
At 30 June 2019 (Unaudited)	6,113	4,784,098	40,150	1,177	1,524,577	544,580	19,084	37,995	(243,404)	(3,153,283)	3,561,087	91,440	3,652,527

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

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) Fair value through other comprehensive income reserve

As at 30 June 2019, the fair value through other comprehensive income reserve included net fair value gains of approximately HK\$547,124,000 (31 December 2018: HK\$183,613,000) will not be classified to profit or loss and net fair value losses of approximately HK\$2,544,000 (31 December 2018: HK\$2,544,000) may be reclassified subsequently to profit or loss.

(vi) Convertible bonds reserve

Convertible bonds reserve relates to convertible bonds issued/redeemed.

(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 capitalisation issue.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	For the six months ended 30 June 2019 HK\$'000 (Unaudited)	For the six months ended 30 September 2018 HK\$'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from/(used in) operating activities	51,392	(55,519)
Decrease/(increase) in loans receivables	356,732	(452,064)
Increase in finance lease receivables	(434,460)	(151,366)
Net cash used in operating activities	(26,336)	(658,949)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets measured at fair value through other comprehensive income	(148,281)	–
Other cash flows used in investing activities	(72,251)	(4,897)
Net cash used in investing activities	(220,532)	(4,897)
CASH FLOWS FROM FINANCING ACTIVITIES		
New bank borrowings raised	505,388	355,353
Repayment of bank borrowings	(369,208)	(355,353)
Other cash flows used in financing activities	(162,799)	(216,923)
Net cash used in financing activities	(26,619)	(216,923)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at the beginning of the period	681,398	1,555,133
Effect of foreign exchange rate changes	4,428	(54,703)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	412,339	619,661

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 address 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.

During the period ended 31 December 2018, the financial year end date of the Company was changed from 31 March to 31 December because the Company would like to align it with the financial year end date of the operating subsidiaries of the Group, which were incorporated in the PRC and whose accounts are statutorily required to be prepared with a financial year end date of 31 December so as to facilitate the preparation of the consolidated financial statements of the Group. Accordingly, the current financial period covers a six-month period from 1 January 2019 to 30 June 2019 and the comparative financial period covers a six-month period from 1 April 2018 to 30 September 2018 and are therefore may not be comparable.

2. BASIS OF PREPARATION

(a) Statement of compliance

These unaudited condensed consolidated financial statements for the six months ended 30 June 2019 (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 nine months ended 31 December 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 nine months ended 31 December 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. BASIS OF PREPARATION (continued)

(b) Application of New and Revised HKFRSs

The Group has adopted the following revised 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.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2015-2017
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation
HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments

The adoption of the revised 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 16 Leases

In the current period, the Group has adopted HKFRS 16 “Leases”. HKFRS 16 is effective for the accounting periods beginning on or after 1st January, 2019. The Group has applied HKFRS 16 using the modified retrospective approach without restating comparative information retrospectively. HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees.

Prior to 1 January 2019, lease contracts were classified as operating leases or finance leases. From 1 January 2019 onwards, HKFRS 16 distinguishes lease contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets. For short-term leases and leases of low-value assets, the Group recognises lease expense on a straight-line basis as permitted by HKFRS 16. This expense is presented within operating costs in the consolidated income statement.

Right-of-use assets are initially measured at cost and subsequently carried at cost less accumulated depreciation and impairment losses. Lease liabilities are initially measured at the present value of the remaining lease payments discounted using the incremental borrowing rate of the lessee. Subsequently, lease liabilities are adjusted by interest accretion and lease payments. Lease payments are separated into principal portion and interest portion and presented within financing activities in the consolidated statement of cash flows.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

2. BASIS OF PREPARATION (continued)

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

HKFRS 16 Leases (continued)

At the date of initial application of HKFRS 16, the reconciliation from the operating lease commitments to the lease liabilities recognised is as follows:

	HK\$'000
Operating lease commitments as at 31 December 2018	9,128
Recognition exemption for – short term leases	(9,128)
Lease liabilities as at 1 January 2019	–

(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 nine months ended 31 December 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 June 2019, 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 and provision of investments related advisory services;
- (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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

3. OPERATING SEGMENT INFORMATION (continued)

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.

	Investments in securities		Money lending		Financial leasing		Financial technology		Unallocated		Condensed consolidated	
	For the six months ended 30 June 2019	For the six months ended 30 September 2018	For the six months ended 30 June 2019	For the six months ended 30 September 2018	For the six months ended 30 June 2019	For the six months ended 30 September 2018	For the six months ended 30 June 2019	For the six months ended 30 September 2018	For the six months ended 30 June 2019	For the six months ended 30 September 2018	For the six months ended 30 June 2019	For the six months ended 30 September 2018
	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	55,769	56,611	21,875	67,284	181,733	92,776	70,596	65,229	-	-	329,973	281,900
Segment results	(1,359,836)	(55,710)	11,055	59,442	(139,431)	(356,538)	17,800	(1,668)	-	-	(1,470,412)	(354,474)
Reconciliations:												
Unallocated income											12,831	-
Unallocated finance costs											(98,095)	(101,730)
Unallocated expenses*											(51,123)	(86,096)
Share of results of associates											(946)	(830)
Loss before tax											(1,607,745)	(543,130)
Other segment information:												
Finance costs	(39,361)	(21,284)	(7,186)	(6,068)	-	(13,766)	(97)	-	(98,095)	(101,730)	(144,739)	(142,848)
Amortisation	-	-	-	-	-	-	(2,377)	(2,545)	(134)	-	(2,511)	(2,545)
Depreciation	-	-	-	-	(784)	(798)	(576)	(567)	(1,288)	(1,170)	(2,648)	(2,535)
Fair value loss on financial assets measured at fair value through profit or loss	(1,382,284)	(31,925)	-	-	-	-	-	-	-	-	(1,382,284)	(31,925)
Impairment loss, net of reversal recognised in respect of												
- Goodwill	-	-	-	-	-	(146,586)	-	-	-	-	-	(146,586)
- Finance lease receivables	-	-	-	-	(164,028)	(213,083)	-	-	-	-	(164,028)	(213,083)
- Loans receivables	-	-	18	2,416	35	-	2,993	(5,134)	-	-	3,046	(2,718)
- Trade and other receivables	(5,575)	(62,932)	-	-	(73)	(9,439)	(68)	1	-	-	(5,716)	(72,370)
Capital expenditure**	-	-	-	-	-	100	20,748	286	1,428	920	22,176	1,306

Note:

* Unallocated expenses mainly included employee benefit expenses of approximately HK\$27,587,000 (six months ended 30 September 2018: HK\$38,759,000), minimum lease payment under operating lease of approximately HK\$1,191,000 (six months ended 30 September 2018: HK\$4,558,000), exchange loss of approximately HK\$nil (six months ended 30 September 2018: HK\$9,421,000), legal and professional fee of approximately HK\$4,854,000 (six months ended 30 September 2018: HK\$13,477,000) and depreciation of approximately HK\$1,879,000 (six months ended 30 September 2018: HK\$1,170,000).

** 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 June 2019

3. OPERATING SEGMENT INFORMATION (continued)

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

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Segment assets:		
Investment in securities	6,122,116	7,174,463
Money lending	595,197	803,832
Financial leasing	4,994,813	4,427,582
Financial technology	592,995	948,975
	12,305,121	13,354,852
Unallocated assets	47,732	22,613
Total assets	12,352,853	13,377,465
Segment liabilities:		
Investment in securities	4,575,958	4,518,191
Money lending	217,257	222,256
Financial leasing	3,407,774	2,901,675
Financial technology	57,516	63,866
	8,258,505	7,705,988
Unallocated liabilities	441,821	793,231
Total liabilities	8,700,326	8,499,219

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 June 2019 HK\$'000 (Unaudited)	For the six months ended 30 September 2018 HK\$'000 (Unaudited)	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Hong Kong	77,644	123,895	6,438	6,842
Others parts of the PRC	252,329	158,005	1,318,985	1,272,774
	329,973	281,900	1,325,423	1,279,616

Note: Non-current assets exclude interests in associates, financial assets measured at fair value through other comprehensive income, financial assets measured at fair value through profit or loss, finance lease receivables and loans receivables.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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, dividend income and interest income from financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income; income from asset management and performance; and online new media services income during the period.

	For the six months ended 30 June 2019 HK\$'000 (Unaudited)	For the six months ended 30 September 2018 HK\$'000 (Unaudited)
An analysis of revenue is as follows:		
Revenue within the scope of HKFRS 15 (Note (i))		
Consultancy services income (Note (ii))	38,042	34,804
Handling fee income	97,772	52,336
Income from asset management and performance	2,612	–
Online new media services income	18,576	3,677
	157,002	90,817
Revenue outside the scope of HKFRS 15		
Financial leasing income	70,988	68,104
Interest income from money lending operations	45,868	82,568
Dividend income from financial assets measured at fair value through profit or loss	18,210	27,499
Interest income from financial assets measured at fair value through profit or loss	21,062	6,312
Interest income from financial assets measured at fair value through other comprehensive income	16,843	6,600
	172,971	191,083
	329,973	281,900

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

4. REVENUE (continued)

Notes:

- (i) Revenue within the scope of HKFRS 15:

	For the six months ended 30 June 2019 HK\$'000 (Unaudited)	For the six months ended 30 September 2018 HK\$'000 (Unaudited)
Recognised at a point in time	116,276	48,584
Recognised over time	40,726	42,233
	157,002	90,817

- (ii) 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 advisory services on transaction arrangement; and
- (c) financial and taxation analysis.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

5. IMPAIRMENT LOSSES, NET OF REVERSAL

	For the six months ended 30 June 2019 HK\$'000 (Unaudited)	For the six months ended 30 September 2018 HK\$'000 (Unaudited)
Impairment loss (recognised)/reversed on:		
– Finance lease receivables	(164,028)	(213,083)
– Loans receivables	3,046	(2,718)
– Trade and other receivables	(5,716)	(72,370)
	(166,698)	(288,171)

6. FINANCE COSTS

	For the six months ended 30 June 2019 HK\$'000 (Unaudited)	For the six months ended 30 September 2018 HK\$'000 (Unaudited)
An analysis of finance costs is as follows:		
Interest on bank borrowings wholly repayable within five years	34,152	19,833
Interest on margin and other loans	35,008	34,802
Amortised interest on bonds	158,301	93,763
Amortised interest on convertible bonds	17,345	44,009
	244,806	192,407
Less: Finance costs included in cost of services	(100,067)	(49,559)
	144,739	142,848

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

7. LOSS BEFORE TAX

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

	For the six months ended 30 June 2019 HK\$'000 (Unaudited)	For the six months ended 30 September 2018 HK\$'000 (Unaudited)
Employee benefit expenses:		
Directors' remuneration:		
– Fees	2,036	2,536
– Salaries and allowances	4,623	4,220
– Retirement benefit scheme contributions (defined contribution scheme)*	29	44
Sub-total	6,688	6,800
Other staff's costs:		
– Salaries and allowances	63,213	54,029
– Retirement benefit scheme contributions (defined contribution scheme)*	5,984	3,728
Sub-total	69,197	57,757
Total employee benefit expenses	75,885	64,557
Sales proceeds from disposal of securities, bonds and fund	(38,826)	(470,105)
Carrying amount of securities, bonds and fund	35,725	477,640
Realised (gains)/losses of financial assets measured at fair value through profit or loss (Note 12(vii)(c))	(3,101)	7,535
Unrealised losses of financial assets measured at fair value through profit or loss (Note 12(vii)(b))	1,385,385	24,390
Fair value losses on financial assets measured at fair value through profit or loss, net	1,382,284	31,925
Foreign exchange (gain)/loss, net	(20,794)	9,421
Amortisation	2,511	2,545
Depreciation of property, plant and equipment	2,057	2,535
Depreciation of right-of-use assets	591	–

Note:

- * As at 30 June 2019, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (31 December 2018: nil)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

8. INCOME TAX EXPENSE/(CREDIT)

	For the six months ended 30 June 2019 HK\$'000 (Unaudited)	For the six months ended 30 September 2018 HK\$'000 (Unaudited)
Current tax		
– PRC Enterprise Income Tax	15,667	3,754
Deferred tax credit	(13,770)	(88,259)
Total income tax expense/(credit) recognised in the condensed consolidated income statement	1,897	(84,505)

No provision for current Hong Kong Profits Tax had been made for the six months ended 30 June 2019 and 30 September 2018 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 June 2019 and 30 September 2018.

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 June 2019 HK\$'000 (Unaudited)	For the six months ended 30 September 2018 HK\$'000 (Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	(1,617,719)	(455,161)
Number of share ('000)		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	24,452,450	21,528,611
Basic and diluted loss per share (in HK cents)	(6.62)	(2.11)

Diluted loss per share did not assume the conversion of convertible bonds and exercise of share options since their assumed conversion and exercise had an anti-dilutive effect on loss per share for the six months ended 30 June 2019 and six months ended 30 September 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 2018: Nil).

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

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Non-current asset		
Unlisted equity investment		
– In elsewhere (Notes (i), (ii) and (iii))	2,082,700	1,719,189
Current assets		
Notes		
– In elsewhere (Notes (ii), (iii) and (iv))	542,272	543,649
Bonds		
– In the PRC (Notes (ii), (iii) and (iv))	184,044	36,599
	726,316	580,248

Notes:

- (i) 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) which was classified as financial assets measured at fair value through other comprehensive income.

The fair value of Shandong (BVI) as at 30 June 2019 was approximately HK\$2,082,700,000 (31 December 2018: HK\$1,719,189,000), 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\$363,511,000 (six months ended 30 September 2018: HK\$234,251,000) on the investment in Shandong (BVI) was recognised in other comprehensive income for the six months ended 30 June 2019. This is classified as Level 3 fair value measurement under HKFRS 13. Details of the fair value measurement are set out in note 21 to the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

11. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Notes: (continued)

(ii) Details of financial assets measured at fair value through other comprehensive income

Nature of investments	Number of shares/units held		Percentage of shareholding		Fair value		Percentage to the Group's net assets	
	as at 30 June 2019	as at 31 December 2018	as at 30 June 2019	as at 31 December 2018	as at 30 June 2019	as at 31 December 2018	as at 30 June 2019	as at 31 December 2018
			%	%	HK\$'000	HK\$'000	%	%
Non-current asset								
Unlisted equity investment in elsewhere Shandong (BVI)	20,000	20,000	40	40	2,082,700	1,719,189	57.02	35.24
Current assets								
Notes in elsewhere	N/A	N/A	N/A	N/A	542,272	543,649	14.85	11.14
Bonds in the PRC	N/A	N/A	N/A	N/A	184,044	36,599	5.04	0.75
					726,316	580,248		

(iii) Net unrealised gains from financial assets measured at fair value through other comprehensive income

	For the six months ended 30 June 2019 HK\$'000 (Unaudited)	For the six months ended 30 September 2018 HK\$'000 (Unaudited)
Unrealised gains of financial asset outside Hong Kong (included PRC) for the period, net	363,511	234,251
Unrealised gains of financial assets measured at fair value through other comprehensive income for the period, net	363,511	234,251

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

11. FINANCIAL ASSETS MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (continued)

Notes: (continued)

(iv) Details of debt instruments are as follow:

Name of issuers	Interest rate %	Maturity date	Fair value	
			at 30 June 2019 HK\$'000 (Unaudited)	at 31 December 2018 HK\$'000 (Audited)
Notes in elsewhere:				
Haitong International				
Products & Solutions Limited	7.125	May 2021	232,640	233,230
Guotai Junan Financial				
Products Limited	7.5	Sep 2019	156,177	156,574
Guotai Junan Financial				
Products Limited	10.5	Jun 2020	153,455	153,845
			542,272	543,649
Bonds in the PRC:				
Yue Xiu Securities				
Company Limited	9	Jul 2021	36,506	36,599
Redco Properties				
Group Limited	11	Aug 2020	147,538	–
			184,044	36,599

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Non-current assets		
Listed equity investment		
– In Hong Kong (Notes (i) and (vii))	369,801	1,440,764
Unlisted equity investments		
– In the PRC (Notes (ii), (iii) and (vii))	513	511
– In elsewhere (Notes (iv) and (vii))	281,220	308,365
	281,733	308,876
Other investment		
– In the PRC (Note (vii))	34,213	34,090
Club membership debenture		
– In Hong Kong (Notes (v) and (vii))	6,200	6,200
Total	691,947	1,789,930
Current assets		
Held-for-trading listed equity investments		
– In Hong Kong (Notes (i) and (vii))	314,697	639,819
Guaranteed structure note		
– In elsewhere (Note (vii))	76,972	77,167
Held-for-trading investment funds		
– In Hong Kong (Note (vii))	542,861	540,419
– In elsewhere (Notes (vi) and (vii))	639,365	600,557
– In the PRC (Note (vii))	27,298	36,456
	1,209,524	1,177,432
Held-for-trading bond		
– In Hong Kong (Note (vii))	241,236	235,984
Total	1,842,429	2,130,402

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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

Notes:

- (i) As at 30 June 2019 and 31 December 2018, the listed equity investments were held for trading and were classified as financial assets measured 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 June 2019, the Group holds 29,951,000 (31 December 2018: 29,951,000) shares of China Yunnan Highway Construction Group Co., Ltd. ("Yunnan Highway"), representing 8.32% (31 December 2018: 8.32%) of its issued share capital. Shares of Yunnan Highway was listed in the National Equities Exchange and Quotations (the "NEEQ") in the PRC during the year ended 31 March 2018 and subsequently delisted in April 2018. The fair value as at 30 June 2019 and 31 December 2018 were zero because the directors of the Company considered that Yunnan Highway was loss-making and management of the Company has no sufficient reliable information to assess the fair value after the delisting of the investee in April 2018. This was classified as Level 3 fair value measurement under HKFRS 13. Details of the fair value measurement are set out in note 21 to the condensed consolidated financial statements.
- (iii) 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).

The unlisted equity investment was fully impaired in previous years 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.
- (iv) 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. The fair values as at 30 June 2019 and 31 December 2018 were determined with reference to the valuation report issued by a firm of independent qualified professional valuer using the market approach. This is classified as Level 3 fair value measurement under HKFRS 13. Details of the fair value measurement are set out in note 21 to the condensed consolidated financial statements.
- (v) Club membership debenture is stated at fair value at the end of the reporting period with reference to open market price. This is classified as Level 2 fair value measurement under HKFRS 13. Details of the fair value measurement are set out in note 21 to the condensed consolidated financial statements.
- (vi) As at 31 December 2018, the Group invested in Altair Asia Investment Limited ("Altair Asia") with carrying amount of HK\$20,000,000. The Group has a guaranteed return of 15% internal rate of return per annum on its investment in Altair Asia. Pursuant to the terms of the subscriptions of Altair Asia, the Group has issued a written notice to Altair Asia on 4 January 2018 requesting the redemption of the entire participating shares of cost of investment in value of HK\$200,000,000 and subsequently on 23 January 2018 agreed to waive its rights to request for early redemption part of the participating shares of HK\$140,000,000 on the ground of certain cumulative conditions being met within the prescribed time. Since the conditions of waiver were not fully satisfied and Altair Asia failed to redeem all the participating shares pursuant to the subscription terms, the Company commenced legal proceedings against Altair Asia and its guarantors for the recovery of the investment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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

Notes: (continued)

(vi) (continued)

The claim is under legal proceedings as at 30 June 2019 and up to the date of approval of the condensed consolidated financial statements of the Group for the six months ended 30 June 2019.

Based on the legal opinion from an independent lawyer thereon, the directors of the Company considered that there is strong legal argument to win the case. The Group has engaged an independent professional valuer to assist the Group to assess the fair value of the investment in Altair Asia. Based on the valuation performed, the directors of the Company considered that the fair value of the investment in Altair Asia as at 30 June 2019 would be approximately HK\$20,000,000 (31 December 2018: HK\$20,000,000).

This was classified as Level 3 fair value measurement under HKFRS 13. Details of the fair value measurement are set out in note 21 to the condensed consolidated financial statements.

(vii) (a) Details of 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	as at	as at	as at	as at	as at	as at	as at	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018	
				%	%	HK\$'000	HK\$'000	%	%
Non-current asset									
Listed equity investment in Hong Kong									
Jiayuan International Group Limited (stock code: 2768)	107,500,227	99,500,227	4.20	3.96	369,801	1,440,764	10.12	29.53	
Unlisted equity investment in the PRC									
Yunnan Highway	29,951,000	29,951,000	8.32	8.32	-	-	-	-	
北京楼宇通信息科技有限公司	900,000	900,000	9.00	9.00	513	511	0.01	0.01	
Unlisted equity investment in elsewhere									
Satinu Resources Group Limited	48,000,000	48,000,000	4.63	4.63	281,220	308,365	7.70	6.32	
Other investment in the PRC									
尊瑩1號	N/A	N/A	N/A	N/A	34,213	34,090	0.94	0.7	
Club membership debenture in Hong Kong	N/A	N/A	N/A	N/A	6,200	6,200	0.17	0.13	
Total					691,947	1,789,930			

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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

Notes: (continued)

(vii) (a) Details of financial assets measured at fair value through profit or loss (continued)

Nature of investments	Number of shares/units held		Percentage of shareholding		Fair value		Percentage to the Group's net assets	
	as at 30 June 2019	as at 31 December 2018	as at 30 June 2019	as at 31 December 2018	as at 30 June 2019	as at 31 December 2018	as at 30 June 2019	as at 31 December 2018
			%	%	HK\$'000	HK\$'000	%	%
Current assets								
Held-for-trading listed equity investments in Hong Kong								
China Smarter Energy Group Holdings Limited (stock code: 1004)	666,372,364	677,736,000	7.11	7.23	223,235	542,189	6.11	11.11
Code Agriculture (Holdings) Limited (stock code: 8153)	60,000,000	60,000,000	1.65	2.24	1,260	4,440	0.03	0.09
Far East Holdings International Limited (stock code: 36)	11,814,000	11,814,000	1.08	1.08	4,312	4,608	0.12	0.09
Hao Tian Development Group Limited (stock code: 474)	385,000,000	385,000,000	7.29	7.86	85,855	88,550	2.35	1.82
Huatai Securities Company Limited (stock code: 6886)	2,600	2,600	0.00	0.00	35	32	0.00	0.00
					314,697	639,819		
Guaranteed structure note issued by Haitong International Products & Solutions Limited	N/A	N/A	N/A	N/A	76,972	77,167	2.11	1.58
Held-for-trading investment fund in Hong Kong issued by Sinolink Securities (HK) Co. Ltd	N/A	N/A	N/A	N/A	542,861	540,419	14.86	11.08
Held-for-trading investment funds in elsewhere								
Altair Asia	5,292,982	5,292,982	N/A	N/A	20,000	20,000	0.55	0.41
ChinaTimes Investments Limited	668,210	668,210	N/A	N/A	483,743	434,375	13.24	8.90
Haitong International Investment Fund	200,000	200,000	N/A	N/A	135,622	146,182	3.71	3.00
					639,365	600,557		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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

Notes: (continued)

(vii) (a) Details of financial assets measured at fair value through profit or loss (continued)

Nature of investments	Number of shares/units held		Percentage of shareholding		Fair value		Percentage to the Group's net assets	
	as at	as at	as at	as at	as at	as at	as at	as at
	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018	30 June 2019	31 December 2018
			%	%	HK\$'000	HK\$'000	%	%
Current assets								
Held-for-trading investment funds in the PRC	N/A	N/A	N/A	N/A	27,298	36,456	0.75	0.75
Held-for-trading investment bond in Hong Kong Jiarui Investment (Hong Kong) Company Limited	N/A	N/A	N/A	N/A	241,236	235,984	6.60	4.84
					1,842,429	2,130,402		

(vii) (b) Net unrealised losses from financial assets measured at fair value through profit or loss

	For the six months ended 30 June 2019	For the six months ended 30 September 2018
	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Unrealised (losses)/gains of financial assets in Hong Kong for the period, net	(1,398,700)	139,892
Unrealised gains/(losses) of financial assets outside Hong Kong (included PRC) for the period, net	13,315	(164,282)
Unrealised losses of financial assets measured at fair value through profit or loss for the period, net (Note 7)	(1,385,385)	(24,390)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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

Notes: (continued)

(vii) (c) Realised gains/(losses) from financial assets measured at fair value through profit or loss

	For the six months ended 30 June 2019 HK\$'000 (Unaudited)	For the six months ended 30 September 2018 HK\$'000 (Unaudited)
Realised gains/(losses) of financial assets in Hong Kong for the period	909	(7,535)
Realised gains of financial assets in the PRC for the period	2,192	–
Realised gains/(losses) of financial assets measured at fair value through profit or loss for the period (Note 7)	3,101	(7,535)

13. FINANCE LEASE RECEIVABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Present value of minimum lease payments receivables	3,097,150	2,819,308
Less: Current portion included under current assets	(1,580,050)	(1,083,033)
Amounts due after one year included under non-current assets	1,517,100	1,736,275

As at 30 June 2019 and 31 December 2018, one of the financial lease receivables was pledged to secure the bank borrowing 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 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Minimum lease payments receivables	3,421,450	3,126,515
Less: Unearned finance income related to minimum lease payments receivables	(324,300)	(307,207)
Present value of minimum lease payments receivables	3,097,150	2,819,308

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

13. FINANCE LEASE RECEIVABLES (continued)

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

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within one year	1,772,047	1,242,401
In the second year	866,180	906,598
In the third to fifth years	783,223	977,516
	3,421,450	3,126,515

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

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within one year	1,580,050	1,083,033
In the second year	776,336	818,444
In the third to fifth years	740,764	917,831
	3,097,150	2,819,308

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

As at 30 June 2019, included in the Group's finance lease receivables balances are lessees with an aggregate amount of carrying approximately HK\$153,413,000 (31 December 2018: HK\$316,739,000) which was past due as at the end of the reporting period. In the event that an installment repayment of a finance lease receivable is past due, the entire outstanding balances of the finance lease receivables are deemed as past due.

Included in the carrying amount of the finance lease receivables as at 30 June 2019 is accumulated impairment losses of approximately HK\$312,703,000 (31 December 2018: HK\$149,837,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

13. FINANCE LEASE RECEIVABLES (continued)

Movement of allowance for impairment losses:

	12m ECL HK\$'000	Lifetime ECL not credit- impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000	Total HK\$'000
At 1 April 2018 (Audited)	10,637	2,705	–	13,342
Movement during the period	(1,299)	214,705	–	213,406
Exchange realignment	(561)	238	–	(323)
At 30 September 2018 (Unaudited)	8,777	217,648	–	226,425
At 31 December 2018 and 1 January 2019 (Audited)	7,007	78,182	64,648	149,837
Movement during the period	2,230	23,383	138,415	164,028
Exchange realignment	2	40	(1,204)	(1,162)
At 30 June 2019 (Unaudited)	9,239	101,605	201,859	312,703

During the six months ended 30 June 2019 and 31 December 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 June 2019, the Group's finance lease receivables were secured by collaterals, being plant and machinery, and deposits of approximately HK\$27,921,000 (31 December 2018: HK\$50,485,000). Estimates of fair value of collateral are made during the credit approval process. These estimates of valuations are made at the inception of finance lease, and generally not updated except when the receivable is individually impaired. 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 June 2019 and 31 December 2018.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

14. LOANS RECEIVABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Loans receivables	1,037,579	1,388,356
Less: allowance for impairment loss	(52,979)	(55,990)
	984,600	1,332,366
Less: amount classified as current assets	(501,007)	(843,713)
Non-current portion	483,593	488,653

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 December 2018: from 4% to 20% per annum). The grants of these loans were approved and monitored by the Group's management.

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Type of borrowers that loans receivables are arising from:		
Individual customers	210,343	223,630
Corporate customers	827,236	1,164,726
	1,037,579	1,388,356
Less: allowance for impairment loss		
Individual customers	(3,123)	(3,060)
Corporate customers	(49,856)	(52,930)
	(52,979)	(55,990)
	984,600	1,332,366

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

14. LOANS RECEIVABLES (continued)

An aging 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 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 90 days	188,806	248,861
91 days to 180 days	226,590	228,867
181 days to 1 year	85,611	365,985
1 year to 2 years	483,593	488,653
	984,600	1,332,366

As at 30 June 2019, included in the Group's loans receivables balances are debtors with an aggregate carrying amount of approximately HK\$179,789,000 (31 December 2018: HK\$179,820,000) which were past due as at the end of the reporting period. In the event that an installment repayment of a loans receivable is past due, the entire outstanding balances of the loans receivables are deemed as past due.

An aging analysis of the loans receivables which had been past due based on the number of past due days is as follows:

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
More than 90 days	179,789	179,820

Included in the carrying amount of loans receivables as at 30 June 2019 is accumulated impairment losses of approximately HK\$52,979,000 (31 December 2018: HK\$55,990,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

14. LOANS RECEIVABLES (continued)

Movement of allowance for impairment losses:

	12m ECL HK\$'000	Lifetime ECL not credit- impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000	Total HK\$'000
At 1 April 2018 (Audited)	7,220	2,016	45,000	54,236
Movement during the period	3,040	(322)	–	2,718
Exchange realignment	(265)	–	–	(265)
At 30 September 2018 (Unaudited)	9,995	1,694	45,000	56,689
At 31 December 2018 and 1 January 2019 (Audited)	8,470	2,016	45,504	55,990
Movement during the period	(3,113)	31	36	(3,046)
Exchange realignment	35	–	–	35
At 30 June 2019 (Unaudited)	5,392	2,047	45,540	52,979

15. TRADE AND OTHER RECEIVABLES

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Trade receivables (Note (i))	27,071	38,028
Prepayments	30,018	11,391
Deposits (Note (ii))	54,284	54,421
Interest receivables	118,719	68,624
Other receivables (Note (iii))	840,570	818,619
	1,070,662	991,083

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

15. TRADE AND OTHER RECEIVABLES (continued)

Movement of allowance for impairment losses on trade receivables:

	12m ECL HK\$'000	Lifetime ECL not credit- impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000	Total HK\$'000
At 1 April 2018 (Audited)	267	–	–	267
Movement during the period	8	–	–	8
Exchange realignment	(1)	–	–	(1)
At 30 September 2018 (Unaudited)	274	–	–	274
At 31 December 2018 and 1 January 2019 (Audited)	592	–	–	592
Movement during the period	(348)	–	–	(348)
Exchange realignment	2	–	–	2
At 30 June 2019 (Unaudited)	246	–	–	246

Movement of allowance for impairment losses on deposits, interest receivables and other receivables:

	12m ECL HK\$'000	Lifetime ECL not credit- impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000	Total HK\$'000
At 1 April 2018 (Audited)	8,216	1,279	2,991	12,486
Movement during the period	72,362	–	–	72,362
Exchange realignment	(12,412)	(77)	(263)	(12,752)
At 30 September 2018 (Unaudited)	68,166	1,202	2,728	72,096
At 31 December 2018 and 1 January 2019 (Audited)	5,201	68,493	2,720	76,414
Movement during the period	(1,089)	5,314	1,839	6,064
Exchange realignment	10	2	–	12
At 30 June 2019 (Unaudited)	4,122	73,809	4,559	82,490

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

15. TRADE AND OTHER RECEIVABLES (continued)

Notes:

- (i) 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 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within 90 days	19,329	30,188
91 days to 180 days	1,399	1,559
181 days to 1 year	6,064	637
Over 1 year	279	5,644
	27,071	38,028

- (ii) The amount mainly represents:

- (a) guarantee deposits of approximately HK\$40,614,000 (31 December 2018: HK\$29,461,000) paid to various entities in accordance with the cooperation agreements entered into between Shangao Puhui (Shenzhen) Information Services Co., Ltd.* (山高普惠(深圳)信息服务有限公司) (formerly known as Shenzhen Huixin Credit Management Co., Ltd.) ("Shangao Puhui"), an indirect non-wholly-owned subsidiary of Kun Peng International Limited, and these entities, for the purpose of Shangao Puhui providing financial guarantee to borrowers that obtained financing from lenders via these entities through Shangao Puhui's money lending referral service business. In the opinion of the directors of the Company, to the best knowledge, belief, information of and after making all reasonable enquiries, these entities are independent third parties of the Group. Shangao Puhui is exposed to the guaranteed loan principal of the borrowers and the respective interests. The Group has assessed the credit worthiness and past payment history of the borrowers, pledge of collaterals and the Group has provided sufficient guarantee deposits in accordance with the cooperation agreements. In the opinion of the directors of the Company, 12 month ECL in respect of these deposits paid of approximately HK\$366,000 (31 December 2018: HK\$265,000) have been provided as at 30 June 2019; and
- (b) rental and utility deposits of approximately HK\$5,082,000 (31 December 2018: HK\$5,931,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

15. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(iii) As at 30 June 2019, other receivables mainly represent:

- (a) an amount due from China Hover Dragon Group Limited (“China Hover Dragon”) of approximately RMB123,121,000 (equivalent to approximately HK\$140,413,000) (31 December 2018: RMB123,121,000 (equivalent to approximately HK\$139,907,000)) which had been past due from 30 August 2017.

The amount is secured by the shares issued by the Company upon acquisition of Hong Kong Leasing. Pursuant to the Hong Kong Leasing Sale and Purchase Agreement, 737,774,989 shares issued by the Company (the “Bad Debt Repurchase Shares”) could be repurchased by the Company from the shareholders of China Hover Dragon at nil consideration.

The Bad Debt Repurchase Shares have an aggregate fair value of approximately HK\$239,777,000 as at 30 June 2019 (31 December 2018: HK\$232,399,000). The directors of the Company considered that the fair value of the Bad Debt Repurchase Shares is higher than the carrying amount of the amount due from China Hover Dragon as at 30 June 2019 and 31 December 2018, therefore, the amount is fully recoverable and no impairment loss has been provided as at 30 June 2019 and 31 December 2018.

The repurchase of the Bad Debt Repurchase Shares is under legal proceedings as at 30 June 2019 and the date of approval of the condensed financial statements of the Group for the six months ended 30 June 2019. However, the directors of the Company considered that the Bad Debt Repurchase Shares could be repurchased by the Company at nil consideration. Details of the legal proceeding are disclosed in note 43(a) in the Group’s annual financial statements for the nine months ended 31 December 2018.

The amount due from China Hover Dragon is non-interest bearing;

- (b) proceeds with an aggregate amount of approximately HK\$590,400,000 (31 December 2018: HK\$590,400,000) arising from the disposals of certain investments at fair value through profit or loss during the year ended 31 March 2018. These receivables were matured in August 2018. The Group has entered into supplemental agreements with the buyers to extend the maturity date to August 2019. The remaining consideration is interest bearing at 9% per annum and secured by share charges over the entire issued share capital of entities owned the disposed investments.

The directors of the Company considered that the credit risk of the above receivables has slightly increased. The Group has engaged an independent professional valuer to assist the Group to assess fair value of the collateral. Based on the valuation performed, the directors of the Company considered that lifetime ECL in respect of these vendors of approximately HK\$5,314,000 (six months ended 30 September 2018: HK\$65,534,000) have been provided during the six months ended 30 June 2019. The accumulated lifetime ECL in respect of these vendors amounted to approximately HK\$70,848,000 as at 30 June 2019 (31 December 2018: HK\$65,534,000); and

- (c) receivables for factoring commercial bills from customers of approximately HK\$96,902,000 (31 December 2018: HK\$32,918,000). The receivables are interest bearing at ranging from 6.525% to 11% per annum (31 December 2018: 11% per annum) and repayable within one year. 12 month ECL in respect of these receivables of approximately HK\$872,000 (31 December 2018: HK\$304,000) have been provided as at 30 June 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

16. BORROWINGS

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Interest-bearing bank borrowings: (Note (i))		
– portion of bank borrowings due for repayment within one year	398,472	343,174
– portion of bank borrowings due for repayment after one year but within five years	879,327	795,890
Bonds due for repayment (Note (ii))		
– within one year	4,812,046	4,739,322
– after one year	20,177	20,100
Other borrowings (Note (iii))		
– within one year	309,909	310,696
– after one year	1,561,772	1,565,737
	7,981,703	7,774,919
Less: amount classified as current liabilities	(5,520,427)	(5,393,192)
	2,461,276	2,381,727

Notes:

(i) Interest-bearing bank borrowings

	At 30 June 2019		At 31 December 2018	
	HK\$'000 (Unaudited)	Effective interest rate (Unaudited)	HK\$'000 (Audited)	Effective interest rate (Audited)
Term loans				
– Variable rate	728,746	5.655%-6.500%	568,169	5.655%-6.175%
Guarantee loans				
– Variable rate (Note (a))	436,500	3.030%-3.610%	436,500	2.450%-3.530%
– Fixed rate	112,553	7.990%-8.500%	134,395	7.990%-8.500%
	1,277,799		1,139,064	

Note:

- (a) As at 30 June 2019 and 31 December 2018, such guarantee loan was guaranteed by Shandong Hi-Speed.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

16. BORROWINGS (continued)

Notes: (continued)

(ii) Bonds

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
At beginning of the period	4,759,422	4,662,357
Gross proceeds from issue of guaranteed bonds during the period	4,698,023	–
Repayment of guaranteed bonds during the period	(4,687,793)	–
Interest charged calculated at effective interest rate (Note 6)	158,301	140,938
Less: Bonds interest paid during the period	(94,455)	(91,675)
Exchange realignment	(1,275)	47,802
At end of the period	4,832,223	4,759,422
Less: amount classified under current liabilities	(4,812,046)	(4,739,322)
Non-current liabilities	20,177	20,100

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 Group Co., Ltd. ("Shandong Hi-Speed") (the "Original Guaranteed Bonds I") 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 I") to the independent third parties. The Additional Guaranteed Bonds I were consolidated to form a single series with the Original Guaranteed Bonds I. The Original Guaranteed Bonds I and the Additional Guaranteed Bonds I (collectively the "Guaranteed Bonds I") in an aggregate amount of US\$600,000,000 (equivalent to approximately HK\$4,685,317,000) were matured on 3 March 2019. Further details are set out in the announcements of the Company dated 5 March 2018, 6 March 2018 and 12 March 2018. The Guaranteed Bonds has been fully redeemed during the period.

On 8 January 2019, Coastal Emerald issued 5.95% guaranteed bonds in the principal amount of US\$550,000,000 guaranteed by the Company and with the benefit of a keepwell deed by Shandong Hi-Speed (the "Original Guaranteed Bonds II") to the independent third parties. On 20 February 2019, Coastal Emerald further issued an additional 5.95% guaranteed bonds in the principal amount of US\$50,000,000 (the "Additional Guaranteed Bonds II") to the independent third parties. The Additional Guaranteed Bonds II were consolidated to form a single series with the Original Guaranteed Bonds II. The Original Guaranteed Bonds II and the Additional Guaranteed Bonds II (collectively the "Guaranteed Bonds II") in an aggregate amount of US\$600,000,000 (equivalent to approximately HK\$4,685,317,000) will mature on 13 January 2020. Further details are set out in the announcements of the Company dated 15 January 2018 and 19 February 2019. Under the keepwell deed, Shandong Hi-Speed undertakes that it shall cause each of Coastal Emerald and the Company to have sufficient liquidity to ensure timely payment by it of any amounts due and payable in respect of the Guaranteed Bonds. If either Coastal Emerald or the Company at any time determines that it will have insufficient liquidity to meet any of its payment obligations under the Guaranteed Bonds, Shandong Hi-Speed will make available, or procure the availability to it before the due date of the relevant payment obligations, funds sufficient to enable it to pay such payment obligations in full as they fall due.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

16. BORROWINGS (continued)

Notes: (continued)

(ii) Bonds (continued)

As at 30 June 2019 and 31 December 2018, the Group has other two outstanding bonds in an aggregate amount of approximately HK\$20,177,000 (31 December 2018: HK\$20,100,000), 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 December 2020; 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 December 2021.

(iii) Other borrowings

As at 30 June 2019, the Group has four outstanding other borrowings including, (a) a borrowing with an amount of USD200,000,000 (equivalent to approximately HK\$1,561,772,000) from a subsidiary of Shandong Hi-Speed, which is unsecured, bear interest at 4.5% per annum and repayable in year ending 31 December 2020. The directors of the Company considered that the above borrowings were conducted on normal commercial terms or better; (b) two borrowings with an amount of USD9,825,700 (equivalent to approximately HK\$76,865,000) and USD10,000,000 (equivalent to approximately HK\$78,228,000) from a securities company, which are unsecured, bear interest at 2.6% plus 3-month LIBOR rate and 3% plus 3-month LIBOR rate per annum respectively and repayable in year ending 31 December 2019; and (c) a borrowing with an amount of USD19,861,175 (equivalent to approximately HK\$154,816,000) from a securities company, which are unsecured, bear interest at 5.186% per annum and repayable in year ending 31 December 2019.

As at 31 December 2018, the Group has four outstanding other borrowings including, (a) a borrowing with an amount of USD200,000,000 (equivalent to approximately HK\$1,565,737,000) from a subsidiary of Shandong Hi-Speed, which is unsecured, bear interest at 4.5% per annum and repayable in year ending 31 December 2020. The directors of the Company considered that the above borrowings were conducted on normal commercial terms or better; (b) two borrowings with an amount of USD9,825,700 (equivalent to approximately HK\$76,922,000) and USD10,000,000 (equivalent to approximately HK\$78,287,000) from a securities company, which are unsecured, bear interest at 2.6% plus 3-month LIBOR rate and 3% plus 3-month LIBOR rate per annum respectively and repayable in year ending 31 December 2019; and (c) a borrowing with an amount of USD19,861,175 (equivalent to approximately HK\$155,487,000) from a securities company, which are unsecured, bear interest at 5.186% per annum and repayable in year ending 31 December 2019.

(iv) As at 30 June 2019, a bank borrowing of approximately HK\$110,500,000 (31 December 2018: HK\$132,122,000) was secured by a finance lease receivable and a bank borrowing of approximately HK\$2,053,000 (31 December 2018: HK\$2,273,000) was secured by director of the subsidiary and the subsidiary of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

17. 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 the Company's ordinary shares at a conversion price of HK\$0.68 and maturity on 28 October 2018. The CB 1 was fully redeemed by the Company in 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.

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 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 proceed of the CB 4 was used to redeem the convertible bond 3 which bears interest at 7% and was issued on 31 December 2015 ("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. The remaining principal amount of the CB4 of US\$10,000,000 was fully redeemed by the Company in August 2018. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

17. 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 convertible bond 2 which bears interest at 8% and was issued on 24 December 2015 ("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 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

17. CONVERTIBLE BONDS (continued)

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

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

	CB 1 HK\$'000	CB 4 HK\$'000	CB 5 HK\$'000	Total HK\$'000
Principal amounts:				
Liability component	345,789	282,113	287,145	
Equity component	41,711	27,887	22,855	
Nominal value of CB – as at issue date	387,500	310,000	310,000	
As at 1 April 2018 (Audited)	385,915	77,565	291,885	755,365
Imputed interest charge	27,064	3,811	25,325	56,200
Interest paid and payable	(25,479)	(3,100)	(9,300)	(37,879)
Redemption	(387,500)	(78,276)	–	(465,776)
Exchange realignment	–	–	3,127	3,127
As at 31 December 2018 (Audited)	–	–	311,037	311,037
Imputed interest charge (note 6)	–	–	17,345	17,345
Interest paid and payable	–	–	(9,414)	(9,414)
Exchange realignment	–	–	(793)	(793)
As at 30 June 2019 (Unaudited)	–	–	318,175	318,175

Transaction cost included legal fee and arrangement fee.

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Analysed for reporting purpose as:		
Non-current	–	–
Current	318,175	311,037
	318,175	311,037

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

18. ISSUED CAPITAL

Authorised and issued capital

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Authorised capital:		
2,000,000,000,000 (31 December 2018: 2,000,000,000,000) ordinary shares of HK\$0.00025 (31 December 2018: HK\$0.00025) each	500,000	500,000
Issued and fully paid		
24,452,450,002 (31 December 2018: 24,452,450,002) ordinary shares of HK\$0.00025 (31 December 2018: HK\$0.00025) each	6,113	6,113

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 HK\$'000	Share premium account HK\$'000	Total HK\$'000
Note				
At 1 April 2018 (Audited)	24,551,714,002	6,138	4,801,197	4,807,335
Shares repurchased and cancelled	(99,264,000) (i)	(25)	(17,099)	(17,124)
At 31 December 2018 (Audited) and 30 June 2019 (Unaudited)	24,452,450,002	6,113	4,784,098	4,790,211

Note:

- (i) During the nine months ended 31 December 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 nine months ended 31 December 2018. 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 June 2019

19. 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 eight years (31 December 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 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Within one year	12,455	9,218
In the second to fifth years, inclusive	16,677	–
Over five years	12,740	–
	41,872	9,218

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 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Contracted for acquisition for the intangible asset – software	–	358

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

20. 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 June 2019, the Company is 42.78% (31 December 2018: 42.78%) owned by Shandong Hi-Speed, a company established by the Shandong Provincial Government as a wholly state-owned enterprise. Save as disclosed to the condensed consolidated financial statements, The Group entered into the following material transactions with the affiliates of Shandong Hi-Speed:

Balances with affiliates of Shandong Hi-Speed

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
With a bank, which is a subsidiary of Shandong Hi-Speed		
– bank deposits	1,004	26,778
– interest-bearing bank borrowing	569,083	568,169
Other borrowings from		
– a subsidiary of Shandong Hi-Speed	1,561,772	1,565,737

Transactions with affiliates of Shandong Hi-Speed

	For the six months ended 30 June 2019 HK\$'000 (Unaudited)	For the six months ended 30 September 2018 HK\$'000 (Unaudited)
With a bank, which is a subsidiary of Shandong Hi-Speed		
– bank interest income	30	462
– interest expenses on bank borrowing	16,805	–
Interest expenses on other borrowings to		
– a subsidiary of Shandong Hi-Speed	35,008	17,932

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

20. RELATED PARTY TRANSACTIONS (continued)

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

During the six months ended 30 June 2019 and 30 September 2018, certain bank deposits, cash and cash equivalents and bank borrowings as of 30 June 2019 and 31 December 2018 and the relevant interest earned or paid during the period are 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 June 2019, 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\$140,413,000 (31 December 2018: HK\$139,907,000).

(d) Balances with non-controlling interests

As at 30 June 2019, included in "Other payables and accruals" in the condensed consolidated statement of financial position was an aggregate amount due to the non-controlling interests of an amount of approximately HK\$57,000 (31 December 2018: HK\$57,000).

(e) Compensation of key management personnel of the Group

	For the six months ended 30 June 2019 HK\$'000 (Unaudited)	For the six months ended 30 September 2018 HK\$'000 (Unaudited)
Short-term employee benefits	6,720	4,736
Retirement benefit scheme contribution	39	26
	6,759	4,762

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

21. 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 June 2019 and 31 December 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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).

Items	Fair value as at		Fair value hierarchy	Valuation technique(s)	Valuation model(s) and key input(s)
	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)			
Financial assets measured at fair value through other comprehensive income					
Unlisted equity investment – in elsewhere	2,082,700	1,719,189	Level 3	Discounted cash flow	Growth rate: 9.0% (31 December 2018: 9.0%) Gross margin rate: 74.8% (31 December 2018: 74.8%) Discount rate: 9.85% (31 December 2018: 10.3%) Terminal growth rate: 3.0% (31 December 2018: 3.0%)
Notes – in elsewhere	542,272	543,649	Level 2	Latest transaction price	N/A
Bonds – in the PRC	184,043	36,599	Level 2	Latest transaction price	N/A
Financial assets measured at fair value through profit or loss					
Listed equity investments – in Hong Kong	684,498	2,080,583	Level 1	Quoted price in active markets	N/A
Unlisted equity investments – in the PRC	513	511	Level 3	Net assets value	N/A
– in elsewhere	281,220	308,365	Level 3	Market approach	Discount for lack of control: 10% (31 December 2018: 4%)
Other investment – in the PRC	34,213	34,090	Level 2	Latest transaction price	N/A
Club membership debenture – in Hong Kong	6,200	6,200	Level 2	Market comparison	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

21. 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 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)			
Financial assets measured at fair value through profit or loss (continued)					
Investment funds					
- in Hong Kong	542,861	540,419	Level 2	Latest transaction price	N/A
- in elsewhere	619,365	580,557	Level 2	Latest transaction price	N/A
	20,000	20,000	Level 3	Discounted cash flow	Discount rate: 1.79% (31 December 2018: 1.79%)
- in PRC	27,298	36,456	Level 3	Discounted cash flow	Discount rate: 9.39% – 9.64% (31 December 2018: 9.39% – 9.64%)
Bond					
- in Hong Kong	241,236	235,984	Level 3	Hull white model	Discount rate: 11.18% – 11.57% (31 December 2018: 10.56% – 11.35%)
Guaranteed structure notes					
- in elsewhere	76,972	77,167	Level 2	Market comparison	N/A

Financial assets measured at fair value:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 30 June 2019 (Unaudited)				
Financial assets measured at fair value through other comprehensive income	–	726,315	2,082,700	2,809,015
Financial assets measured at fair value through profit or loss	684,498	1,279,611	570,267	2,534,376
	684,498	2,005,926	2,652,967	5,343,391
As at 31 December 2018 (Audited)				
Financial assets measured at fair value through other comprehensive income	–	580,248	1,719,189	2,299,437
Financial assets measured at fair value through profit or loss	2,080,583	1,238,433	601,316	3,920,332
	2,080,583	1,818,681	2,320,505	6,219,769

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

21. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(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.

22. 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 August 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS AND BUSINESS REVIEW

The Board announces that for the six months ended 30 June 2019, the Company and its subsidiaries (collectively the “Group”) recorded an unaudited net loss of approximately HK\$1,609,642,000 (for the six months ended 30 September 2018: net loss of approximately HK\$458,625,000). The net loss was mainly attributable to a significant increase in the fair value losses on financial assets measured at fair value through profit or loss of the Company due to fluctuations in the stock market.

As at 30 June 2019, the Group recorded total assets of approximately HK\$12,352,853,000 (31 December 2018: approximately HK\$13,377,465,000), total liabilities of approximately HK\$8,700,326,000 (31 December 2018: approximately HK\$8,499,219,000), and therefore net assets of approximately HK\$3,652,527,000 (31 December 2018: approximately HK\$4,878,246,000).

The Company is an investment holding company with its subsidiaries mainly engaging in the following operating segments during the six months ended 30 June 2019:

a) Financial leasing

During the six months ended 30 June 2019, the financial leasing segment recorded a loss of approximately HK\$139,431,000 (for the six months ended 30 September 2018: loss of approximately HK\$356,538,000). The significant decrease in the loss as compared with the six months ended 30 September 2018 was mainly attributable to business expansion of the segment, which led to a significant increase in business revenue and a significant decrease in impairment losses on finance lease receivables as compared to the six months ended 30 September 2018. As the PRC government has advanced the development of inclusive finance and considers that financial leasing can help micro-, small and medium-sized enterprises obtain medium- and long-term funding and revitalise their fixed assets, it is expected that financial leasing industry will have huge development potential in satisfying the financing demand of enterprises (especially those micro-, small and medium-sized enterprises). In addition, the transformation and improvement of China’s economic structure is expected to propel the continuous increase in demand for financial leasing services and thus create immense market opportunities for the Group’s business development.

b) Investment in securities

During the six months ended 30 June 2019, due to fluctuations in the stock market, the Group’s securities portfolio recorded an unrealised fair value losses on financial assets measured at fair value through profit or loss of approximately HK\$1,385,385,000 (for the six months ended 30 September 2018: loss of approximately HK\$24,390,000) and a realised fair value gain on financial assets measured at fair value through profit or loss of approximately HK\$3,101,000 (for the six months ended 30 September 2018: loss of approximately HK\$7,535,000). The unrealised fair value change was a non-cash item which had no impact on cash flows of the Group.

c) Money lending

During the six months ended 30 June 2019, the revenue from the money lending segment was approximately HK\$21,875,000 (for the six months ended 30 September 2018: approximately HK\$67,284,000). The decrease in revenue as compared with the six months ended 30 September 2018, and the decrease in loan receivables amounting to HK\$984,600,000 (31 December 2018: approximately HK\$1,332,366,000), were mainly due to some of the borrowers having fully settled the loans and the Company's adoption of more prudential operation management methods. The Group will continue to adopt a prudent compliance management approach to maintain a steady growth in business scale and profitability.

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

d) Financial technology

During the six months ended 30 June 2019, the financial technology segment recorded a profit of approximately HK\$17,800,000 (for the six months ended 30 September 2018: loss of approximately HK\$1,668,000), which was mainly attributable to the expansion of business and a further increase in the revenue from the segment. In the future, the financial technology segment will continue to create synergy with other businesses of the Group and facilitate the Group's development.

During the six months ended 30 June 2019, the Group also carried out the businesses of operating an asset trading platform, securities brokerage and commercial factoring.

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), a wholly-owned subsidiary of the Company based in Qianhai, Shenzhen, would continue to benefit from the policy advantages of, among others, the Guangdong-Hong Kong-Macao Greater Bay Area, the Guangdong Free Trade Area, 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 service provider.

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

According to the “Report on the Implementation of China’s Monetary Policy for the Second-Quarter of 2019” recently issued by the People's Bank of China, recent data indicates that the momentum of global economic growth is relatively slowing down. There are uncertainties in the global economy in the short term and increase the risk of a downturn in global economic growth. In the medium-to-long term, it is anticipated that global growth will lack a strong thrust. The inherent structural problems will persist, and thus the medium-to-low growth may last for a long time. Amid the sophisticated international environment, China's economy continued to run within a reasonable range, carrying on its generally stable and progressive development momentum. As external uncertainties increase and the global economy and international trade slows down, it is expected that the PRC government will continue to adopt comprehensive and moderate fiscal and monetary policies, as well as further its reforms and opening-up and optimise its business environment to mitigate the downward pressure on the economy. Meanwhile, as MSCI (明晟公司) has been increasing the weight of China A Shares in the MSCI Indexes, it is expected that foreign funds will continue to flow into the PRC market in the future. Benefiting from the implementation of the above series of policies, China's overall economy is expected to remain stable and healthy down the track.

Furthermore, the PRC government has made strenuous efforts to promote the “Belt and Road Initiative” during the past 6 years, which aims at helping China to become an important platform for improving global governance and promoting mutual development. The State Council of the PRC also issued the “Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area” in February this year, proposing the idea of fully leveraging on the respective strengths of Guangdong, Hong Kong and Macao and furthering cooperation among the mainland, Hong Kong and Macao. Over the recent years, as the Guangdong-Hong Kong-Macao Greater Bay Area entered into a formal development stage, both the central government and the respective governments of Guangdong, Hong Kong and Macao have promoted the construction of the Greater Bay Area to a strategic development level and have landed successively a range of relevant policies, opening new paths for the development of the Greater Bay Area. In addition, the implementation of the “Belt and Road Initiative” will also create a large number of overseas infrastructure construction and business development opportunities, resulting in substantial equipment and fund demand and creating a range of investment and development opportunities for the Group.

The Group has accumulated years of experience in the Hong Kong capital market. In the coming year, it will continue to leverage on the unique strengths of Hong Kong as the international financial centre, to enhance its communication and cooperation with the countries along the route of the “Belt and Road Initiative” and the Guangdong-Hong Kong-Macao Greater Bay Area in the financial sectors, and actively explore and seek for high-quality investment opportunities. Meanwhile, the Group’s strategic positioning will be to keep promoting its on-going operation strategy of driving non-capital business by capital business, deepening the business model of “investment + investment bank”, and focusing on the opportunities brought by the “Belt and Road Initiative”.

MANAGEMENT DISCUSSION AND ANALYSIS

Recently, the Group successfully issued bonds amounting to US\$1.5 billion in the global market. This bond issuance recorded one of the lowest interest rate among those with a similar structure issued by enterprises in Shandong Province in recent years, and recorded an over-subscription of over 9 times, representing the total subscription volume of over US\$10 billion. This tranche of bonds was subscribed by over 400 institutional investors, including international sovereign funds, large international insurance institutions, reputable funds and large domestic central enterprises. This bond issuance further enhanced the Group's influence and reputation in the international capital market, promoted the Group's financial strengths and laid a solid stable foundation for future business development.

Relying on the background of its controlling shareholder, Shandong Hi-Speed Group Co., Ltd. ("Shandong Hi-Speed Group"), the Group will continue to uphold its established strategy in respect of the "Belt and Road Initiative" and insist on its core value of "Prudence, Compliance, Stability and Development" to drive the Group to become a fast-growing first-class investment and financing platform in the Greater China region, making the Group a model enterprise for promoting mixed-ownership reform within Shandong Hi-Speed Group.

The Group will also look for potential acquisition targets that will create synergy with the Group and enhance its 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

On 25 July 2019, the Group entered into a subscription agreement for the issuance of US\$500,000,000 3.95% guaranteed bonds due 2022 and US\$900,000,000 4.30% guaranteed perpetual securities. The Group intends to use the proceeds of the bonds issue and securities issue for refinancing and general corporate purposes.

Further details about the abovementioned matters are set out in the announcement of the Company dated 26 July 2019.

FUNDRAISING ACTIVITIES

On 15 January 2019, the Group issued US\$550,000,000 5.95% guaranteed bonds due 2020. On 19 February 2019, the Group further issued US\$50,000,000 5.95% guaranteed bonds due 2020. The issuances of the bonds are a significant step of the Company in gaining recognition in the international financial market and would provide the Company with an additional source of funding for its business development.

Further details about the abovementioned matters are set out in the announcement of the Company dated 9 January 2019, and the formal notices dated 15 January 2019 and 19 February 2019, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2019, the Group's total assets and borrowings were HK\$12,352,853,000 and HK\$8,299,878,000, respectively. The borrowings of the Group consisted of bank borrowings, bonds and other borrowings which were approximately HK\$1,277,799,000, HK\$4,832,223,000 and HK\$1,871,681,000, respectively. Details of bank loans and other borrowings of the Group are disclosed in note 16 to the condensed consolidated financial statements. As at 30 June 2019, the Group had an outstanding convertible bond of approximately HK\$318,175,000 with a fixed interest rate of 6% per annum, a public bond in an amount of approximately HK\$4,812,046,000 with a fixed interest rate of 5.95% per annum and two unsecured bonds for a term of seven years of approximately HK\$20,177,000 with a fixed interest rate of 5% per annum. Although the convertible bond, 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 June 2019 was approximately 67.19% (31 December 2018: approximately 60.44%).

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 fluctuations on the U.S. dollar-denominated assets, and will adopt appropriate response measures.

During the six months ended 30 June 2019, the Group has not used any financial instruments for hedging purposes, nor any currency borrowings or other hedging instruments to hedge foreign currency net investments.

PLEDGE OF ASSETS

As at 30 June 2019, the Group did not have any finance lease receivables pledged for securing bank borrowings by the Group.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

Save as disclosed in note 19 to the condensed consolidated financial statements, the Group did not have other significant contingent liabilities and capital commitment as at 30 June 2019.

SIGNIFICANT INVESTMENTS

Save as disclosed in notes 11 and 12 to the condensed consolidated financial statements, the Group did not have any other significant investments as at 30 June 2019.

As at 30 June 2019 and the date of this report, save as disclosed in the section "Future Prospects" on pages 54 to 55 of this report, the Group did not have any plans for significant investment or acquisition of capital assets in future.

MANAGEMENT DISCUSSION AND ANALYSIS

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

For the six months ended 30 June 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group did not have any material acquisitions or disposals of subsidiaries for the six months ended 30 June 2019.

EMPLOYEES, REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

As at 30 June 2019, the Group had a workforce, including the Directors and the directors of the Company's subsidiaries, of 602 employees, of which 542 were based in the PRC. Staff costs incurred and charged to profit or loss for the six months ended 30 June 2019, including Directors' remuneration, were approximately HK\$75,885,000 (for the six months ended 30 September 2018: approximately HK\$64,557,000). The increase in staff costs was in line with the business expansion and revenue growth of the Group.

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 in Hong Kong.

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 has adopted a series of human resource management initiatives, including providing training programmes and development opportunities for its staff. The Group has 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. The Group has also been implementing the "Internal Sharing Plan", encouraging our staff to share their expertise and experience with others. In addition, the Group encouraged all employees to participate in financial knowledge training courses 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.

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

The Group pays a high level of 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. Based on the principles of efficiency and conservation, the Group encourages employees to choose low-carbon and efficient means of transportation, such as MTR and other public transport. The Group also encourages employees to travel together and take the same flight to allow pick-up in one go and conserve energy.

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the six months ended 30 June 2019, 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 believes that the people-oriented talent management model is crucial to the long-term development of the Group. The Group focuses on team building and talent introduction, and has always adhered to the principles of openness, equality, competition and selection of hiring excellent talents. The Group's employee management focuses on recruiting and developing talents. 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 a good long-term relationship with business partners is one of its primary objectives. Accordingly, the management has used its best endeavours to maintain good communications, promptly exchanged ideas and shared business updates with them when appropriate. During the six months ended 30 June 2019, there was no material or significant dispute between the Group and its business partners.

SHARE OPTION SCHEME

The Company operates a share option scheme (the “Share Option Scheme”) adopted by way of an ordinary resolution passed on 18 August 2014 at the annual general meeting of the Company, for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations.

Details of the share option movements during the six months ended 30 June 2019 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			

No share option has been granted under the Share Option Scheme during the six months ended 30 June 2019.

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 June 2019, 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 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 Part XV of the SFO; or (iii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in the Listing Rules were as follows:

Long positions in Shares and underlying Shares

Name of Directors and chief executive	Personal interests	Family interests	Number of Shares/underlying Shares held			Interests in underlying Shares/equity derivatives	Total number of Shares interested	Percentage of total issued Shares (note 2)
			Corporate interests	Other interests				
Yau Wai Lung	-	-	-	-	-	169,400,000 (Note 1)	169,400,000	0.69%
Lo Man Tuen	30,000,000	-	-	-	-	-	30,000,000	0.12%

OTHER INFORMATION

Notes:

1. 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.
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 June 2019.

Save as disclosed above, as at 30 June 2019, 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 in the register maintained by the Company under section 352 of Part XV of the SFO or otherwise 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 June 2019, 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 the total number of issued Shares (Note 10)
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 (Note 2, 3 & 4)	Corporate interest	–	3,880,009,650	15.87%
Hao Tian Development Group Limited (Note 3)	Corporate interest	–	3,835,879,650	15.69%
Huang Shiyong (Note 5)	Corporate interest Beneficial interest	–	1,320,000,000 500,000,000	7.44%

OTHER INFORMATION

Substantial Shareholders	Capacity	Interests in underlying Shares/ equity derivatives	Total number of Shares interested	Percentage of the total number of issued Shares (Note 10)
Huang Tao (Note 6)	Corporate interest	–	1,320,000,000	7.04%
	Corporate interest		401,810,000	
Haitong Securities Co., Ltd. (Note 7)	Corporate interest	–	1,364,335,372 144,000(S)	5.58%
Liu Yang (Note 8)	Corporate interest	–	1,314,772,000	5.38%
UBS Group AG (Note 9)	Security interest	–	1,275,072,000	5.21%

Notes:

- Shandong Hi-Speed Group Co., Ltd. was 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 was an indirect wholly-owned subsidiary of Shandong Hi-Speed Group Co., Ltd.
- Ms. Li Shao Yu was deemed to be interested in the 3,880,009,650 Shares pursuant to the SFO by virtue of her interest in Hao Tian Development Group Limited (stock code 474) (“Hao Tian Development”) and TRXY Development (HK) Limited.
- Ms. Li Shao Yu was also 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.
- Hao Tian Development was deemed to be interested in 3,835,879,650 Shares pursuant to the SFO, by virtue of its interests in (i) 3,434,559,650 Shares held by Hao Tian Management (Hong Kong) Limited; and (ii) 401,320,000 Shares held by Hao Tian International Construction Investment Group Limited (stock code 1341).
- Each of Mr. Huang Shiyong and Mr. Huang Tao was 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..
- Mr. Huang Tao was 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.
- Haitong Securities Co., Ltd. was deemed to be interested in the 1,364,335,372 Shares pursuant to the SFO, among which, (i) 817,142,856 underlying Shares were issuable under certain convertible bonds issued by the Company and held by Haitong International Asset Management (HK) Limited; and (ii) 144,000 Shares were held by Haitong International Financial Solutions Limited, each of which was an indirect wholly-owned subsidiary of Haitong International Securities Group Limited (stock code 665), which was indirectly owned as to 63.08% by Haitong Securities Co., Ltd.

OTHER INFORMATION

8. Ms. Liu Yang was deemed to be interested in the 1,314,772,000 Shares pursuant to the SFO by virtue of her interest in Riverwood Asset Management (Cayman) Limited and Atlantis Capital Holdings Limited.
9. The Shares of 1,275,072,000 held by UBS Group AG are held in person having a security interest in Shares.
10. The percentage of shareholding was calculated on the basis of the Company's issued share capital of 24,452,450,002 Shares as at 30 June 2019.
11. (S) means 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 June 2019.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2019, 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:

Under Code Provision A.1.3, notice of at least 14 days should be given of a regular board meeting to all Directors to give all Directors an opportunity to attend. During the six months ended 30 June 2019, certain regular Board meetings were convened with less than 14 days' notice to facilitate the Directors' timely reaction and expeditious decision making process in respect of internal affairs of the Group. All Board meetings, nevertheless, were otherwise duly convened and held in the way prescribed by the bye-laws of the Company. The Board will use reasonable endeavours to meet the requirement of Code Provision A.1.3 in future.

The independent non-executive Directors were 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 June 2019, the management did not provide regular 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 operations 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.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code for securities transactions by Directors. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2019.

AUDIT COMMITTEE

The audit committee of the Board was established in accordance with the requirements of the 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. The Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2019 have been reviewed by the audit committee of the Board.

OTHER INFORMATION

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
Wang Xiaodong	Appointed as director of certain subsidiaries of the Company
Liu Han	Appointed as director of certain subsidiaries of the Company
Liu Zhijie	Appointed as director of certain subsidiaries of the Company
Liu Yao	Appointed as director of certain subsidiaries of the Company
Liao Jianrong	Appointed as director of certain subsidiaries of the Company
Dr. Lam Lee G.	Appointed as non-executive director of Green Leader Holdings Group Limited, whose shares were listed on the Main Board of the Stock Exchange with stock code: 0061, with effect from 1 June 2019 and resigned on 22 July 2019
Cheung Wing Ping	Retired by rotation as independent non-executive director of Freeman Fintech Corporation Limited, whose shares were listed on the Main Board of the Stock Exchange with stock code: 0279 with effect from 9 September 2019
Guan Huanfei	Appointed as independent non-executive director of Solis Holdings Limited, whose shares were listed on the Main Board of the Stock Exchange with stock code: 2227 with effect from 23 August 2019

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
Wang Xiaodong
Chairman

Hong Kong, 28 August 2019

* *For identification purposes only*