



中國新金融集團有限公司 China Innovative Finance Group Limited

(Incorporated in Bermuda with limited liability)
Stock code : 00412.HK



2016
Interim Report



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Corporate Information

BOARD OF DIRECTORS

Non-Executive Director and Chairman:
Mr. Li Hang (appointed on 18 October 2016)

Executive Directors:
Mr. Wang Zhenjiang
(appointed on 18 October 2016)
Mr. Yau Wai Lung
Mr. Ma Chao

Non-Executive Director:
Mr. Qiu Jianyang

Independent Non-Executive Directors:
Mr. To Shing Chuen
Mr. Chung Yuk Lun
Mr. Cheung Wing Ping

AUDIT COMMITTEE

Mr. Chung Yuk Lun (*Chairman*)
Mr. To Shing Chuen
Mr. Cheung Wing Ping

REMUNERATION COMMITTEE

Mr. Cheung Wing Ping (*Chairman*)
Mr. Wang Zhenjiang
(appointed on 19 October 2016)
Mr. Yau Wai Lung
(appointed on 19 October 2016)
Mr. To Shing Chuen
Mr. Chung Yuk Lun
(appointed on 19 October 2016)

NOMINATION COMMITTEE

Mr. Li Hang (*Chairman*)
(appointed on 19 October 2016)
Mr. Yau Wai Lung
Mr. To Shing Chuen
Mr. Chung Yuk Lun
(appointed on 19 October 2016)
Mr. Cheung Wing Ping

EXECUTIVE COMMITTEE

Mr. Yau Wai Lung (*Chairman*)
Mr. Wang Zhenjiang
(appointed on 18 October 2016)
Mr. Ma Chao

COMPANY SECRETARY

Mr. Lau Yau Chuen, Louis

REGISTERED OFFICE

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PRINCIPAL OFFICE

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Bermuda law:

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Central
Hong Kong

PRINCIPAL BANKER

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Corporation Limited
No.1 Queen's Road Central
Hong Kong

PRINCIPAL REGISTRAR IN BERMUDA

MUFG Fund Services (Bermuda) Limited
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Pembroke HM08
Bermuda

BRANCH REGISTRAR IN HONG KONG

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

WEBSITE

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Condensed Consolidated Income Statement

For the six months ended 30 September 2016

	Notes	For the six months ended 30 September	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
CONTINUING OPERATIONS			
REVENUE	4	114,482	9,076
Cost of revenue		(77,945)	(3,726)
Other income		2,505	192
Fair value losses on investments at fair value through profit or loss, net	6	(539,598)	(347,410)
Gain on disposal of subsidiaries		—	7,264
Employee benefit expenses	6	(22,540)	(7,195)
Depreciation		(7,866)	(692)
Minimum lease payments under operating leases in respect of land and buildings		(5,420)	(2,529)
Administrative expenses		(43,336)	(12,400)
Finance costs	5	(61,873)	(2,148)
LOSS BEFORE TAX FROM CONTINUING OPERATIONS	6	(641,591)	(359,568)
Income tax credit	7	90,848	4,285
LOSS FOR THE PERIOD FROM CONTINUING OPERATIONS		(550,743)	(355,283)
DISCONTINUED OPERATIONS			
Loss for the period from discontinued operations		—	(6,067)
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		(550,743)	(361,350)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
	8		
Basic			
— From continuing and discontinued operations		HK(2.86) cents	HK(2.09) cents
— From continuing operations		HK(2.86) cents	HK(2.05) cents
Diluted			
— From continuing and discontinued operations		HK(2.86) cents	HK(2.09) cents
— From continuing operations		HK(2.86) cents	HK(2.05) cents

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 September 2016

For the six months ended
30 September

	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
LOSS FOR THE PERIOD	(550,743)	(361,350)
OTHER COMPREHENSIVE LOSS		
Items that may subsequently be reclassified to condensed consolidated income statement:		
Exchange difference arising on translation of financial statements of foreign operations	(11,431)	(6,656)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	(562,174)	(368,006)

Condensed Consolidated Statement of Financial Position

As at 30 September 2016

	Notes	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		160,529	168,698
Intangible assets	10	1,269,528	1,243,156
Available-for-sale investments	11	4,600	4,600
Finance lease receivables	12	563,318	664,576
Loans receivables	13	—	155,500
Investments at fair value through profit or loss	14	502,921	96,010
Restricted cash		69,805	72,127
Total non-current assets		2,570,701	2,404,667
CURRENT ASSETS			
Available-for-sale investments	11	—	340,800
Finance lease receivables	12	206,730	260,404
Loans receivables	13	168,000	20,000
Investments at fair value through profit or loss	14	1,596,553	2,185,079
Prepayments, deposits and other receivables		250,732	321,532
Restricted cash		20,907	37,204
Cash and cash equivalents		225,754	327,621
Total current assets		2,468,676	3,492,640
CURRENT LIABILITIES			
Other payables and accruals		168,766	207,183
Borrowings	15	851,742	922,381
Tax payable		1,058	1,382
Total current liabilities		1,021,566	1,130,946
NET CURRENT ASSETS		1,447,110	2,361,694
TOTAL ASSETS LESS CURRENT LIABILITIES		4,017,811	4,766,361

Condensed Consolidated Statement of Financial Position

As at 30 September 2016

	Notes	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Borrowings	15	471,990	499,000
Convertible bonds	16	949,249	937,705
Deferred tax liabilities		81,323	170,301
Total non-current liabilities		1,502,562	1,607,006
Net assets		2,515,249	3,159,355
CAPITAL AND RESERVES			
Equity attributable to owners of the Company			
Issued capital	17	4,797	4,828
Reserves		2,510,452	3,154,527
Total equity		2,515,249	3,159,355

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2016

	Attributable to owners of the Company								
	Issued capital	Share premium account	Share options reserve	Capital redemption reserve	Contributed surplus	Available-for-sale investments revaluation reserve	Translation reserve	Accumulated losses	Total equity
	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)
		(note a)	(note b)	(note c)	(note d)	(note e)	(note g)		
At 1 April 2015	4,236	1,649,764	40,150	1,177	1,524,577	120	(2,698)	(1,796,253)	1,421,073
Loss for the period	–	–	–	–	–	–	–	(361,350)	(361,350)
Other comprehensive (loss)/income for the period:									
Arising on acquisition of a subsidiary	–	–	–	–	–	–	(72)	–	(72)
Arising on disposal of a subsidiary	–	–	–	–	–	–	2,698	–	2,698
Exchange difference arising on translation of financial statements of foreign operations	–	–	–	–	–	–	(9,282)	–	(9,282)
Total comprehensive loss for the period	–	–	–	–	–	–	(6,656)	(361,350)	(368,006)
Share issue	590	1,581,355	–	–	–	–	–	–	1,581,945
At 30 September 2015 (unaudited)	4,826	3,231,119	40,150	1,177	1,524,577	120	(9,354)	(2,157,603)	2,635,012

	Attributable to owners of the Company									
	Issued capital	Share premium account	Share options reserve	Capital redemption reserve	Contributed surplus	Available-for-sale investments revaluation reserve	Convertible bond reserve	Translation reserve	Accumulated losses	Total equity
	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)
		(note a)	(note b)	(note c)	(note d)	(note e)	(note f)	(note g)		
At 1 April 2016	4,828	3,236,117	40,150	1,177	1,524,577	120	81,615	(4,672)	(1,724,557)	3,159,355
Loss for the period	–	–	–	–	–	–	–	–	(550,743)	(550,743)
Other comprehensive loss for the period:										
Exchange difference arising on translation of financial statements of foreign operations	–	–	–	–	–	–	–	(11,431)	–	(11,431)
Total comprehensive loss for the period	–	–	–	–	–	–	–	(11,431)	(550,743)	(562,174)
Share buy-back (note 17)	(31)	(81,575)	–	–	–	–	–	–	–	(81,606)
Release from early redemption of convertible bond	–	–	–	–	–	–	(28,053)	–	4,441	(23,612)
Equity component of convertible bond	–	–	–	–	–	–	27,887	–	–	27,887
Deferred tax arising on issue of convertible bond	–	–	–	–	–	–	(4,601)	–	–	(4,601)
At 30 September 2016 (unaudited)	4,797	3,154,542	40,150	1,177	1,524,577	120	76,848	(16,103)	(2,270,859)	2,515,249

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2016

Notes:

- (a) 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.
- (b) Share options reserve relates to share options granted to employees under the new share option scheme.
- (c) 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.
- (d) Contributed surplus arose from capital reorganisation in previous years. Under the Companies Act of Bermuda, the contributed surplus account 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 (i) it is, or would after the payment be, unable to pay its liabilities as they become due; or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.
- (e) Available-for-sale investments revaluation reserve comprises the cumulative net changes in fair value of available-for-sale investments held at the end of the reporting period.
- (f) Convertible bond reserve relates to convertible bonds issued by the Company.
- (g) Translation reserve comprises all foreign currency exchange differences arising from the translation of the financial statements of foreign operations.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2016

For the six months ended
30 September

	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
NET CASH FLOWS (USED IN)/GENERATED FROM:		
OPERATING ACTIVITIES	(191,670)	451,677
INVESTING ACTIVITIES	153,430	(442,681)
FINANCING ACTIVITIES	(71,645)	160,534
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(109,885)	169,530
Cash and cash equivalents at beginning of period	436,952	4,331
Effect of foreign exchange rate changes	(10,601)	(9,192)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	316,466	164,669
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Pledged and restricted bank deposits	90,712	73,220
Cash and bank balances	225,754	91,449
	316,466	164,669

Notes to the Condensed Consolidated Financial Statements

30 September 2016

1. CORPORATE INFORMATION

China Innovative Finance Group Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, and 29th Floor, China United Centre, 28 Mable Road, North Point, Hong Kong, respectively.

2. BASIS OF PREPARATION

(a) Statement of compliance

These unaudited interim condensed consolidated financial statements for the six months ended 30 September 2016 (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 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 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 annual financial statements of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2016.

Except as described below, the Group’s accounting policies applied in preparing the Interim Financial Statements are consistent with those policies applied in preparing the annual financial statements for the year ended 31 March 2016.

Notes to the Condensed Consolidated Financial Statements

30 September 2016

2. BASIS OF PREPARATION (continued)

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

The accounting policies adopted are consistent with those followed in the preparation of the Group's annual audited financial statements for the year ended 31 March 2016, except for the adoption of certain new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (which also include HKASs and Interpretations) for the first time in the current period.

Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11 HKFRS 14	Accounting for acquisitions of interests in joint operations Regulatory Deferral Accounts

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

The Group has not early adopted any standards, interpretations or amendments that has been issued but are not yet effective.

(c) Judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2016.

Notes to the Condensed Consolidated Financial Statements

30 September 2016

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"). The Group has three reportable operating segments from continuing operations. Details are as follows:

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

For the year ended 31 March 2016, the Group's management of the forestlands was discontinued. The segment information reported does not include any amounts for the discontinued operation.

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 from continuing operations. The adjusted loss before tax from continuing operations is measured consistently with the Group's loss before tax from continuing operations except that unallocated revenue, finance costs and expenses are excluded from such measurement.

Comparative figures from the prior period have been re-presented to conform to the current period's presentation due to the business of investment holdings, property investment and management of the forestlands were no longer operated.

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 convertible bonds and other payables and accruals.

Notes to the Condensed Consolidated Financial Statements

30 September 2016

3. OPERATING SEGMENT INFORMATION (continued)

	Investments in securities		Money lending		Financial leasing		Unallocated		Consolidated	
	For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September		For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)								
Segment revenue										
Revenue from external customers	847	–	9,083	2,232	104,552	6,794	–	50	114,482	9,076
Other income	–	–	–	–	–	–	–	41	–	41
Total	847	–	9,083	2,232	104,552	6,794	–	91	114,482	9,117
Segment results	(601,100)	(348,094)	9,004	1,918	66,639	(5,903)	–	(13,625)	(525,457)	(365,704)
Reconciliations:										
Unallocated finance costs									(60,944)	(529)
Unallocated (expenses)/income									(55,190)	6,665
Loss before tax from continuing operations									(641,591)	(359,568)
Other segment information										
Finance costs – allocated	(417)	(1,396)	–	–	(512)	(223)	–	–	(929)	(1,619)
Finance costs – unallocated							(60,944)	(529)	(60,944)	(529)
									(61,873)	(2,148)
Depreciation – allocated	–	–	–	–	(2,377)	(447)	–	–	(2,377)	(447)
Depreciation – unallocated							(5,489)	(245)	(5,489)	(245)
									(7,866)	(692)
Gain on disposal of subsidiaries	–	–	–	–	–	–	–	7,264	–	7,264
Fair value (loss)/gain on investments at fair value through profit or loss, net (note)	(603,869)	(347,410)	–	–	64,271	–	–	–	(539,598)	(347,410)
Capital expenditure – allocated	–	–	–	–	–	100	–	–	–	100
Capital expenditure – unallocated							10	714	10	714
									10	814

Note:

For the six months ended 30 September 2016, there was a fair value gain on investments at fair value through profit or loss of approximately HK\$64,271,000 (year ended 31 March 2016: approximately HK\$56,406,000) included in the segment results of the financial leasing segment. The fair value gain on investment at fair value through profit or loss under the financial leasing segment represented an unrealised fair value gain on an unlisted investment. Such investment has not been classified as held for trading. Significant involvement from the management of financial leasing segment had been made on acquisition of such unlisted investment, including investment analysis, contract negotiation with the sellers and project monitoring and management. Moreover, all of the related purchase costs and expenses of such investment were also recorded under the financial leasing segment. Therefore, such fair value gain on investment have been recorded under the financial leasing segment for the six months ended 30 September 2016 and year ended 31 March 2016.

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

Notes to the Condensed Consolidated Financial Statements

30 September 2016

3. OPERATING SEGMENT INFORMATION (continued)

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

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Segment assets:		
Investments in securities	1,995,217	2,217,712
Money lending	175,404	327,403
Financial leasing	2,609,793	2,633,497
	4,780,414	5,178,612
Unallocated assets	258,963	718,695
Total assets	5,039,377	5,897,307
Segment liabilities:		
Investments in securities	555,058	634,325
Financial leasing	698,888	787,858
	1,253,946	1,422,183
Unallocated liabilities	1,270,182	1,315,769
Total liabilities	2,524,128	2,737,952

Revenue from external customers

The Group's revenue from continuing operations is derived from its external customers in Hong Kong and the People's Republic of China ("PRC").

Notes to the Condensed Consolidated Financial Statements

30 September 2016

3. OPERATING SEGMENT INFORMATION (continued)

Information about major customers

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

	For the six months ended 30 September 2016 HK\$'000 (Unaudited)	For the six months ended 30 September 2015 HK\$'000 (Unaudited)
Customer A	20,001	4,339
Customer B*	—	951
Customer C*	16,754	—

* Customer B and C did not contribute over 10% of the Group's revenue for the six months ended 30 September 2016 and 2015 respectively.

Geographical information

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

	Revenue from external customers For the six months ended 30 September		Non-current assets (note)	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	30 September 2016 HK\$'000 (Unaudited)	31 March 2015 HK\$'000 (Audited)
Hong Kong	9,930	2,282	178,824	157,928
Other parts of the PRC	104,552	6,794	1,321,038	1,326,053
	114,482	9,076	1,499,862	1,483,981

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

Notes to the Condensed Consolidated Financial Statements

30 September 2016

4. REVENUE

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

An analysis of revenue is as follows:

	For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Financial leasing income	53,525	6,773
Consultancy services income (note a)	48,964	21
Gross rental income	—	50
Interest income from money lending operations	7,471	2,232
Handling fee income (note b)	3,675	—
Dividend income from investments at fair value through profit or loss	847	—
	114,482	9,076

Notes:

- a Consultancy services income arising from the financial leasing segment represents income derived from consultancy services provided for the financial leasing customers, including but not limited to:
- (i) formulation of financial leasing structure;
 - (ii) provision of legal analysis;
 - (iii) provision of advice on transaction arrangement; and
 - (iv) financial and taxation analysis.
- b Included in handling fee income was an amount of approximately HK\$2,063,000 from financial leasing segment and approximately HK\$1,612,000 from money lending segment for the six months ended 30 September 2016.

Notes to the Condensed Consolidated Financial Statements

30 September 2016

5. FINANCE COSTS

	For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Interest on bank borrowings wholly repayable within five years (note)	4,468	223
Interest on margin and other loans	416	1,396
Imputed interest on bonds	573	529
Imputed interest on convertible bonds	56,416	—
	61,873	2,148

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

6. LOSS BEFORE TAX

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

	For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Employee benefit expenses (including directors' remuneration):		
Directors' remuneration:		
— Fee	—	—
— Salaries and allowances	5,680	1,949
— Retirement benefits scheme contributions (defined contribution scheme)	27	18
— Emolument shares	2,219	—
	7,926	1,967
Other staff's costs:		
— Salaries and allowances	14,312	5,070
— Retirement benefits scheme contributions (defined contribution scheme)	302	158
	14,614	5,228
Total employee benefits expenses	22,540	7,195

Notes to the Condensed Consolidated Financial Statements

30 September 2016

6. LOSS BEFORE TAX (continued)

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

	For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Sales proceeds from disposal of trading securities	(300,103)	(62,812)
Cost of trading securities	376,174	49,084
Realised losses/(gains) from investments at fair value through profit or loss – trading securities (note 14(e))	76,071	(13,728)
Unrealised (gains)/losses from investments at fair value through profit or loss – trading securities (note 14(e))	(36,182)	361,138
Fair value losses on investments at fair value through profit or loss – trading securities, net	39,889	347,410
Realised losses from investments at fair value through profit or loss – derivative financial instruments (note 14(e)):		
– Futures contracts	8,396	–
– Call options	495,400	–
Unrealised gains from investments at fair value through profit or loss – derivative financial instruments (note 14(e)):		
– Futures contracts	(4,055)	–
– Warrants	(32)	–
Fair value losses on investments at fair value through profit or loss – derivative financial instruments, net	499,709	–
Fair value losses on investments at fair value through profit or loss, net	539,598	347,410
Net foreign exchange losses	5,344	1
Net loss on early redemption of a convertible bond (note 16)	275	–

Notes to the Condensed Consolidated Financial Statements

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7. INCOME TAX CREDIT

	For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Current tax		
– Hong Kong Profits Tax	–	–
– Over-provision for Hong Kong Profits Tax in prior period	–	432
– PRC Enterprise Income Tax	(2,731)	(995)
	(2,731)	(563)
Deferred tax credit, net	93,579	4,848
Total income tax credit recognised in condensed consolidated income statement	90,848	4,285

No provision for current Hong Kong Profits Tax had been made for the six months ended 30 September 2016 as the Group did not generate any assessable profits arising from Hong Kong during the period.

Hong Kong Profits Tax credit was provided for the six months ended 30 September 2015, as there was an overprovision of tax from prior period.

PRC Enterprise Income Tax was calculated at 25% of the estimated assessable profit for the six months ended 30 September 2016 and 2015.

Notes to the Condensed Consolidated Financial Statements

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8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

(a) Basic loss per share

	For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
For continuing and discontinued operations:		
Loss for the purpose of basic loss per share	(550,743)	(361,350)
For continuing operations:		
Loss for the purpose of basic loss per share	(550,743)	(355,283)
For discontinued operations:		
Loss for the purpose of basic loss per share	—	(6,067)
Number of shares		
Weighted average number of ordinary shares in issue during the period for the purpose of basic loss per share for the period ('000 share)	19,284,491	17,292,079
	HK cents (Unaudited)	HK cents (Unaudited)
Basic loss per share for the discontinued operations attributable to owners of the Company	—	(0.04)

(b) Diluted loss per share

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

9. DIVIDEND

The board of directors of the Company does not recommend the payment of any interim dividend in respect of the current period (six months ended 30 September 2015: Nil).

Notes to the Condensed Consolidated Financial Statements

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10. INTANGIBLE ASSETS

	License HK\$'000 (note a)	Goodwill HK\$'000 (note b)	Total HK\$'000
At 1 April 2016	447,000	796,156	1,243,156
Acquisition of a subsidiary (note 18)	—	26,372	26,372
At 30 September 2016 (unaudited)	447,000	822,528	1,269,528

Notes:

- (a) License represents the license to operate an asset trading platform in Shenzhen granted by the development of the Shenzhen Municipal Government Financial Services Office. The license is considered by the directors as having an indefinite useful life because the license has no expiry date and it is expected to contribute to net cash inflows indefinitely and will not be amortised until its useful life is determined to be finite.
- (b) Goodwill was arising from the acquisition and has been allocated to a cash generating unit that is expected to benefit from the acquisition. Approximately HK\$796,156,000 was related to the acquisition of Hong Kong Leasing Limited and its subsidiaries ("Hong Kong Leasing Group") and approximately HK\$26,372,000 was related to the acquisition of China Innovative Finance Zhonghong (Shenzhen) Business Factoring Company Limited* (formerly known as Shenzhen Qianhai Haotian Zhonghong Business Factoring Company Limited*) ("China Innovative Finance Zhonghong") (note 18).

* For identification purpose only.

11. AVAILABLE-FOR-SALE INVESTMENTS

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Non-current assets		
Club membership debenture, at fair value (note a)	4,600	4,600
Current assets		
Unlisted equity investment at cost (note b)		
— In Hong Kong	—	340,800

Notes to the Condensed Consolidated Financial Statements

30 September 2016

11. AVAILABLE-FOR-SALE INVESTMENTS (continued)

Notes:

- (a) Club membership debenture was designated as an available-for-sale financial asset at initial recognition and has no fixed maturity date or coupon rate. The fair value of club membership debenture is based on its quoted price in an open market taking into account the estimated transfer fee upon sale. The Group does not intend to dispose the investments in the near future.

During the six months ended 30 September 2016 and 2015, no fair value gain on available-for-sale investments was recognised in condensed consolidated statement of other comprehensive income.

- (b) During the year ended 31 March 2016, the Group had subscribed 56,800,000 shares of Joint Global Limited ("Joint Global"), a company incorporated in Republic of the Marshall Islands, at a consideration of approximately HK\$340,800,000.

In June 2016, the Group disposed of 56,800,000 shares of Joint Global, in exchange for 48,000,000 shares of HEC Capital Limited ("HEC Capital") (note 14(b)).

12. FINANCE LEASE RECEIVABLES

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Present value of minimum lease payments receivable	770,048	924,980
Less: Current portion included under current assets	(206,730)	(260,404)
Amounts due after one year included under non-current assets	563,318	664,576

As at 30 September 2016, finance lease receivables of approximately HK\$574,352,000 were pledged to secure the bank borrowings obtained by the Group (31 March 2016: approximately HK\$668,467,000).

The directors of the Company are of the view that the credit risk inherent in the Group's outstanding finance lease receivables balances is low. The Group has not encountered any delay or default in the collection of the scheduled payments of finance lease receivables. No impairment allowance was made for the finance lease receivables as at 30 September 2016 and 31 March 2016.

Notes to the Condensed Consolidated Financial Statements

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12. FINANCE LEASE RECEIVABLES (continued)

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

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Minimum lease payments receivable	892,941	1,093,980
Less:		
Unearned finance income related to minimum lease payments receivable	(122,893)	(169,000)
Present value of minimum lease payments receivable	770,048	924,980

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

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
– Within one year	269,947	337,485
– In the second year	355,743	282,439
– In the third to fifth years	267,251	474,056
	892,941	1,093,980

Notes to the Condensed Consolidated Financial Statements

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12. FINANCE LEASE RECEIVABLES (continued)

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

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
– Within one year	206,730	260,404
– In the second year	313,600	226,532
– In the third to fifth years	249,718	438,044
	770,048	924,980

The carrying amounts of the Group's finance lease receivables are principally denominated in Renminbi ("RMB").

Concentration of risks of financial assets with credit exposure

During the six months ended 30 September 2016 and year ended 31 March 2016, all the lessees of the Group are located in PRC. If any of them experiences financial difficulties, the recovery of the Group's finance lease receivables through regular lease payments might be adversely affected and the Group may have to resort to recovery through repossession of the leased assets.

As at 30 September 2016, the Group's finance lease receivables were secured by collaterals and deposits of approximately HK\$82,548,000 (31 March 2016: approximately HK\$91,509,000).

To manage this risk, the Group assesses the business performance of the lessee on a regular basis. In view of the fact that the lessee 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 lessee is low.

Notes to the Condensed Consolidated Financial Statements

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13. LOANS RECEIVABLES

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Loans receivables	213,000	220,500
Less: allowance for impairment loss	(45,000)	(45,000)
	168,000	175,500
Less: amount classified as current assets	(168,000)	(20,000)
Non-current portion	—	155,500

Loans receivables represent receivables arising from the money lending business of the Group, and bear interest at rates ranging from 16% to 18% per annum (31 March 2016: 4% (plus investment income of 40%) to 10% per annum). The grants of these loans were approved and monitored by the Group's management.

Except for loans receivable with a carrying amount of HK\$158,000,000 (31 March 2016: HK\$155,500,000) as at 30 September 2016 which were secured by the pledge of collateral and personal guarantees, all of the loans receivables as at 30 September 2016 and 31 March 2016 were unsecured.

An aged analysis of loans receivables (net of impairment), determined based on the age of the loans receivables since the effective drawn down date of the loans, as at the end of the reporting period is as follows:

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Loans receivable:		
Within 90 days	—	175,500
91 days to 180 days	168,000	—
	168,000	175,500

Notes to the Condensed Consolidated Financial Statements

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13. LOANS RECEIVABLES (continued)

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

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
At beginning of period/year	45,000	—
Impairment loss for the period/year	—	45,000
At end of period/year	45,000	45,000

The allowance for impairment loss of loans receivables as at 30 September 2016 and 31 March 2016 was an individually impaired loans receivable amount of HK\$45,000,000 with an original carrying amount of HK\$45,000,000.

The individually impaired loans receivable relates to a borrower that was in financial difficulties and had defaulted in the payments of both interest and principal.

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

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Neither past due nor impaired	168,000	175,500

Notes to the Condensed Consolidated Financial Statements

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14. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Non-current assets		
Unlisted equity investments, designated as financial assets at fair value through profit or loss upon initial recognition (note a and e)		
In Hong Kong (note b)	340,800	—
In PRC (note c)	162,121	96,010
	502,921	96,010
Current assets		
Held-for-trading quoted fund investment, at fair value (note d and e)		
In the Cayman Islands	164,392	—
Held-for-trading listed equity investments, at fair value (note d, e and f)		
In Hong Kong	866,896	1,119,830
In PRC	7,135	4,933
	874,031	1,124,763
Derivative financial instruments, at fair value (note e and g)		
Call options (note h)	—	497,000
Futures contracts (note i)	557,460	562,678
Warrants	670	638
	558,130	1,060,316
	1,596,553	2,185,079

Notes to the Condensed Consolidated Financial Statements

30 September 2016

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

Notes:

- (a) The unlisted equity investments at 30 September 2016 and 31 March 2016 was, upon initial recognition, designated by the Group as financial assets at fair value through profit or loss. The unlisted equity investments, quoted fund investments and the listed equity investments form a group of financial assets which are managed and their performances are evaluated on a fair value basis, in accordance with the Group's investment strategy. Their performance are regularly reviewed by the key management personnel of the Group.
- (b) In June 2016, the Group disposed of 56,800,000 shares of Joint Global, in exchange for 48,000,000 shares of HEC Capital (note 11(b)). HEC Capital is an investment holding company. Its subsidiaries are principally engaged in the business of investment holding, property investment, investment advisory and financial services, investment in securities trading and money lending. Details were set out in the Company's announcement dated 26 October 2016.
- (c) For the year ended 31 March 2016, the Company subscribed for 30,000,000 shares of Yunnan Highway Construction Group, representing 8.33% of its issued share capital, at a consideration of approximately HK\$39,604,000. As at 31 March 2016, the fair value of this unlisted equity investment was approximately HK\$96,010,000 and an unrealised gain of approximately HK\$56,406,000 was recognised in the consolidated income statement for the year ended 31 March 2016.

As at 30 September 2016, the fair value of this unlisted equity investment was approximately HK\$161,327,000 and an unrealised gain of approximately HK\$65,317,000 was recognised in the condensed consolidated income statement during the six months ended 30 September 2016.

During the six months ended 30 September 2016, the Group had an unlisted equity investment in PRC of approximately HK\$794,000 at fair value via acquisition of a subsidiary (note 18).

- (d) At 30 September 2016 and 31 March 2016, the quoted fund investment and listed equity investments were held for trading and were classified as financial assets at fair value through profit or loss. The fair values of the quoted fund and listed equity investments were determined by quoted prices in quoted fund markets and active markets respectively.

Notes to the Condensed Consolidated Financial Statements

30 September 2016

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

Notes: (continued)

(e) (i) Details of the Group's investments at fair value through profit or loss as at 30 September 2016:

Name of investments	Number of shares/units held as at 30 September 2016	Percentage of shareholding as at 30 September 2016 %	Net unrealised gains/(losses) for period ended	Dividends received for period ended	Fair value as at		Percentage to the Group's net assets as at	Investment cost
			30 September 2016	30 September 2016	30 September 2016	31 March 2016	30 September 2016 %	
			HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Audited)		HK\$'000 (Unaudited)
Non-current assets								
Unlisted shares in Hong Kong								
HEC Capital Limited	48,000,000	4.35	–	–	340,800	–	13.55	340,800
Unlisted shares in PRC								
Shanghai Ningfeng Network Construction Company Limited	N/A	12	–	–	794	–	0.03	794
Yunnan Highway Construction Group	30,000,000	8.33	65,317	–	161,327	96,010	6.41	39,604
			65,317	–	162,121	96,010	6.44	40,398
			65,317	–	502,921	96,010	19.99	381,198
Current assets								
Listed shares in PRC								
Western Securities (stock code: 2673)	259,000	0.01	(1,093)	–	7,133	324	0.28	8,008
Guidong Electric Power (stock code: 600310)	100	0.00	–	–	1	4,608	0.00	1
HuaXia Bank (stock code: 600015)	100	0.00	–	–	1	1	0.00	1
			(1,093)	–	7,135	4,933	0.28	8,010
Quoted fund in the Cayman Islands								
Haitong International Investment Fund	200,000	N/A	8,892	–	164,392	–	6.54	155,500
Listed shares in Hong Kong								
China Smarter Energy Group Holdings Limited (stock code: 1004)	777,736,000	9.95	–	–	559,970	559,970	22.26	511,153
Far East Holdings International Limited (stock code: 36)	11,814,000	1.08	9,216	–	16,658	7,442	0.66	24,009
Huatai Securities Co., Ltd (stock code: 6886)	2,600	0.00	(7)	1	41	48	0.00	64
Skyway Securities Group Limited (stock code: 1141)	32,500,000	0.21	357	–	6,727	6,370	0.27	15,343
Huarong International Financial Holdings Limited (stock code: 993)	150,000,000	4.49	(46,500)	–	283,500	330,000	11.27	750,000
Disposed securities				846		216,000		
			(36,934)	847	866,896	1,119,830	34.46	1,300,569
			(29,135)	847	1,038,423	1,124,763	41.28	1,464,079
Unrealised gains from investments at fair value through profit or loss – trading securities (note 6)								
			36,182					

Notes to the Condensed Consolidated Financial Statements

30 September 2016

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

Notes: (continued)

- (e) (i) Details of the Group's investments at fair value through profit or loss as at 30 September 2016:
(continued)

Name of investment	Stock code	Quantity	Disposal	Cost	Realised
			amount	HK\$'000	gain/(loss)
			HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	(Unaudited)	(Unaudited)
AIA Group Limited	#1299	1,080,000	50,336	50,369	(33)
China Development Bank Financial Leasing Co., Ltd	#1606	20,000,000	39,433	40,403	(970)
Hong Kong Exchanges and Clearing Ltd.	#388	170,000	32,980	32,591	389
Tencent Holdings Ltd.	#700	200,000	32,806	32,310	496
Carnival Group International Holdings Limited	#996	200,000,000	140,000	216,000	(76,000)
Realised losses of HK securities for the period			295,555	371,673	(76,118)
Realised gains of PRC securities for the period					47
Realised losses from investments at fair value through profit or loss – trading securities (note 6)					(76,071)

Notes to the Condensed Consolidated Financial Statements

30 September 2016

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

Notes: (continued)

- (e) (i) Details of the Group's investments at fair value through profit or loss as at 30 September 2016:
(continued)

Derivative financial instruments

Futures	Number of contract		Valuation as at			Unrealised gain/(loss) HK\$'000 (Unaudited)
			30 September 2016			
			Short	Long	Long-short	
	Short	Long	Long-short			
	Short	Long	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
10-Year U.S. Treasury Bond	0	25	—	12,690	12,690	(5)
2-Year U.S. Treasury Bond	0	70	—	29,668	29,668	(2)
3-Year U.S. Treasury Bond	0	9	—	11,729	11,729	(95)
5-Year U.S. Treasury Bond	0	43	—	10,130	10,130	(120)
3-Month Eurodollar Rate	0	132	—	253,397	253,397	(516)
E-mini S&P 500	0	45	—	37,672	37,672	(307)
Wheat	26	0	4,050	—	(4,050)	1,266
Natural Gas	0	16	—	3,603	3,603	(331)
Japanese Yen	0	9	—	8,623	8,623	24
Canadian Dollar	0	24	—	14,189	14,189	323
Corn	34	0	4,437	—	(4,437)	(14)
Platinum	0	15	—	6,013	6,013	(198)
Silver	0	8	—	5,956	5,956	238
Low Sulphur Diesel	0	14	—	4,863	4,863	387
Gasoline	0	9	—	4,203	4,203	120
Heating Oil	0	9	—	4,536	4,536	170
Coffee	0	11	—	4,845	4,845	730
Live Cattle	15	0	4,656	—	(4,656)	58
British Pound	8	0	5,036	—	(5,036)	269
Crude Oil	11	0	4,162	—	(4,162)	(105)
Copper	10	0	4,283	—	(4,283)	(82)
Cotton	0	20	—	5,276	5,276	(86)
Soybean	0	11	—	4,066	4,066	(604)
Soybean Meal	31	0	7,198	—	(7,198)	460
Gold	0	7	—	7,145	7,145	35
Swiss Franc	20	0	20,053	—	(20,053)	323
Lead	11	30	4,526	12,343	7,817	1,852
Mexican Peso	40	0	7,925	—	(7,925)	759
Euro	0	21	—	22,942	22,942	(294)
Lean Hog	25	0	3,408	—	(3,408)	491
Aluminum	132	168	42,791	54,462	11,671	(804)
Zinc	3	20	1,380	9,187	7,807	479
Australian Dollar	0	21	—	12,449	12,449	(223)
Sugar	0	26	—	5,191	5,191	(151)
Nickel	16	25	7,838	12,243	4,405	8
			121,743	557,421	435,678	4,055
Short contract receivable					121,782	
Fair value as at 30 September 2016					557,460	
Unrealised gains for the period ended						4,055
30 September 2016 — futures contracts (note 6)						4,055
Realised losses for the period ended						(8,396)
30 September 2016 — futures contracts (note 6)						(8,396)

Notes to the Condensed Consolidated Financial Statements

30 September 2016

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

Notes: (continued)

- (e) (i) Details of the Group's investments at fair value through profit or loss as at 30 September 2016: (continued)

	Fair value as at				Net realised	Net unrealised
	30 September	31 March	Investment	Disposal	loss for the	gain for the
	2016	2016	cost	amount	period ended	period ended
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	30 September	30 September
(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	2016	2016	
				HK\$'000	HK\$'000	
				(Unaudited)	(Unaudited)	
				(note 6)	(note 6)	
Call options						
China New City Commercial						
Development Limited						
(stock code: 1321)						
	—	497,000	1,400	1,600	(495,400)	—
Warrants						
Mission Capital Holdings						
Limited – Warrant						
(stock code: 1153)						
	670	638	8	—	—	32
				1,600	(495,400)	32

The above table sets out those investments which constitutes a significant portion of the net asset value of the Group.

- (ii) As at 30 September 2016, the Group has listed equity investments with carry amount of approximately HK\$559,970,000 (31 March 2016: Nil), which exceed 10% of the Group's total assets. Particulars of these investments are as follows:

Company	Place of incorporation	Principal activities	Particulars of issued share capital	Proportion of nominal value of issued capital held by the Group as at end of reporting period	Percentage to	Investment cost
					the Group's total assets as at 30 September 2016	
					%	HK\$'000
						(Unaudited)
China Smarter Energy Group Holdings Limited	Bermuda	Investment holding, trading of securities trading of fur garment and skins, and business of mining natural resources and clean energy operation	Ordinary shares of HK\$0.01 each	9.95%	11.11	511,153

Notes to the Condensed Consolidated Financial Statements

30 September 2016

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

Notes: (continued)

- (f) As at 30 September 2016, the Group's investments in listed equity securities with carrying value of approximately HK\$621,082,000 (31 March 2016: approximately HK\$835,644,000) were pledged to certain financial institutions to secure certain margin financing facilities granted to the Group for the investments.

As at 30 September 2016, the Group's investments in listed equity securities with carrying value of approximately HK\$236,250,000 (31 March 2016: approximately HK\$275,000,000) were pledged to a bank to secure a term loan granted to the Group.

- (g) Derivative financial assets are categorised as financial assets at fair value through profit or loss unless they are designated as hedges.
- (h) During the year ended 31 March 2016, the Group entered into legally binding options agreements (the "Options Agreements") with a number of independent third parties (the "Put Option Holders") whereby the Group had been granted by the Put Option Holders options to be purchased (the "Call Options") by the Group, for a period of one year, 70,000,000 ordinary shares of China New City Commercial Development Limited ("China New City") (Stock Code: 1321), a company listed on the Main Board of the Stock Exchange in Hong Kong.

The fair value of the Call Options was approximately HK\$497,000,000 for the year ended 31 March 2016 and thus an unrealised gain of approximately HK\$495,600,000 was recognised in the consolidated income statement during the year.

During the period ended 30 September 2016, the Group entered into a sale and purchase agreement with an independent third party to dispose of all 70,000,000 Call Options, at a consideration of HK\$1,600,000 in view of the declining underlying share prices of China New City. Accordingly, a realised loss of approximately HK\$495,400,000 was recognised in the condensed consolidated income statement during the period.

- (i) Futures contracts are financial instruments for trading of commodities with a financial institution. Futures contracts are measured at the quoted price in active markets. They were financed by the margin facilities granted by the financial institution. Accordingly, futures contracts with carrying value of approximately HK\$557,460,000 (31 March 2016: approximately HK\$562,678,000) were pledged to the financial institution to secure the margin facilities.

Notes to the Condensed Consolidated Financial Statements

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15. BORROWINGS

	Note	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Interest-bearing bank borrowings:	(a)		
– portion of bank borrowings due for repayment within one year or which contain a repayment on demand clause		312,894	307,861
– portion of bank borrowings due for repayment after one year but within two years		322,729	222,022
– portion of bank borrowings due for repayment after two years but within five years		130,737	258,026
Margin and other loans	(b)	537,865	613,538
Bonds due for repayment:	(c)		
– within one year		983	983
– after one year		18,524	18,951
		1,323,732	1,421,381
Less: amount classified as current liabilities		(851,742)	(922,381)
Amount classified as non-current liabilities		471,990	499,000
Analysed as:			
Secured		1,304,225	1,401,447
Unsecured		19,507	19,934
		1,323,732	1,421,381

Note:

(a) Interest-bearing bank borrowings

As at 30 September 2016, the Group has term loans with an aggregate carrying amount of approximately HK\$192,008,000 (31 March 2016: approximately HK\$119,442,000) and factoring loans with aggregate carrying amount of approximately HK\$574,352,000 (31 March 2016: approximately HK\$668,467,000). As at 30 September 2016, a portion of the term loans after one year with an aggregate carrying amount of HK\$100,000,000 (31 March 2016: HK\$100,000,000) had been reclassified under current liabilities. For the purpose of the above analysis, the borrowings were included within current interest-bearing bank borrowings and analysed into bank borrowings repayable within one year or on demand.

Notes to the Condensed Consolidated Financial Statements

30 September 2016

15. BORROWINGS (continued)

Note: (continued)

(a) Interest-bearing bank borrowings (continued)

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

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Within one year	212,894	207,861
In the second year	422,729	322,022
In the third to fifth years, inclusive	130,737	258,026
	766,360	787,909

As at 30 September 2016, approximately HK\$92,008,000 (31 March 2016: approximately HK\$19,442,000) of the Group's term loans were variable-rate borrowings which carried effective interest at 3.24% to 4.57% per annum (31 March 2016: 4.57% per annum) and approximately HK\$100,000,000 (31 March 2016: approximately HK\$100,000,000) of the Group's term loans were fixed-rate borrowings which carried effective interest rate of 6% per annum (31 March 2016: 6% per annum).

At 30 September 2016, the Group's factoring loans were fixed-rate borrowings which carried effective interest ranging from 4.35% to 8% per annum (31 March 2016: 5.10% to 8.00% per annum).

At 30 September 2016, a portion of the term loans with aggregate carrying amount of approximately HK\$18,816,000 (31 March 2016: HK\$19,442,000) was secured by bank deposit of approximately HK\$20,907,000 (31 March 2016: HK\$21,602,000). The other portion of the term loans with aggregate carrying amount of HK\$100,000,000 (31 March 2016: HK\$100,000,000) was secured by the Group's investment in listed equity securities with carrying value of approximately HK\$236,250,000 (31 March 2016: approximately HK\$275,000,000). The remaining portion of the term loans with aggregate carrying amount of approximately HK\$73,192,000 (31 March 2016: Nil) was secured by the Group's property, plant and equipment with carrying value of approximately HK\$149,213,000 (31 March 2016: Nil). At 30 September 2016, the factoring loans with aggregate carrying amount of approximately HK\$574,352,000 (31 March 2016: approximately HK\$668,467,000) were secured by finance lease receivables with aggregate carrying amount of approximately HK\$574,352,000 (31 March 2016: approximately HK\$668,467,000) and restricted bank deposit of approximately HK\$69,805,000 (31 March 2016: approximately HK\$72,127,000).

(b) Margin and other loans

As at 30 September 2016 and 31 March 2016, the Group has margin and other loans advanced by certain financial institutions for the purchases of futures contracts and trading securities which have no fixed terms of repayment and bear interest ranging from 5% to 10.25% per annum (31 March 2016: 5% to 10.25% per annum). The whole amount of approximately HK\$537,865,000 (31 March 2016: approximately HK\$613,538,000) were secured by futures contracts of approximately HK\$557,460,000 (31 March 2016: approximately HK\$562,678,000) and trading securities of approximately HK\$621,082,000 (31 March 2016: approximately HK\$835,644,000).

Notes to the Condensed Consolidated Financial Statements

30 September 2016

15. BORROWINGS (continued)

Note: (continued)

(c) Bonds

	HK\$'000
At 1 April 2016	19,934
Interest charged calculated at an effective interest rate (note 5)	573
Less: repayment during the period	(1,000)
At 30 September 2016 (unaudited)	19,507
Less: Amount classified under current liabilities	(983)
Non-current portion	18,524

As at 30 September 2016 and 31 March 2016, the Company had two outstanding bonds, (i) a 5% unsecured seven-year straight bonds with principal; amount of HK\$10,000,000 to an independent third party. The final maturity of the bond issued is in the year 2021 and (ii) a 5% unsecured seven-year straight bonds with principal amount of HK\$10,000,000 to an independent third party. The final maturity of the bond issued is in the year 2020.

(d) Offsetting arrangement

The following table presents the recognised borrowings that are subject to netting arrangement but not offset as at 30 September 2016 and 31 March 2016, and shows the net impact would be on the condensed consolidated statement of financial position if all offsetting rights were exercised.

Borrowing

	Amounts offset		Amounts not offset			Net HK\$'000
	Gross liabilities HK\$'000	Gross assets offset HK\$'000	Net amounts presented HK\$'000	Investments at fair value through profit or loss pledged (note 14(f) and 14(i)) HK\$'000	Deposits paid for derivative financial instruments HK\$'000	
At 30 September 2016						
Margin and other loans	537,865	—	537,865	1,178,542	16,300	(656,977)
At 31 March 2016						
Margin and other loans	613,538	—	613,538	1,398,322	35,061	(819,845)

Notes to the Condensed Consolidated Financial Statements

30 September 2016

16. CONVERTIBLE BONDS

Convertible bond 1 (“the CB 1”)

On 28 October 2015, the Company issued 8% denominated convertible bonds with the aggregate principal amount of US\$50,000,000 (approximately HK\$387,500,000). Each bond entitles the holder to convert to Company’s ordinary share at a conversion price of HK\$0.68 and maturity on 28 October 2018. Details of the CB 1 are set out in the Company’s circular dated 13 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 contains two components: liability and equity elements. The equity element is presented in equity heading “convertible bond equity reserve”. The effective interest rate of the liability component on initial recognition is 12.08% per annum.

Convertible bond 2 (“the CB 2”)

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

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

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

Notes to the Condensed Consolidated Financial Statements

30 September 2016

16. CONVERTIBLE BONDS (continued)**Convertible bond 3 (“the CB 3”)**

On 31 December 2015, the Company issued 7% denominated convertible bonds with the aggregate principal amount of US\$40,000,000 (approximately HK\$310,000,000). Each bond entitles the holder to convert to Company’s ordinary share at a conversion price of HK\$0.72 and maturity on 31 December 2017. Details of the CB 3 are set out in the Company’s circular dated 24 December 2015.

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

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

In August 2016, the Company early redeemed the CB 3. The fair value of the liability component on the date of redemption was approximately HK\$289,064,000. The excess of the fair value over the carrying amount of the liability component of approximately HK\$288,789,000 resulted in a loss of approximately HK\$275,000 from the redemption of the CB 3 and was recognised in the condensed consolidated income statement during the period.

Convertible bond 4 (“the CB 4”)

On 16 August 2016, the Company issued 8% denominated convertible bonds with the aggregate principal amount of US\$40,000,000 (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. Details of the CB 4 are set out in the Company’s circular dated 27 July 2016.

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 bond equity reserve”. The effective interest rate of the liability component on initial recognition is 12.88% per annum.

Notes to the Condensed Consolidated Financial Statements

30 September 2016

16. CONVERTIBLE BONDS (continued)

CB 1, CB 2, CB 3 and CB 4 (“All CBs”)

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

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

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

	CB1 HK\$'000	CB2 HK\$'000	CB 3 HK\$'000	CB 4 HK\$'000	Total HK\$'000
Principal amounts:					
Liability component	345,789	287,564	276,404	282,113	1,191,870
Equity component	41,711	22,436	33,596	27,887	125,630
Nominal value of CB					
— as at issue date	387,500	310,000	310,000	310,000	1,317,500
At 1 April 2016	363,894	291,147	282,664	—	937,705
Liability component at					
issue date	—	—	—	282,113	282,113
Imputed interest charge	21,960	15,964	14,118	4,374	56,416
Interest paid and payable	(20,893)	(12,469)	(10,850)	—	(44,212)
Transaction cost	—	3,159	2,857	—	6,016
Early redemption of CB 3	—	—	(288,789)	—	(288,789)
As at 30 September 2016 (unaudited)	364,961	297,801	—	286,487	949,249

Notes to the Condensed Consolidated Financial Statements

30 September 2016

17. ISSUED CAPITAL

Authorised and issued capital

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Authorised capital:		
2,000,000,000,000 (31 March 2016: 2,000,000,000,000) ordinary shares of HK\$0.00025 (31 March 2016: HK\$0.00025) each	500,000	500,000
Issued and fully paid:		
19,188,648,437 (31 March 2016: 19,310,448,342) ordinary shares of HK\$0.00025 (31 March 2016: HK\$0.00025) each	4,797	4,828

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	Issued capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
At 1 April 2016	19,310,448,342	4,828	3,236,117	3,240,945
Share buy-back (note)	(121,799,905)	(31)	(81,575)	(81,606)
At 30 September 2016 (unaudited)	19,188,648,437	4,797	3,154,542	3,159,339

Note: On 14 June 2016, the Company held a Special General Meeting and approved the off-market buy-back of 117,870,876 ordinary shares in the Company from China Hover Dragon Group Limited and 3,929,029 ordinary shares in the Company from Mr. Gao Chuanyi at nil consideration. The share repurchase relates to the acquisition of Hong Kong Leasing Group. The buy-back of an aggregate number of 121,799,905 shares was completed on 22 August 2016. Further details are set out in the Company's next day disclosure return dated 22 August 2016 and the Company's announcements dated 15 April 2016, 21 April 2016 and 14 June 2016.

Notes to the Condensed Consolidated Financial Statements

30 September 2016

18. ACQUISITION OF A SUBSIDIARY

On 6 September 2016, the Group acquired the entire share capital of China Innovative Finance Zhonghong from Beijing Taitong Hengye Investment Company Limited* pursuant to a sales and purchase agreement dated 2 September 2016 at a total consideration of approximately HK\$34,845,000. China Innovative Finance Zhonghong is principally engaged in factoring business, provision of consultancy services and provision of financial guarantee in Shenzhen. The consideration will be settled by cash.

As a result of the acquisition, the Group expects to diversify its business to capture the benefits from the trend of business factoring in the PRC. Goodwill of approximately HK\$26,372,000 arising from the acquisition is attributable to the cash generating unit of business factoring of the Group.

None of the goodwill recognised is expected to be deductible for income tax purpose. The following table summarises the consideration payable for the acquisition and the amounts of assets acquired and liabilities assumed recognised at the date of acquisition.

	HK\$'000
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	13
Investments at fair value through profit or loss (note 14(c))	794
Prepayments, deposits and other receivables	7,753
Cash and cash equivalents	154
Other payables and accruals	(241)
	<hr/>
Total identifiable net assets of subsidiary assumed	8,473
Goodwill (note 10)	26,372
	<hr/>
	34,845
	<hr/>
	HK\$'000
Total consideration satisfied by:	
Cash consideration payable at 30 September 2016	34,845
	<hr/>
	HK\$'000
Net cash inflow arising from the acquisition of a subsidiary:	
Cash and cash equivalents acquired	154
	<hr/>

Notes to the Condensed Consolidated Financial Statements

30 September 2016

18. ACQUISITION OF A SUBSIDIARY (continued)

Acquisition-related costs of approximately HK\$200,000 were charged to administrative expenses in the condensed consolidated income statement for the six months ended 30 September 2016.

During the six months ended 30 September 2016, China Innovative Finance Zhonghong contributed approximately HK\$82,000 to the Group's revenue since its acquisition. The loss of the Group for the six months ended 30 September 2016 included a loss of approximately HK\$89,000 contributed by China Innovative Finance Zhonghong over the same period since its acquisition. Had the acquisition been completed on 1 April 2016, the condensed consolidated income statement would have included a revenue of approximately HK\$82,000 and a loss of approximately HK\$1,067,000.

* For identification purpose only.

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 7.5 months to 5 years.

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

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Within one year	8,142	7,365
In the second to fifth years, inclusive	10,579	13,855
	18,721	21,220

Notes to the Condensed Consolidated Financial Statements

30 September 2016

20. TRANSACTIONS WITH RELATED PARTIES

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

Compensation of key management personnel of the Group:

	For the six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Short term employee benefits	8,378	1,949
Retirement benefit scheme contributions	99	18
Emolument shares	2,219	—
Total compensation paid to key management personnel	10,696	1,967

Details of the share buy-back relating to the acquisition of Hong Kong Leasing Group are disclosed in note 17.

21. FINANCIAL INSTRUMENTS**Fair value of financial assets and financial liabilities measured at amortised cost**

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

22. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS**(a) Fair value of the Group's financial assets that are measured at fair value on a recurring basis**

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices); and

Notes to the Condensed Consolidated Financial Statements

30 September 2016

22. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

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

- Level 3 fair value measurements are those derived from inputs that are unobservable for the asset or liability.

Financial assets	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs
	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)		
1) Club membership debenture	4,600	4,600	Level 2	Quoted prices in an open market taken into account the estimated transfer fee of the club membership upon sale
2) Investments in listed equity securities	874,031	1,124,763	Level 1	Quoted prices in an active market
3) Investment in quoted fund	164,392	—	Level 1	Quoted prices in quoted fund market
4) Investments in unlisted equity securities — In Hong Kong	340,800	—	Level 2	Subscription prices of other recent share allotments of those investee with other independent third parties
5) Investments in unlisted equity securities — in PRC	162,121	96,010	Level 2	Income approach
6) Call Options	—	497,000	Level 1	Quoted prices in an active market
7) Warrant	670	638	Level 1	Quoted prices in an active market
8) Futures	557,460	562,678	Level 1	Quoted prices in an active market

During the period ended 30 September 2016 and year ended 31 March 2016, the Group does not have any financial assets transferred between Level 1 and Level 2 fair value hierarchy and no transfer into or out of level 3 fair value hierarchy.

Notes to the Condensed Consolidated Financial Statements

30 September 2016

22. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)**(a) Fair value of the Group's financial assets that are measured at fair value on a recurring basis** (continued)

Financial assets measured at fair value:

	Fair value hierarchy		
	Level 1 HK\$'000	Level 2 HK\$'000	Total HK\$'000
As at 30 September 2016 (unaudited)			
Available-for-sale investments	—	4,600	4,600
Investments at fair value through profit or loss	1,596,553	502,921	2,099,474
	1,596,553	507,521	2,104,074
As at 31 March 2016 (audited)			
Available-for-sale investments	—	4,600	4,600
Investments at fair value through profit or loss	2,185,079	96,010	2,281,089
	2,185,079	100,610	2,285,689

(b) Fair value measurement and valuation process

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

In estimating the fair value of a financial asset or a financial liability, the Group uses marker-observable data to the extent it is available. Where 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 semi-annually to explain the cause of fluctuations in the fair value of the financial assets and financial liabilities.

Notes to the Condensed Consolidated Financial Statements*30 September 2016***23. EVENT AFTER THE END OF THE REPORTING PERIOD**

On 7 October 2016, the Company announced that the Company and Sea Venture Investments Limited (“Sea Venture”) entered into a supplemental deed, pursuant to which the Company and Sea Venture agreed to amend the terms of the CB 4 to the effect that the Company may, at any time prior to the maturity of the CB 4 and by giving Sea Venture not less than three trading days’ notice (or such shorter time as agreed to by Sea Venture in writing), redeem the outstanding CB 4, in whole or in part, at the Applicable Redemption Amount (as defined in the announcement of the Company dated 27 July 2016). On the same day, the Company issued a redemption notice to Sea Venture exercising its redemption right to partially redeem the CB 4 in the principal sum of US\$10,000,000 at the Applicable Redemption Amount. For further details of the early redemption of CB 4, please refer to the announcement of the Company dated 17 October 2016. The early redemption was completed on 17 October 2016.

24. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements have been reviewed by the Audit Committee of the Company and were approved and authorised for issue by the board of directors on 28 November 2016.

Chairman's Statement

On behalf of the board of directors (the "Board" or the "Directors") of China Innovative Finance Group Limited ("CIFG" or the "Company" and, together with its subsidiaries, the "Group") (stock code: 0412.HK), I am pleased to present to shareholders the interim results of CIFG for the 6 months ended 30 September 2016.

The "13th FYP" period is marked by vigorous efforts of the Chinese government to drive financial reforms, with a major focus on the building of a modernized financial regime. The "13th FYP" financial reform planning includes more in-depth reforms for financial institutions, stronger efforts in the development of financial markets, liberalisation of the financial sector in both directions and other measures. CIFG has been committed to the provision of premium financial services in active support of national policies, capitalising fully on the Group's market position and role. Positioned as an all-encompassing integrated financial service platform with full licenses, the Group made focused efforts to increase its exposure to innovative financial services and developed an extensive business network across China during the past year. Moreover, CIFG endeavoured to create strategic synergies among the new financial services under its business regime and sought to constantly diversify its product portfolio through horizontal as well as vertical cooperation, with the aim of enhancing its operating results.

During the period, the Chinese government continued to drive the development of the finance leasing sector, with a number of cities announcing rules and guidelines favourable to this business. Leveraging the opportunities created by the favourable policy environment as well as its inherent advantages, CIFG will continue to strengthen its finance leasing business with meticulous efforts.

As at 30 September 2016, the Group's business was starting to report revenue contributions, with turnover growing 11.61 times, year-on-year, to approximately HK\$114 million.

Over the past six months, CIFG has embarked on a new phase in corporate growth. With more prominent potential for growth thanks to a well-devised plan for development in the financial sector and greater maturity in its business regime, CIFG garnered increasing attention and recognition from enterprises, financial institutions and other parties in the investment market. On 23 September 2016, Shandong Hi-Speed Group Co. Limited (山東高速集團有限公司) ("Shandong Hi-Speed"), a mega-size, state-owned comprehensive business group under the supervision of Shandong Provincial State-owned Assets Supervision and Administration Commission, became a strategic shareholder of CIFG with the acquisition of 28.45% CIFG shares for a consideration of approximately HK\$1,621 million, indicating Shandong Hi-Speed's confidence in CIFG.

With the successive commissioning of "Shanghai-Hong Kong Stock Connect" and "Shenzhen-Hong Kong Connect", more Mainland China funds are expected flock into the Hong Kong capital market. The management anticipates increased turnover in the Chinese and Hong Kong stock markets and believes the Company's securities trading business will generate satisfactory revenue as a result. As the management holds an optimistic view on business opportunities in the securities market, greater effort will be made in the future to expand our securities trading business.

FUTURE PROSPECTS

Looking to the future, while the outlook for the world economy as well as economic developments in China remain obscure, the Group is confident that it will overcome any potential difficulties. CIFG will continue to grow its existing businesses and tap markets with potential for growth through a clear strategy for mergers and acquisitions, endeavouring to develop itself into an all-encompassing integrated financial service platform with full licenses. Currently, CIFG is identifying opportunities for the acquisition of asset management companies, other finance leasing companies, micro-credit companies and P2P platforms, etc, as well as actively seeking acquisitions in mature overseas financial markets, with a view to diverting the Group's business risks while generating real-time profit contributions. In the long run, overseas acquisition could enhance CIFG's reputation and channel in further overseas funds for business expansion.

Shandong Hi-Speed's financial and investment businesses are undergoing a stage of continuous development, as it enjoys dominant positions in the national as well as provincial markets for the three major financial sectors of banking, fund and insurance. Following the stake acquisition by Shandong Hi-Speed, the CIFG Board has been reshuffled. I will work vigorously to facilitate communication between the two parties and leverage the experience and resources of Shandong Hi-Speed in the financial sector to enhance the strengths of CIFG and expedite its development.

CIFG will actively identify different forms of business cooperation with Shandong Hi-Speed. In particular, we are convinced that, in the context of China's "One Belt, One Road" initiative, the infrastructure financing market will have enormous potential for growth in the future. CIFG can leverage on the market position of Shandong Hi-Speed as the largest operator of infrastructure facilities and highway transport in China to further explore the feasibility of project financing operations and investment project funds. Furthermore, the Group will also seek opportunities for cooperation with Shandong Hi-Speed in areas such as finance leasing, with a view to creating significant synergies for the financial operations of both parties.

I would like to express sincere appreciation to my fellow Directors and all employees for their contributions to and support for CIFG, as well as to all shareholders and customers for their unflinching trust. As such, we aspire to reward their support with excellent Group results.

Li Hang

Non-Executive Director and Chairman

28 November 2016

Management Discussion and Analysis

FINANCIAL RESULTS

The Board announces that the Group has made a loss of approximately HK\$551 million for the six months ended 30 September 2016 (2015: loss of approximately HK\$361 million). The loss is mainly attributable to the fair value loss arising from investments at fair value through profit or loss for the six months ended 30 September 2016 of approximately HK\$540 million (2015: loss of approximately HK\$347 million). The Group is an investment holding company with the following major lines of business:

a) Financial leasing

The financial leasing business recorded a positive result of approximately HK\$67 million for the six months ended 30 September 2016 (2015: loss of approximately HK\$6 million) which has been consolidated into the Group after the date of completion of the acquisition of the entire issued share capital of Hong Kong Leasing Limited on 1 September 2015.

b) Investments in securities

The Group's securities portfolio had an unrealised fair value loss on investments at fair value through profit or loss of approximately HK\$24 million for the six months ended 30 September 2016 and a realised loss of approximately HK\$580 million.

c) Money lending business

The money lending business has recorded a turnover of approximately HK\$9 million for the six months ended 30 September 2016 (2015: approximately HK\$2 million). The increase in turnover was mainly due to the expansion of the business, the accumulated lending principal of which amounted to approximately HK\$364 million for the six months ended 30 September 2016 (2015: HK\$45 million). The Group will continue to use a cautious approach to manage risk and upkeep the profitability of the business.

d) Asset Trading Platform

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

The Group's wholly-owned subsidiary, Shenzhen Asia-Pacific Leasing Assets Exchange Center Co., Ltd., which is based in Qianhai, and benefitting from the preferential policy of the Guangdong Free Trade Area and Qianhai-Shenzhen-Hong Kong Cooperation Area, plans to be a leading domestic and international integrated financial leasing business service provider and financial leasing transaction service platform.

Management Discussion and Analysis

The management believes that the unique financial leasing transaction platform, which is one of only seven financial transaction platforms which possess the “Trading Business Qualification”, can achieve synergy effect with other business segments of the Group to capture business opportunities in the finance leasing industry.

e) Factoring

The Group entered into a sales and purchase agreement with Beijing Taitong Hengye Investment Company Limited to acquire the entire issued share capital of China Innovative Finance Zhonghong (ShenZhen) Business Factoring Company Limited, (formerly known as Shenzhen Qianhai Haotian Zhonghong Business Factoring Company Limited) on 2 September 2016. The acquisition was completed on 6 September 2016.

The said company is principally engaged in factoring business, provision of consultancy services and provision of financial guarantee in Shenzhen.

The factoring business recorded a loss of approximately HK\$89,000 for the six months ended 30 September 2016. The management believes that the factoring business can generate a stable income source and can achieve potential business synergies with other business segments of the Group after its development stage.

PROSPECT

The Group continues to expand to a variety of financial services serving the China and Hong Kong markets and is actively seeking other acquisition and related assets investment opportunities in the area of financial services in both Greater China and other parts of the world to enhance its performance and increase shareholders’ value.

The Company has been selected as a constituent of the Hang Seng Composite LargeCap & MidCap Index, effective after the market close of 2 September 2016. This will enable the shares of the Company to be traded under the Shanghai-Hong Kong Stock Connect Scheme.

The Board is of the view that the Company’s inclusion in the two market benchmark indices represents the recognition and confidence of the capital market in the market capitalization and trading liquidity of the Company, and will expand shareholder base and trading liquidity of the Company, resulting in realisation of the value of investment in the Company and enhancement of the Company’s reputation in the capital markets.

EVENT AFTER THE END OF THE REPORTING PERIOD

On 7 October 2016, the Company announced that the Company and Sea Venture Investments Limited (“Sea Venture”) entered into a supplemental deed, pursuant to which the Company and Sea Venture agreed to amend the terms of the US\$40 million Secured Convertible Bonds to the effect that the Company may, at any time prior to the maturity of the Convertible Bonds and by giving Sea Venture not less than three trading days’ notice (or such shorter time as agreed to by Sea Venture in writing), redeem the outstanding Convertible Bonds, in whole or in part, at the Applicable Redemption Amount

Management Discussion and Analysis

(as defined in the announcement of the Company dated 27 July 2016). On the same day, the Company issued a redemption notice to Sea Venture exercising its redemption right to partially redeem the Convertible Bonds in the principal sum of US\$10 million at the Applicable Redemption Amount. The redemption was completed on 17 October 2016. For further details of the early redemption of convertible bonds, please refer to the announcement of the Company dated 17 October 2016.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2016, the Group's total assets and borrowings were approximately HK\$5,039 million and HK\$2,273 million respectively. The borrowings of the Group represented bank borrowings of HK\$1,304 million, three convertible bonds in the aggregate principal amount of HK\$949 million with a fixed rate of interest of 8% per annum and two unsecured seven-year bonds of HK\$20 million with a fixed rate of interest of 5% per annum issued by the Company. Though the convertible bonds were denominated in United States dollars, the exchange rate is relatively stable and the bonds were denominated in Hong Kong dollars, thus there is no exposure to fluctuations in exchange rate. The gearing ratio (total borrowings divided by total assets) as at 30 September 2016 was approximately 45.1% (2015: 23.7%).

CURRENCY RISK MANAGEMENT

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollar and United States dollar. The Group is mainly exposed to foreign exchange risk with respect to Renminbi which may affect the Group's performance. However, during the period under review, the Group did not experience significant exposure to exchange rate fluctuations. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of Renminbi and will closely monitor its impact on the performance of the Group and consider appropriate hedging measures in the future when necessary.

PLEDGE OF ASSETS

As at 30 September 2016, the banking facilities of the Group were secured by property, plant and equipment, finance lease receivables, restricted cash and listed equity securities of the Company.

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Group had no material contingent liabilities and capital commitment as at 30 September 2016 (31 March 2016: Nil).

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

On 14 June 2016, the Company held a Special General Meeting and approved the off-market buy-back of 117,870,876 ordinary shares in the Company from China Hover Dragon Group Limited and 3,929,029 ordinary shares in the Company from Mr. Gao Chuanyi at nil consideration. The share repurchase is related to the acquisition of Hong Kong Leasing Group. The buy-back of an aggregate number of 121,799,905 shares was completed on 22 August 2016. Further details are set out in the Company's announcements dated 15 April 2016, 21 April 2016 and 14 June 2016.

Management Discussion and Analysis

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES

The Group had no material acquisition and disposal of subsidiaries during the six months ended 30 September 2016.

EMPLOYEES, REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

As at 30 September 2016, the Group had a workforce, including directors of the Company, of 106, of which 66 were based in the PRC. Staff costs incurred and charged to profit or loss for the period including directors' remuneration was approximately HK\$23 million (2015: HK\$7 million).

The Group selects and promotes staff based on their qualification, experience and suitability for the position offered. The Group's remuneration policy aims to retain and motivate staff. Performance of staff is appraised annually to provide a base for the review of the remuneration package. The Group operates a defined contribution mandatory provident fund retirement benefits scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all its employees.

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

Share Option Scheme

On 18 August 2014, the Company adopted a share option scheme (the “Share Option Scheme”) pursuant to an ordinary resolution passed at the annual general meeting of the Company.

Details of the share options movements during the six months ended 30 September 2016 under the Share Option Scheme are as follows:

Name of category	Date of grant of share options	Number of share options					Outstanding as at 30.09.2016	Vesting period	Validity period of share options	Exercise price of share options (HK\$) per share
		Outstanding as at 01.04.2016	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period				
Director										
Yau Wai Lung	05.12.2014	169,400,000	-	-	-	-	169,400,000	-	05.12.2014 to 04.12.2024	0.42
Total		169,400,000	-	-	-	-	169,400,000			

Directors' and Chief Executive's Interest

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

As at 30 September 2016, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (the "SFO") (including interests or short positions which the directors and the chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules were as follows:

Long positions in ordinary shares and underlying shares of the Company

Name of Director/ Chief Executive	Number of Shares						Percentage of Company's issued share capital as at 30 September 2016
	Beneficial interests	Family interests	Corporate interests	Other interests	Interests in underlying shares/equity derivatives	Total Interests	
Ji Kewei (Note 1)	5,617,977	—	1,083,538,169	—	—	1,089,156,146	5.68
Yau Wai Lung (Note 2)	—	—	—	—	169,400,000	169,400,000	0.88

Notes:

- Mr. Ji Kewei is deemed to be interested in 1,083,539,169 ordinary shares of the Company (the "Shares") held by Chinanet Consultancy Limited pursuant to the Securities and Futures Ordinance (the "SFO") by virtue of Chinanet Consultancy Limited being wholly-owned by its executive director, Mr. Ji Kewei. Mr. Ji Kewei is also beneficially interested in 5,617,977 Shares.
- 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 of the Company adopted at the annual general meeting held on 18 August 2014.

Save as disclosed above, as at 30 September 2016, none of the directors and chief executive of the Company was interested in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the directors or the chief executive of the Company were taken or deemed to have under such provisions of the SFO) or which were required to be entered into the register maintained by the Company under section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interest

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

As at 30 September 2016, according to the register of interests required to be kept by the Company under Section 336 of the SFO, the following persons, other than the directors and chief executive of the Company, had interests or short positions in the shares of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in ordinary shares of the Company

Name of substantial shareholders	Capacity	Interests in underlying shares/equity derivatives	Number of shares interested	Percentage of the issued share capital as at 30 September 2016
山東高速集團有限公司 (Shandong Hi-Speed Group Co. Limited) (Note 1)	Corporate interest	—	5,459,648,350	28.45
Li Shao Yu (Note 2)	Corporate interest	—	3,547,689,650 80,729,170(S) (Note 6)	18.49 0.42
NetMind Financial Holdings Limited (formerly known as CST Mining Group Limited) (Note 3)	Corporate interest	—	1,662,330,000	8.66
Huang Rulun (Note 4)	Corporate interest	—	1,320,000,000	6.88
Ji Kewei (Note 5)	Corporate interest	—	1,083,538,169	5.65
	Beneficial interest	—	5,617,977	0.03
Wang Zi Yi	Beneficial interest	—	1,083,538,169	5.65

Substantial Shareholders' Interest

Notes:

1. 山東高速集團有限公司 (Shandong Hi-Speed Group Co. Limited) is deemed to be interested in 5,459,648,350 Shares held by Shandong Hi-Speed (Hong Kong) International Capital Limited pursuant to the SFO by virtue of Shandong Hi-Speed (Hong Kong) International Capital Limited being a subsidiary of Shandong Hi-Speed (BVI) Capital Management Limited, which in turn is a subsidiary of Shandong International (Hong Kong) Limited. Shandong International (Hong Kong) Limited is in turn a subsidiary of 山東省農村經濟開發投資公司, which is wholly-owned by 山東高速集團有限公司 (Shandong Hi-Speed Group Co. Limited).
2. Ms. Li Shao Yu is deemed to be interested in the 3,503,559,650 Shares held by Hao Tian Management (Hong Kong) Limited pursuant to the SFO by virtue of Hao Tian Management (Hong Kong) Limited being a subsidiary of Win Team Investments Limited, which is a subsidiary of Hao Tian Development Group Limited, which in turn is a subsidiary of Asia Link Capital Investment Holdings Limited, in which Ms. Li Shao Yu holds 100% beneficial interest. In addition, Ms. Li Shao Yu is deemed to be interested in the 44,130,000 Shares held by Asia Link Capital Investment Holdings Limited pursuant to the SFO by virtue of her 100% beneficial interest in Asia Link Capital Investment Holdings Limited.
3. NetMind Financial Holdings Limited (formerly known as CST Mining Group Limited) is deemed to be interested in the 1,662,330,000 Shares held by Skytop Technology Limited pursuant to the SFO by virtue of Skytop Technology Limited being a subsidiary of Perfect Touch Technology Inc., which in turn is a subsidiary of NetMind Financial Holdings Limited (formerly known as CST Mining Group Limited).
4. Mr. Huang Rulun is deemed to be interested in the 1,320,000,000 Shares held by Century Golden Resources Investment Co. Ltd. pursuant to the SFO by virtue of his controlling interest in Century Golden Resources Investment Co. Ltd.
5. Mr. Ji Kewei is deemed to be interested in 1,083,539,169 Shares held by Chinanet Consultancy Limited pursuant to the SFO by virtue of Chinanet Consultancy Limited being wholly-owned by its executive director, Mr. Ji Kewei. Mr. Ji Kewei is also beneficially interested in 5,617,977 Shares.
6. (S) – Short position.

Corporate Governance

Throughout the six months ended 30 September 2016, 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: Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between chairman and chief executive should be clearly established and set out in writing. Mr. Yau Wai Lung, an executive director, has been primarily responsible for the leadership of the Board and overall management and operation of the Company since he was appointed as the executive director on 19 August 2014. Mr. Ji Kewei has assumed the roles of both deputy chairman and chief executive of the Company, and has been in charge of the overall management of the Company since he was appointed on 11 September 2015. The Company considered that the combination of the roles of deputy chairman and chief executive could promote the efficient formulation and implementation of the Company’s strategies which enabled the Group to grasp business opportunities efficiently and promptly. On 18 October 2016, after resignation of Mr. Ji Kewei as both deputy chairman and chief executive of the Company, Mr. Li Hang, a non-executive director of the Company, was appointed as the chairman of the Company. The nomination committee of the Company is still seeking for suitable candidate to fill the casual vacancy of chief executive of the Company in order to comply with the Code Provision A.2.1.

Although 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) as specified by the Company’s bye-laws, the independent non-executive directors are not appointed for a specific term. Therefore, the Company has deviated from Code Provision A.4.1. 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 D.1.4 sets out that issuers should have formal letters of appointment for directors setting out the key terms and conditions of their appointment. The Company did not have formal letters of appointment for the independent non-executive directors. All of the directors of the Company are, however, required to refer to the guidelines set out in “A Guide on Directors’ Duties” issued by the Companies Registry and “Guidelines for Directors” and “Guide for Independent Non-Executive Directors” published by the Hong Kong Institute of Directors in performing their duties and responsibilities as directors of the Company. In the opinion of the directors, this meets the objective of the Code provision D.1.4.

Code Provision A.6.7 stipulates that independent non-executive directors and other non-executive directors should attend general meetings of the Company. For the six months ended 30 September 2016, due to overseas commitments or other prior business engagements, one non-executive director and two independent non-executive directors of the Company were unable to attend the special general meeting of the Company held on 14 June 2016 whereas one non-executive director and one independent non-executive director of the Company were unable to attend the annual general meeting of the Company held on 19 September 2016.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Code for the purposes of reviewing and providing supervision over the Group's financial reporting processes and internal controls. The audit committee comprises three independent non-executive directors of the Company. The Company's unaudited interim condensed consolidated financial statements for the six months ended 30 September 2016 have been reviewed by the audit committee of the Company.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules as the code for securities transactions by directors of the Company. Following specific enquiry by the Company, the directors have confirmed that they have complied with the required standard under the Model Code for the six months ended 30 September 2016.

CHANGES IN INFORMATION OF DIRECTOR(S) OF THE COMPANY

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in information of director(s) of the Company are as follows:

Mr. Ji Kewei has resigned as executive director, deputy chairman, chief executive and a member of each of the remuneration committee and executive committee of the Company but remained the director of two wholly-owned subsidiaries of the Company with effect from 18 October 2016.

Mr. Wang Zhenjiang has been appointed as executive director and vice president of the Company with effect from 18 October 2016. He has been appointed as member of each of the remuneration committee of the Company (the "Remuneration Committee") and the executive committee of the Company with effect from 19 October 2016.

Mr. Yau Wai Lung, the executive director of the Company, has stepped down as the chairman of the nomination committee of the Company (the "Nomination Committee") but remained as a member of the Nomination Committee, and has been appointed as a member of the Remuneration Committee with effect from 19 October 2016. His director's fee as executive director of the Company has increased from HK\$1,560,000 per annum to HK\$2,600,000 per annum with effect from 1 August 2016.

Mr. Li Hang has been appointed as non-executive director of the Company and chairman of the Board with effect from 18 October 2016. He has been appointed as a member and the chairman of the Nomination Committee with effect from 19 October 2016.

Corporate Governance

Mr. Chung Yuk Lun, the independent non-executive director of the Company, has been appointed as a member of each of the Remuneration Committee and the Nomination Committee with effect from 19 October 2016. He has been appointed as executive director of Fresh Express Delivery Holdings Group Co., Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 1175) with effect from 15 July 2016.

Mr. Cheung Wing Ping, the independent non-executive director of the Company, has resigned as executive director of Mason Financial Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (Stock code: 273) with effect from 8 September 2016.

By order of the Board
China Innovative Finance Group Limited
Yau Wai Lung
Executive Director

Hong Kong, 28 November 2016

As at the date of this report, the Company has three executive directors, being Mr. Wang Zhenjiang, Mr. Yau Wai Lung and Mr. Ma Chao; two non-executive directors, being Mr. Li Hang and Mr. Qiu Jianyang; and three independent non-executive directors, being Mr. To Shing Chuen, Mr. Chung Yuk Lun and Mr. Cheung Wing Ping.