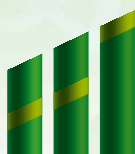


# Interim Report 2016/17



**昊天發展集團有限公司**  
**Hao Tian Development Group Limited**

(Incorporated in the Cayman Islands with limited liability)  
(Stock code: 00474)

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## CORPORATE INFORMATION

### Executive Directors

Mr. Xu Hai Ying  
Dr. Zhiliang Ou, *J.P. (Australia)*  
Mr. Fok Chi Tak

### Independent Non-Executive Directors

Mr. Chan Ming Sun, Jonathan  
Mr. Lam Kwan Sing  
Mr. Lee Chi Hwa, Joshua

### Audit Committee

Mr. Chan Ming Sun, Jonathan  
*(Chairman of Committee)*  
Mr. Lam Kwan Sing  
Mr. Lee Chi Hwa, Joshua

### Executive Committee

Mr. Xu Hai Ying  
Dr. Zhiliang Ou, *J.P. (Australia)*  
Mr. Fok Chi Tak

### Remuneration Committee

Mr. Chan Ming Sun, Jonathan  
*(Chairman of Committee)*  
Dr. Zhiliang Ou, *J.P. (Australia)*  
Mr. Lam Kwan Sing

### Nomination Committee

Dr. Zhiliang Ou, *J.P. (Australia)*  
*(Chairman of Committee)*  
Mr. Chan Ming Sun, Jonathan  
Mr. Lam Kwan Sing

### Authorized Representatives

Mr. Fok Chi Tak  
Dr. Zhiliang Ou, *J.P. (Australia)*

### Chief Executive Officer

Mr. Gao Shufang

### Company Secretary

Mr. Sit Hon Wing

### Legal Adviser

F. Zimmern & Co.  
Rooms 1002-1003  
10th Floor, York House  
The Landmark  
15 Queen's Road Central  
Hong Kong

## Auditor

Deloitte Touche Tohmatsu  
Certified Public Accountants  
35/F One Pacific Place  
88 Queensway  
Hong Kong

## Principal Bankers

The Hongkong and Shanghai Banking  
Corporation Limited  
1 Queen's Road Central  
Hong Kong

China Minsheng Banking Corp. Limited,  
Hong Kong Branch  
40/F., Two International Finance Centre  
8 Finance Street,  
Central, Hong Kong

Nanyang Commercial Bank Limited  
2/F., 359-361 Queen's Road Central,  
Hong Kong

United Overseas Bank Limited  
Suite 2110-2113, 21/F., Tower 6  
The Gateway, Harbour City, 9 Canton Road  
Tsim Sha Tsui  
Kowloon

## Principal Share Registrar and Transfer Office in Cayman Islands

Royal Bank of Canada Trust Company  
(Cayman) Limited  
4th Floor, Royal Bank House  
24 Shedden Road, George Town  
Grand Cayman KY1-1110  
Cayman Islands

## Hong Kong Branch Share Registrar And Transfer Office

Computershare Hong Kong Investor  
Services Limited  
Shops 1712-1716,  
17th Floor, Hopewell Centre  
183 Queen's Road East, Wan Chai  
Hong Kong

## Registered Office

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

## Principal Place Of Business In Hong Kong

Rooms 4917-4932, 49/F.,  
Sun Hung Kai Centre,  
30 Harbour Road, Wan Chai,  
Hong Kong

## Website

[www.haotianhk.com](http://www.haotianhk.com)

## DIRECTOR'S STATEMENT

On behalf of Hao Tian Development Group Limited (the "Company", and together with its subsidiaries, collectively the "Group"), I hereby present the interim results of the Group for the six months ended 30 September 2016 (the "period under review").

We are delighted that certain milestones had been achieved during the period under review, including the successful acquisition of a brokerage firm and the launch of the business of trading of bullion for our customers. As of the date of this report, we have also obtained approval of a licence to carry out trading of futures for our customers and we plan to commence this business by the end of 2016.

For the existing business segments, our money lending business continued to grow despite the volatile market while for the securities investment, we have partially disposed one of our major investments – China Innovative Group Finance Limited (stock code: 412) with gross proceeds of approximately HK\$516.2 million being received. Our Group is confident with the future development of the Hong Kong stock market and the money lending business, we will continue to actively participate in these business segments. During the period under review, we have also completed the acquisition of 51% of the equity stake of Fujian Nuoqi Co. Ltd. (stock code: 1353) which is principally engaged in retail of men's fashion casual wear products.

Finally, on behalf of the Board, I would like to express my sincere gratitude to all shareholders for their great support and trust, and to our directors, management and staff for their invaluable contributions to the Group. The Group will also actively develop its own businesses to achieve fabulous returns for our shareholders.

**Dr. Zhiliang Ou**

*Executive Director*

Hong Kong, 29 November 2016

## INTERIM DIVIDEND

The Board does not recommend the payment of a cash interim dividend for the six months ended 30 September 2016 (six months ended 30 September 2015: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

#### Money Lending Business

During the period under review, the money lending business of the Group generated an interest income of approximately HK\$74.8 million (2015: approximately HK\$47.1 million), representing an increase of 58.8%. The main services of this segment include money lending in respect of property mortgage loans and personal loans to customers in Hong Kong. As at 30 September 2016, the outstanding loan receivables of the money lending business of the Group (net of impairment) has reached approximately HK\$1,041.2 million (31 March 2016: approximately HK\$827.8 million).

#### Securities Investment Business (Investments held for trading)

During the period under review, the net realised losses from disposal of investments held for trading were approximately HK\$970.2 million (2015: realised gain approximately HK\$15.6 million) and the unrealised fair value losses from investments held for trading, comprising listed equity securities, were approximately HK\$328.8 million (2015: unrealised fair value gain of approximately HK\$217.5 million). The substantial losses incurred were mainly attributable to the partial disposal of China Innovative Group Finance Limited ("CIFG" and formerly known as Heritage International Holdings Limited) which incurred a realised loss of approximately HK\$970.0 million and a fair value loss for the remaining CIFG shares of approximately HK\$363.8 million. However, as of the date of this report, we have received gross proceeds of approximately HK\$516.2 million (including the gross proceeds from partial disposal of CIFG shares held as available-for-sale investments) from the partial disposal of CIFG which greatly enhanced our cashflow position and provide the Group with solid capital base to pursue other potential investments.

As of 30 September 2016, the value of listed equity securities in Hong Kong held by the Group which were classified as investments held for trading amounted to approximately HK\$3,022.6 million (31 March 2016: approximately HK\$4,860.0 million). Such amount mainly comprised of the following listed securities, namely: (1) CIFG (stock code: 412); (2) Carnival Group International Holdings Limited (stock code: 996); and (3) Imperial Pacific International Holdings Limited (stock code: 1076) (“Imperial Pacific”).

### **Investments classified as available-for-sale investments**

During the period under review, the realised gain from disposal of available-for-sale investments were approximately HK\$53.2 million (2015: approximately HK\$29.3 million). As of 30 September 2016, the value of listed equity securities in Hong Kong held by the Group which were classified as available-for-sale investments amounted to approximately HK\$982.8 million (31 March 2016: approximately HK\$1,317.5 million). Such value comprised of securities of three listed companies, namely: (1) Imperial Pacific (stock code: 1076); (2) HengTen Networks Group Limited (formerly known as Mascotte Holdings Limited) (stock code: 136); and (3) CIFG (stock code: 412). There was no material change in the portfolio composition classified under available-for-sale investments during the period and the decrease in the balance of available-for-sales investments was mainly attributable to the partial disposal of CIFG as mentioned in preceding paragraphs together with an impairment loss being recognised for another listed equity securities.

### **Trading of Futures Business**

During the period under review, the Group had incurred a loss of approximately HK\$7.2 million (2015: profit of HK\$2.1 million) in the futures trading business segment which is attributable to the volatility of the commodities market.

### **Warehousing and Logistics Business**

The Group owns parcel of land located at Ganquanbao Industrial Park, Urumqi, Xinjiang (新疆烏魯木齊市甘泉堡工業園區) with a site area of approximately 151,100 sq.m., which is designated for warehousing and logistics business purposes. During the period under review, no revenue was recorded from the warehousing and logistics business of the Group as the development was still in its preliminary stage.



## **Completion of acquisition of a brokerage firm and commencement of trading platforms for trading of bullion**

Our Group had successfully acquired the entire issued share capital of Paul Securities Limited which is principally engaged in the provision of brokerage services in Hong Kong and is a corporation licensed to carry out Type 1 activity (Dealing in Securities) under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"). The acquisition was completed on 8 August 2016.

In mid-July 2016, our Group had successfully established an electronic trading platform for customers in relation to the trading of bullion through King International Bullion Limited, an indirect wholly-owned subsidiary of the Company. There has been an increasing trend on the number of customers and the platform was well received by the market.

In October 2016, King International Futures Limited, another subsidiary which plans to adopt similar business model by using electronic trading platform for customers in the trading of futures, had successfully obtained approval from the Securities and Futures Commission of Hong Kong ("SFC") and become a corporation licensed to carry out Type 2 activity (Dealing in Futures Contract) under the SFO. We plan to commence the business of trading of futures by the end of 2016.

The Group had incurred a loss of approximately HK\$1,252.0 million for the six months ended 30 September 2016 (2015: profit of approximately HK\$13.8 million). Such loss was mainly attributable to the partial disposal of CIFG ("CIFG Disposal") of approximately HK\$970.0 million and a fair value loss for the remaining CIFG shares of approximately HK\$363.8 million as mentioned in the Business Review section. Such impact had been partially offset by the continuing growth of the money lending business and the gain on disposal of certain available-for-sales investments.

Interest income from money lending business amounted to approximately HK\$74.8 million (2015: approximately HK\$47.1 million). The increase was mainly attributable to the continual increase in the number of customers for our property mortgaged loan business and personal loan business. Interest expenses of approximately HK\$12.0 million (2015: approximately HK\$16.0 million) was incurred for bank borrowings obtained solely for the Group's money lending business. The Group financed the money lending business by external and internal resources during the period under review.



The Group recorded losses in other gains and losses from gains of HK\$68.4 million for the six months ended 30 September 2015 to losses of approximately HK\$1,462.4 million for the six months ended 30 September 2016. Such loss was mainly attributable to the fair value loss on investments held for trading of HK\$1,306.2 million (2015: fair value gain of HK\$235.2 million) which in turn was mainly attributable to the CIFG Disposal.

## Administrative Expenses

For the six months ended 30 September 2016, administrative expenses were approximately HK\$51.4 million (2015: approximately HK\$35.0 million), representing an increase of approximately HK\$16.4 million or 46.9% as compared with the same period last year. The increase was mainly due to the increase in the number of subsidiaries after the acquisition of Paul Securities Limited and the establishment of various companies under King International Financial Holdings Limited which are engaged in the trading of futures and trading of bullion.

## Finance Costs

For the six months ended 30 September 2016, the finance costs were approximately HK\$44.3 million (2015: approximately HK\$42.2 million), representing an increase of approximately HK\$2.1 million or 5.0% as compared with the same period last year. There was no material fluctuation on the level of finance costs.

## Taxation

For the six months ended 30 September 2016, net income tax credit was approximately HK\$218.9 million (2015: income tax expense of approximately HK\$37.0 million). The existence of such income tax credit was mainly due to the reversal of deferred tax expenses previously charged in relation to fair value gains on investments held for trading in previous years. Such reversal was generally in line with the existence of fair value loss on investments held for trading incurred for the six months ended 30 September 2016.

## Loss Attributable to Owners of the Company

For the six months ended 30 September 2016, the Group recorded a loss attributable to owners of the Company of approximately HK\$1,253.7 million (2015: a profit of approximately HK\$13.9 million) which was attributable to the factors as mentioned in preceding paragraphs.

## Liquidity, Capital Structure and Financial Resources

The Group mainly funds its operations from a combination of operating cash flows, borrowings and equity. As at 30 September 2016, the Group had cash and cash equivalents (including pledged bank deposits) of approximately HK\$592.6 million (31 March 2016: approximately HK\$463.2 million). The Group's working capital decreased to approximately HK\$4,457.5 million (31 March 2016: approximately HK\$5,358.7 million). Such decrease was mainly resulted from the substantial fair value loss on investments held for trading incurred during the period under review.

As at 30 September 2016, the Group had outstanding borrowings (including secured notes) of approximately HK\$718.9 million (31 March 2016: approximately HK\$831.5 million). The Group had various banking facilities from financial institutions in Hong Kong which were secured by certain assets of the Group, including the Group's available-for-sale investments of HK\$164.9 million, investments held for trading of HK\$1,664.2 million and certain bank deposits held by the Group.

On 10 April 2015, the Company entered into a subscription agreement with Asia Link Capital Investment Holdings Limited ("Asia Link"), the Company's immediate and ultimate holding company. Pursuant to this agreement, the Company issued certain warrants of the Company at a subscription price of HK\$0.4545 per share (adjusted to reflect the impact of the bonus issue took place on 5 February 2016). During the six months ended 30 September 2016, all the outstanding warrants were exercised by Asia Link and gross proceeds of approximately HK\$244.4 million was received by the Company.

Gearing ratio (being the ratio of total borrowings including secured notes to total assets) as at 30 September 2016 was 9.9% (31 March 2016: 9.9%). There was no material fluctuation in the level of gearing.

## Capital Commitment and Contingent Liabilities

As at 30 September 2016, the Group had capital commitment amounted to HK\$135.7 million (31 March 2016: HK\$140.4 million) in respect of addition of property, plant and equipment which had been contracted for but not provided for. The above capital commitments were mainly related to the development of the logistics warehousing business in Xinjiang and the development of the Camellia Oleifera Project.

The Group had no material contingent liabilities as at 30 September 2016.

## Exposure to Fluctuations in Exchange Rates

The Group's revenues and other income are denominated mainly in Hong Kong dollars ("HK\$"), United States dollars ("US\$") and Renminbi ("RMB"). The Group's purchases and expenses are mostly denominated in HK\$, US\$ and RMB. The Group has certain foreign currency bank balances and investment in foreign operations, which are exposed to foreign currency exchange risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure of the Group and will consider hedging significant foreign currency exposure should the need arises.

## Employee Information

As at 30 September 2016, the Group had a total of approximately 120 employees (31 March 2016: 69 employees) in Hong Kong and the PRC. The Group maintains a mandatory provident fund scheme for its employees in Hong Kong and participates in the state-managed retirement benefit schemes for its employees in the PRC. The Group's remuneration policies are formulated according to market practices, experiences, skills and performance of individual employee and will be reviewed every year.

The Group has also adopted a share option scheme and a share award scheme. A summary of the share option scheme of the Group will be set out in the note 29 to the condensed consolidated financial statements of the Company.

## SIGNIFICANT INVESTMENT, MATERIAL ACQUISITIONS AND DISPOSALS

### **Acquisition of 51% of equity interest in Fujian Nuoqi Co., Ltd. (“Nuoqi”)**

On 22 July 2016, Hao Tian Investment (China) Company Limited (“HT China”), a subsidiary of the Company and Nuoqi had entered into a restructuring agreement (“HT China Restructuring Agreement”) pursuant to which HT China agreed to participate in the restructuring of Nuoqi (stock code: 1353) under a reorganisation proposal approved by creditors’ meeting of Nuoqi which required HT China to pay RMB150,583,125.05 for settlement of certain creditors’ debt and the reorganisation proposal also provided 51% equity interest of Nuoqi to be transferred to HT China. The HT China Restructuring Agreement was completed on 5 September 2016. Details of the HT China Restructuring Agreement were disclosed in the announcement dated 25 July 2016.

Upon signing of the HT China Restructuring Agreement, our Group had an obligation under the Hong Kong Code on Takeovers and Mergers issued by the SFC to make a general offer to all shares of Nuoqi not already owned by our Group. In addition, Nuoqi had to submit a resumption proposal to the Stock Exchange which have to satisfy certain resumption conditions. Our Group will allocate adequate and timely resources to assist the completion of general offer, resumption of the trading of Nuoqi’s shares and to resume the normal business operation of Nuoqi.

### **Deemed partial disposal of a subsidiary and the issue of a call option by the Company**

On 22 May 2016, Hao Tian Management (Hong Kong) Limited (“HTM”), an indirect wholly-owned subsidiary of the Company which is principally engaged in securities investment, investment holding and provision of management services, entered into a subscription agreement (the “CCB Subscription Agreement”) with Vandi Investments Limited (the “Investor”), a wholly-owned subsidiary of CCB International (Holdings) Limited, pursuant to which the Investor agrees to subscribe for new shares issued and allotted by HTM at a consideration of USD40 million. The above transaction was completed on 23 August 2016. Gross proceeds of approximately HK\$311.6 million were received by HTM and HTM is now owned as to approximately 92.41% and approximately 7.59% by the Company and the Investor respectively.

On 20 July 2016, the Company, HTM and the Investor have entered into a call option deed (“CCB Option Deed”) pursuant to which the Company, without additional consideration, grants to the Investor a call option to require the Company to allot and issue new shares to the Investor at a price of HK\$0.8 per share (subject to adjustment) exercisable from the period commencing from the date of the CCB Option Deed and ending on the date that falls on the fifth anniversary thereof.

Details of the CCB Subscription Agreement and CCB Option Deed were disclosed in the Circular dated 28 June 2016.

## Significant Litigations

### **Claim against Inner-Mongolia Shuangxin Resources Group Co. Ltd (“Shuangxin”)**

On 16 May 2013, the Group filed an arbitration claim to the China International Economic and Trade Arbitration Commission (the “CIETAC”) for the outstanding amount of RMB80 million payable by Shuangxin under the sale and purchase agreement (the “Menggang Agreement”) entered into between the Group and Shuangxin in relation to the sale and purchase of Wuhai City Menggang Industrial Development Co., Ltd. and its subsidiaries.

Shuangxin initially withheld the payment of RMB80 million as a result of the issued tax demand note and subsequently withheld payment on the ground of non-fulfillment by the Group of certain terms and obligations under the Menggang Agreement. Shuangxin filed a counter-claim for RMB65 million on 8 October 2013. An arbitral award was delivered in favour of the Group on 27 June 2014. Subsequently, Shuangxin filed an application to the Beijing Second Intermediate People’s Court to set aside the arbitral award. Beijing Second Intermediate People’s Court issued a civil ruling on 18 December 2014 dismissing Shuangxin’s application for the revocation of the arbitral award. On 6 February 2015, the Group applied for the mandatory enforcement at the Ordos City Intermediate People’s Court, such application has been formally accepted on 14 May 2015. As at the date of this report, the Group had received RMB20 million and the execution procedures for enforcing the court order are still in progress.

As for the final instalment of RMB40.5 million payable by Shuangxin, which is in addition to the aforementioned RMB80 million, the Group filed an arbitration claim to the CIETAC in January 2014 and an arbitral award was delivered in favour of the Group on 3 August 2015. The Group then applied for the mandatory enforcement at the Ordos City Intermediate People's Court on 8 September 2015. Shuangxin had paid the Group an aggregate sum of approximately RMB34 million in full pursuant to the determination made by the CIETAC.

On 21 August 2014, Shuangxin filed a legal action in the Inner-Mongolia Autonomous Regional High People's Court claiming against the Group for damages in an aggregate amount of approximately RMB103 million (the "Case"). On 8 May 2015, the Group submitted an application of objection to the jurisdiction at the Inner Mongolia Autonomous Regional High People's Court. On 2 June 2015, the Mongolia Autonomous Regional High People's Court issued a civil ruling dismissing the Group's application. The Group then submitted an application for leave to appeal against such civil ruling at the Supreme People's Court of the People's Republic of China and the appeal was dismissed. On 22 March 2016, Shuangxin applied to the High People's Court of Mongolia Autonomous Region for the temporary suspension of execution with regard to the mandatory enforcement applied by the Group on 6 February 2015 and the decision was ruled in favour of Shuangxin. The Group then filed an appeal against such ruling and the appeal was dismissed on 5 May 2016. Subsequently, the High People's Court of Mongolia Autonomous Region commenced the hearing of the Case on 13 April 2016 and 17 June 2016 and the court hearing is still in progress. The Board will provide updates on the legal position of the Group as and when appropriate.

## Claim against Up Energy Development Group Limited

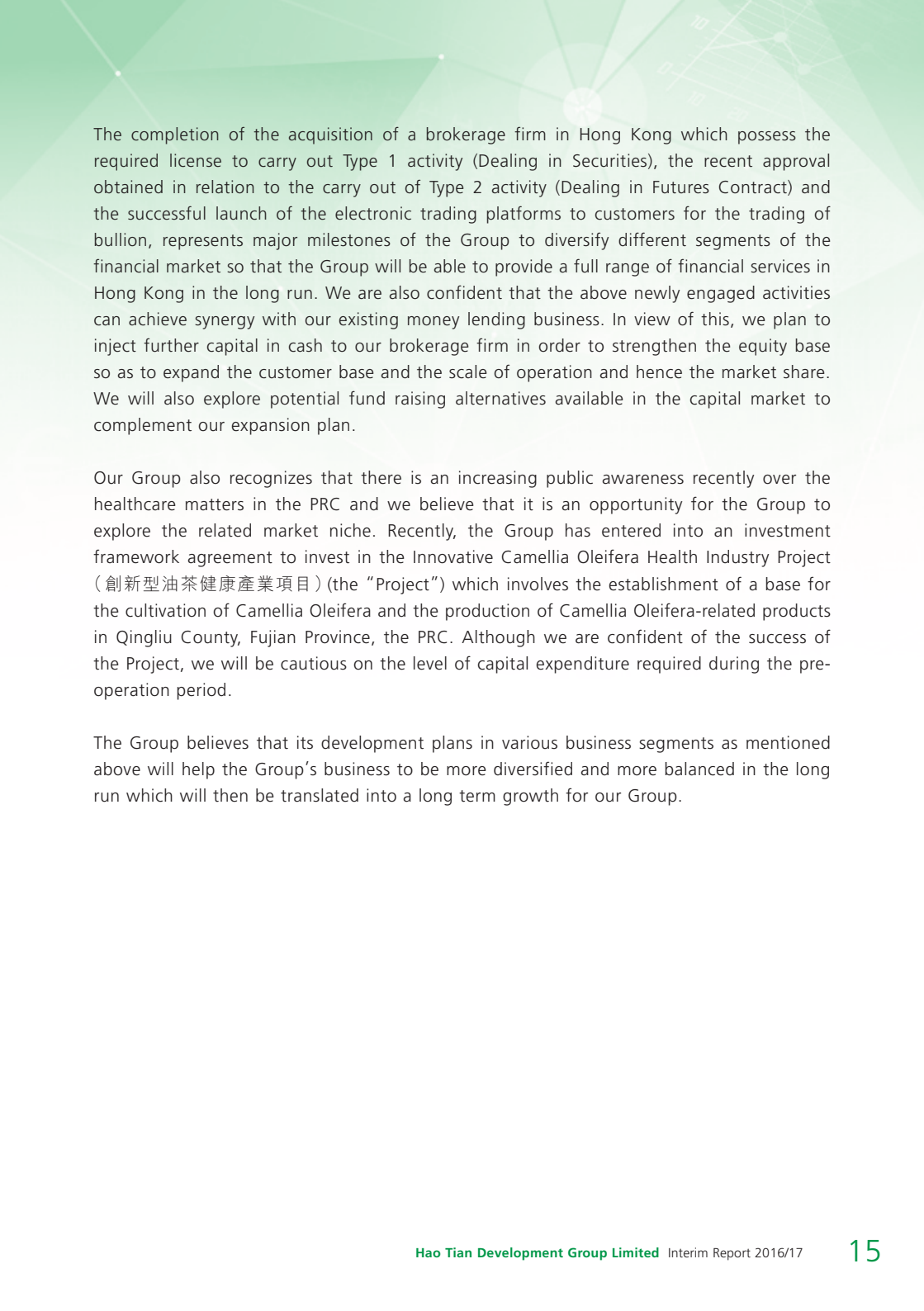
On 12 August 2016, the Company claimed against Up Energy Mining Limited and Up Energy Development Group Limited (the "Defendants") for (i) issuance of the top-up consideration shares of Up Energy Development Group Limited ("Up Energy") and (ii) cash payment pursuant to an agreement entered into between the Company as a vendor and the Defendants for the sale and purchase of shares in and assignment of shareholder's loan due from Champ Universe Limited on 12 October 2012. Details of the claim are disclosed in the announcements of the Company dated 29 June 2016 and 12 August 2016.

## Business Prospects

The volatile stock market and the fluctuations of the property market in Hong Kong had posed new challenges to our money lending businesses. The Group will cope with such business environment where opportunities and challenges co-exist, capture the opportunities in the money lending market, strive to provide diversified, high quality and tailor-made loan products and service to maintain its growth in this business segment. In view of the possible property market adjustment, the Group will also continue to strengthen the risk management on the money lending business and optimize the scale of operation.

Following the implementation of the favorable financial policies in Hong Kong, such as the Shanghai-Hong Kong Stock Connect, mutual recognition of funds and the prospective Shenzhen-Hong Kong Stock Connect, the Group is optimistic about the future equity securities markets in Hong Kong. The Group will prudently capture the opportunities in connection with trading in listed securities and continue to identify more investment opportunities to broaden investment strategy and balance investment risks. Depending on the market conditions, the Group is also considering to adjust its portfolio of securities investment and may acquire additional securities and dispose of some of the securities currently held by the Group.





The completion of the acquisition of a brokerage firm in Hong Kong which possess the required license to carry out Type 1 activity (Dealing in Securities), the recent approval obtained in relation to the carry out of Type 2 activity (Dealing in Futures Contract) and the successful launch of the electronic trading platforms to customers for the trading of bullion, represents major milestones of the Group to diversify different segments of the financial market so that the Group will be able to provide a full range of financial services in Hong Kong in the long run. We are also confident that the above newly engaged activities can achieve synergy with our existing money lending business. In view of this, we plan to inject further capital in cash to our brokerage firm in order to strengthen the equity base so as to expand the customer base and the scale of operation and hence the market share. We will also explore potential fund raising alternatives available in the capital market to complement our expansion plan.

Our Group also recognizes that there is an increasing public awareness recently over the healthcare matters in the PRC and we believe that it is an opportunity for the Group to explore the related market niche. Recently, the Group has entered into an investment framework agreement to invest in the Innovative Camellia Oleifera Health Industry Project (創新型油茶健康產業項目) (the "Project") which involves the establishment of a base for the cultivation of Camellia Oleifera and the production of Camellia Oleifera-related products in Qingliu County, Fujian Province, the PRC. Although we are confident of the success of the Project, we will be cautious on the level of capital expenditure required during the pre-operation period.

The Group believes that its development plans in various business segments as mentioned above will help the Group's business to be more diversified and more balanced in the long run which will then be translated into a long term growth for our Group.

## DISCLOSURE OF INTERESTS

### Directors' and Chief Executives' Interests and Short Positions in Shares and Underlying Shares of the Company and its Associated Corporations

As at 30 September 2016, the interests and short positions of the Directors and chief executives of the Company in shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code"), were as follows:

#### Long positions in ordinary shares and underlying shares of the Company

Name of Director/ chief executive	Capacity	Nature of interest	Number of shares held	Number of underlying shares held	Total interests	Approximate percentage of total issued share capital (Note 1)
Fok Chi Tak	Beneficial owner	Personal interest	15,723,270	666,336 (Note 2)	16,389,606	0.39%
Xu Hai Ying	Beneficial owner	Personal interest	628,931	–	628,931	0.02%
Ou Zhiliang	Beneficial owner	Personal interest	628,931	–	628,931	0.02%
Chan Ming Sun, Jonathan	Beneficial owner	Personal interest	628,931	–	628,931	0.02%
Lam Kwan Sing	Beneficial owner	Personal interest	628,931	–	628,931	0.02%
Lee Chi Hwa, Joshua	Beneficial owner	Personal interest	628,931	–	628,931	0.02%

Notes:

1. The percentage of shareholding is calculated on the basis of 4,180,092,116 shares in issue as at 30 September 2016.
2. These are the number of shares which may fall to be allotted and issued upon exercise of any subscription rights attaching to the share options granted by the Company under the share option scheme adopted on 16 May 2006.

Other than as disclosed above, as at 30 September 2016, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares and debentures of, the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## Share Option Schemes

In view of the expiration of the share option scheme adopted on 16 May 2006 (the "Former Share Option Scheme"), ordinary resolutions have been passed during the annual general meeting of the Company held on 25 September 2015 to (i) terminate the Former Share Option Scheme and (ii) adopt a new share option scheme of the Company (the "New Share Option Scheme"), which will remain valid for a period of 10 years commencing from 25 September 2015.

Upon termination of the Former Share Option Scheme, no further options may be granted under the Former Share Option Scheme but the provisions of the Former Share Option Scheme will continue to apply to options granted and remained outstanding before such termination. As at the date of this report, there is no outstanding share options under the Former Share Option Scheme.

The Company has adopted a New Share Option Scheme on 25 September 2015. The purpose of the New Share Option Scheme is to recognize and motivate the contribution of the eligible persons to the Company and/or any of its subsidiaries and/or any invested entities.

Pursuant to the New Share Option Scheme, the Company may grant options to, inter alia, (i) any employee including executive directors of the Company, any subsidiary or any invested entity, (ii) any non-executive director of the Company, any subsidiary or any invested entity, (iii) any shareholder of the Company, any subsidiary or any invested entity, (iv) any person that provides research, development or other technological support to the Company, any subsidiary or any invested entity, (v) any supplier of goods and (vi) any business consultant, joint venture or business partner, advisers.

The exercise period of an option under the New Share Option Scheme will be notified by the Board to each grantee which shall not exceed 10 years from the date upon which the option is deemed to be granted and accepted. The New Share Option Scheme does not require a minimum period for which an option must be held before an option can be exercised. Upon acceptance of the option, the grantee shall pay HK\$1.00 to the Company as consideration for the grant. The subscription price for the Shares subject to options will be a price determined by the Board and notified to each grantee and will be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.

The maximum number of Shares that can be issued upon exercise of options that may be granted under the New Share Option Scheme is 328,430,310 Shares, representing approximately 7.86% of the entire issued share capital of the Company as at the date of this report. The total number of Shares issued and to be issued upon exercise of the options granted to a grantee under the New Share Option Scheme (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the issued share capital from time to time unless approval from shareholders of the Company in general meeting is obtained with such grantee and his/her associates abstaining from voting.

The New Share Option Scheme shall remain valid for a period of 10 years commencing from 25 September 2015.

Further details regarding the principal terms of the New Share Option Scheme was set out in the circular of the Company dated 27 August 2015.

As at the date of this report, 5,000,000 share options have been granted and remained outstanding under the New Share Option Scheme and 323,430,310 share options remained available for grant, representing approximately 7.74% of the entire issued share capital of the Company as at the date of this report.

Details of movements in the share options granted under the Former Share Option Scheme and New Share Option Scheme during the six months ended 30 September 2016 are set out in note 29 to the condensed consolidated financial statements.

## Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 30 September 2016, so far as is known to the Directors or chief executive of the Company, the following entities (other than a Director or chief executive of the Company) have interests or short positions of 5% or more in the shares and underlying shares of the Company which were recorded in the register of substantial shareholders maintained under Section 336 of the SFO or had otherwise notified to the Company:

Name of shareholder	Number of shares held	Number of underlying shares held	Capacity	Total interests	Approximate percentage of total issued share capital (Note 1)
Li Shao Yu ("Ms. Li")	2,581,498,949 (note 2) 4,780,322 (note 3)		Interest of controlled corporations Beneficial Owner	2,586,279,271	61.87%
Asia Link Capital Investment Holdings Limited ("Asia Link")	2,581,498,949		Beneficial owner	2,581,498,949	61.76%
Central Huijin Investment Limited ("Central Huijin") (note 5)		389,940,000 (note 4)	Interest of controlled corporation	389,940,000	9.33%
China Construction Bank Corporation ("China Construction") (note 5)		389,940,000 (note 4)	Interest of controlled corporation	389,940,000	9.33%

Notes:

1. The percentage of shareholding is calculated on the basis of 4,180,092,116 shares in issue as at 30 September 2016.
2. These shares were held directly by Asia Link, which was beneficially wholly-owned by Ms. Li.
3. Ms. Li held 4,780,322 shares directly.

4. These are the number of shares which may fall to be allotted and issued upon exercise in full of the call option granted by the Company under the call option deed dated 20 July 2016 (the "Call Option") entered into between the Company, Hao Tian Management (Hong Kong) Limited and Vandi Investment Limited. Details of the call option deed have been disclosed in the announcements of the Company dated 22 May 2016 and 21 July 2016.
5. China Construction, through Vandi Investment Limited, which is its indirect wholly-owned subsidiary, held the Call Option. Central Huijin held 57.13% shareholding in China Construction.

Save as disclosed above, as at 30 September 2016, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares or debentures of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## CORPORATE GOVERNANCE

### Compliance with the Corporate Governance Code

The Company is committed to maintain a high standard of corporate governance, the principles of which serve to uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business and to ensure that affairs are conducted in accordance with applicable laws and regulations and in the interests of its Shareholders.

The Company has applied the principles and complied with all relevant code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the six months ended 30 September 2016, save and except Code Provisions A.2.1 and A.5.1:

**(i) Roles of chairman and chief executive officer performed by the Board collectively**

Before 15 August 2016, the Company did not have a chief executive officer and the role of chairman was performed by the Board collectively. Having considered the business operation of the Group at the material time, the Directors considered that the Board can achieve effective functioning of the Board and other members of the senior management can oversee the day-to-day management of the Group.

On 15 August 2016, the Company has appointed Mr. Gao Shufang as the chief executive officer of the Company, thus the responsibilities between the chairman and chief executive officer are separate and not performed by the same individual.

**(ii) The Nomination Committee is not chaired by independent non-executive Director**

The Nomination Committee is chaired by an executive Director instead of an independent non-executive Director because the Board believed that an executive Director involved in the daily operations of the Company may be better positioned to review the composition of the Board so as to complement the Group's corporate strategy.

Save for the aforesaid, the Board is of the view that the Company has complied with the code provisions as set out in the Corporate Governance Code during the period and up to the date of this report.



## **Compliance with the Model Code**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors’ securities transaction. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the period and they all confirmed having fully complied with the required standard set out in the Model Code.

## **Purchase, Sales or Redemption of Securities**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities during the six months ended 30 September 2016.

## **Grant of General Mandate**

On 26 September 2016, an ordinary resolution approving the grant of general mandate to issue new shares was duly passed by way of poll in the Annual General Meeting of the Company (“AGM”). The general mandate granted the directors of the Company the authority to allot, issue and deal with new shares with an aggregate nominal amount of not exceeding 20% of the issued share capital of the Company as at the date of the AGM.

## **Audit Committee**

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and the internal controls and unaudited condensed consolidated interim financial information of the Group for the six months ended 30 September 2016. Such condensed consolidated interim financial information of the Group has not been audited but has been reviewed by the Company’s independent auditor.

# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

**Deloitte.**

德勤

**TO THE BOARD OF DIRECTORS OF HAO TIAN DEVELOPMENT GROUP LIMITED**

昊天發展集團有限公司

*(incorporated in the Cayman Islands with limited liability)*

## Introduction

We have reviewed the condensed consolidated financial statements of Hao Tian Development Group Limited (the “Company”) and its subsidiaries set out on pages 25 to 80, which comprise the condensed consolidated statement of financial position as of 30 September 2016 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

29 November 2016

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

For the six months ended 30 September 2016

	NOTES	Six months ended 30 September	
		2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Revenue	3	<b>78,395</b>	47,064
Gross proceeds from sale of investments held for trading		<b>646,659</b>	714,969
<b>Total</b>		<b>725,054</b>	762,033
Revenue	3	<b>78,395</b>	47,064
Other income	5	<b>8,993</b>	12,653
Other gains and losses	5	<b>(1,462,359)</b>	68,363
Administrative expenses		<b>(51,385)</b>	(35,026)
Share of result of an associate		<b>(254)</b>	–
Finance costs	6	<b>(44,301)</b>	(42,240)
(Loss) profit before taxation		<b>(1,470,911)</b>	50,814
Taxation credit (charge)	7	<b>218,886</b>	(37,014)
(Loss) profit for the period	8	<b>(1,252,025)</b>	13,800

		<b>Six months ended 30 September</b>	
		<b>2016</b>	2015
NOTES		<b>HK\$'000</b>	HK\$'000
		<b>(unaudited)</b>	(unaudited)
Other comprehensive (expense) income:			
Items that may be subsequently reclassified to profit or loss:			
	Exchange differences on translation of financial instruments of foreign operations	<b>(4,556)</b>	(5,842)
	Net fair value (loss) gain on available-for-sale investments:		
	– Impairment loss recognised	<b>56,227</b>	–
	– Fair value change during the period	<b>(258,893)</b>	516,042
	– Reclassified to profit or loss upon disposal	<b>(53,212)</b>	(29,300)
Other comprehensive (expense) income for the period (net of tax)		<b>(260,434)</b>	480,900
Total comprehensive (expense) income for the period		<b>(1,512,459)</b>	494,700
(Loss) profit for the period attributable to:			
	Owners of the Company	<b>(1,253,646)</b>	13,899
	Non-controlling interests	<b>1,621</b>	(99)
		<b>(1,252,025)</b>	13,800
Total comprehensive (expense) income for the period attributable to:			
	Owners of the Company	<b>(1,526,828)</b>	503,468
	Non-controlling interests	<b>14,369</b>	(8,768)
		<b>(1,512,459)</b>	494,700
(Restated)			
(Loss) earnings per share			
	Basic (HK cents)	<b>(30.57)</b>	0.41
	Diluted (HK cents)	<b>(30.57)</b>	0.40

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2016

	NOTES	30.9.2016 HK\$'000 (unaudited)	31.3.2016 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	11	<b>82,150</b>	82,202
Prepaid lease payment	12	<b>15,763</b>	16,480
Premium over prepaid lease payment	13	<b>129,182</b>	130,542
Intangible assets		<b>11,000</b>	–
Available-for-sale investments	15	<b>1,229,612</b>	1,399,486
Financial assets designated at fair value through profit or loss	16	<b>22,727</b>	24,252
Loan receivables	17	<b>120,237</b>	118,569
Investment in an associate	18	<b>2,080</b>	–
Deposits		<b>1,132</b>	964
		<b>1,613,883</b>	1,772,495
<b>Current assets</b>			
Inventories		<b>3,023</b>	407
Trade and bills receivables	19	<b>67,167</b>	36,226
Other receivables, deposits and prepayments		<b>381,281</b>	48,027
Loan receivables	17	<b>920,981</b>	709,220
Derivative financial instruments	16	–	466,150
Consideration receivables	20	<b>585,888</b>	72,120
Investments held for trading	21	<b>3,026,182</b>	4,860,141
Prepaid lease payment	12	<b>370</b>	370
Pledged bank deposits		<b>35,229</b>	167,424
Bank balances, trust and segregated accounts		<b>38,195</b>	–
Bank balances and cash		<b>557,407</b>	295,782
		<b>5,615,723</b>	6,655,867

	NOTES	30.9.2016 HK\$'000 (unaudited)	31.3.2016 HK\$'000 (audited)
Current liabilities			
Trade payables	23	53,915	–
Other payables, deposits received and accruals		51,353	16,287
Borrowings	24	339,877	463,894
Secured notes	22	214,483	203,074
Derivative financial instruments	16	145,088	41,515
Tax payables		14,613	5,018
Deferred tax liability	26	338,863	567,335
		<b>1,158,192</b>	1,297,123
Net current assets		<b>4,457,531</b>	5,358,744
Total assets less current liabilities		<b>6,071,414</b>	7,131,239
Non-current liabilities			
Borrowings	24	164,550	164,550
Other long term liability		102,525	98,560
		<b>267,075</b>	263,110
Net assets		<b>5,804,339</b>	6,868,129
Capital and reserves			
Share capital	27	41,801	36,423
Reserves		5,330,567	6,623,458
Equity attributable to owners of the Company		<b>5,372,368</b>	6,659,881
Non-controlling interests		<b>431,971</b>	208,248
Total equity		<b>5,804,339</b>	6,868,129



# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2016

	Share capital HK\$'000	Share premium HK\$'000	Warrant reserve HK\$'000	Statutory surplus reserve HK\$'000 (Note a)	Share options reserve HK\$'000	Asset revaluation reserve HK\$'000	Special reserve HK\$'000 (Note b)	Translation reserve HK\$'000	Other reserve HK\$'000 (Note c)	Put option reserve HK\$'000 (Note d)	Accumulated profits HK\$'000	Total attributable to owners of the Company HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
<b>Six months ended 30 September 2016</b>														
At 1 April 2016 (audited)	36,423	3,647,206	386,850	3,539	4,220	1,122,426	(5,754)	(1,710)	(92,041)	5,238	1,552,984	6,659,881	208,248	6,868,129
Loss for the period	-	-	-	-	-	-	-	-	-	-	(1,233,646)	(1,233,646)	1,621	(1,232,025)
Other comprehensive (expense) income	-	-	-	-	-	(288,626)	(4,556)	-	-	-	-	(273,182)	12,748	(260,434)
Total comprehensive (expense) income for the period	-	-	-	-	-	(288,626)	(4,556)	-	-	-	(1,233,646)	(1,526,828)	14,369	(1,512,459)
Share options lapsed	-	-	-	-	(3,654)	-	-	-	-	-	3,654	-	-	-
Issue of new shares upon exercise of warrants	5,378	625,877	(386,850)	-	-	-	-	-	-	-	-	244,405	-	244,405
Capital injection from non-controlling shareholders of a subsidiary (Note Z5)	-	-	-	-	-	-	-	-	(5,490)	-	-	(5,490)	289,354	203,864
Recognition of equity-settled share-based payments	-	-	-	-	400	-	-	-	-	-	-	400	-	400
At 30 September 2016 (unaudited)	41,801	4,273,083	-	3,539	966	853,800	(5,754)	(5,766)	(97,531)	5,238	302,992	5,372,388	431,971	5,804,359

	Share capital HK\$'000	Share premium HK\$'000	Share warrant reserve HK\$'000	Statutory surplus reserve HK\$'000 (Note a)	Share options reserve HK\$'000	Asset revaluation reserve HK\$'000	Special reserve HK\$'000 (Note b)	Transition reserve HK\$'000	Other reserve HK\$'000 (Note c)	Put option reserve HK\$'000 (Note d)	Accumulated profits HK\$'000	Total attributable to owners of the Company HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
Six months ended 30 September 2015														
At 1 April 2015 (audited)	29,443	3,302,172	-	3,539	7,178	561,598	(5,754)	1,635	-	-	1,025,499	4,925,310	-	4,925,310
Profit for the period	-	-	-	-	-	-	-	-	-	-	13,899	13,899	(99)	13,800
Other comprehensive income (expense)	-	-	-	-	-	495,411	(5,842)	(5,842)	-	-	-	489,569	(8,659)	480,900
Total comprehensive income (expense) for the period	-	-	-	-	-	495,411	(5,842)	(5,842)	-	-	13,899	503,468	(8,768)	494,700
Issue of warrants	-	-	466,611	-	-	-	-	-	-	-	-	466,611	-	466,611
Transaction cost attributable to issue of warrants	-	-	(627)	-	-	-	-	-	-	-	-	(627)	-	(627)
Share options lapsed	-	-	-	-	(3,087)	-	-	-	-	-	3,087	-	-	-
Issue of new shares upon exercise of warrants	1,000	128,134	(79,134)	-	-	-	-	-	-	-	-	50,000	-	50,000
Issue of new shares	2,400	213,600	-	-	-	-	-	-	-	-	-	216,000	-	216,000
Transaction cost attributable to issue of new shares upon placing	-	(2,234)	-	-	-	-	-	-	-	-	-	(2,234)	-	(2,234)
Capital injection from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	-	(750)	-	-	(750)	300,750	300,000
Issue of written put option	-	-	-	-	-	-	-	-	(91,291)	5,238	-	(86,053)	-	(86,053)
At 30 September 2015 (unaudited)	32,843	3,641,672	386,850	3,539	4,081	1,057,009	(5,754)	(4,207)	(9,041)	5,238	1,042,485	6,071,725	291,982	6,363,707

Notes:

- (a) As stipulated by the relevant laws and regulations of the People's Republic of China ("PRC"), before distribution of the net profit each year, the Group's subsidiaries established in the PRC shall set aside 10% of its net profit after taxation to the statutory surplus reserve. The reserve fund can only be used, upon approval by the board of directors of these PRC established subsidiaries and by the relevant authority, to offset accumulated losses or increase capital. There was no transfer from retained profits to the statutory reserve since the Group's PRC subsidiaries incurred net loss for both periods.
- (b) Special reserve of HK\$5,754,000 represents the difference between the nominal amount of share capital issued by Winbox (BVI) Limited and the Company and the nominal amount of the share capital of the acquired subsidiaries and Winbox (BVI) Limited respectively arisen from a group reorganisation occurred in prior years.
- (c) Other reserve represents (i) the difference between the fair value of the capital injections from non-controlling shareholders and the carrying amount of the subsidiary attributable to the non-controlling interests arisen from the effect of changes in the Group's ownership interests in existing subsidiaries without losing control; and (ii) the fair value of the gross liability of written put option issued by the Company.
- (d) Put option reserve represents the fair value of the put option issued by the Company on date of issue, 13 May 2015.

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	NOTE	Six months ended 30 September	
		2016	2015
		HK\$'000 (unaudited)	HK\$'000 (unaudited)
NET CASH USED IN OPERATING ACTIVITIES		<b>(105,129)</b>	(226,222)
INVESTING ACTIVITIES			
Purchases of property, plant and equipment		<b>(2,511)</b>	(6,025)
Proceeds from disposal of property, plant and equipment		<b>684</b>	1,161
Withdrawal (placement) of pledged bank deposits		<b>129,225</b>	(138,879)
Purchases of available-for-sale investments		<b>(178,225)</b>	–
Dividend received from available-for-sale investments		<b>1,988</b>	2,842
Proceeds from disposal of available-for-sale investments		–	43,593
Net cash used in acquisition of a subsidiary	14	<b>(10,325)</b>	–
Collection of consideration receivable from disposal of subsidiaries		–	24,358
Interest received		<b>5,819</b>	2,905
NET CASH USED IN INVESTING ACTIVITIES		<b>(53,345)</b>	(70,045)
FINANCING ACTIVITIES			
Interest paid		<b>(15,645)</b>	(34,339)
Net proceeds from issue of secured notes		–	230,724
Borrowings raised		<b>5,795</b>	148,341
Repayment of borrowings		<b>(129,812)</b>	(551,832)
Proceeds from issue of bonds		–	20,000
Issuance cost of bonds		–	(2,900)
Issuance cost of warrants		–	(627)
Net proceeds from issue of new shares		–	213,766
Net proceeds from issue of new shares upon exercise of warrants		<b>244,405</b>	50,000
Proceeds from issue of warrants		–	589
Capital injection from non-controlling shareholders of a subsidiary		<b>311,561</b>	300,000
NET CASH FROM FINANCING ACTIVITIES		<b>416,304</b>	373,722

	Six months ended 30 September	
	2016	2015
NOTE	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
NET INCREASE IN CASH AND CASH EQUIVALENTS	<b>257,830</b>	77,455
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	<b>295,782</b>	203,575
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<b>3,795</b>	1,382
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD REPRESENTED BY BANK BALANCE AND CASH	<b>557,407</b>	282,412

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap. 22 (Laws 3 of 1961, as consolidated and revised) of the Cayman Islands.

The principal activities of the Company are investment holding and provision of management services to its subsidiaries. The principal activities of its subsidiaries include: (i) money lending; (ii) securities investment; (iii) trading of futures; and (iv) provision of commodities and securities brokerage service.

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as 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 “Stock Exchange”).

### 1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The Group has the following significant events and transactions during the current interim period:

- (i) The Group has commenced its business in provision of commodities brokerage service through incorporation of a wholly owned subsidiary, King International Bullion Limited, on 29 March 2016. Besides, following the acquisition of the entire issued share capital of Paul Securities Limited (see Note 14 for details), the Group has commenced its business in provision of securities brokerage service. The provision of commodities and securities brokerage services has become a separate reportable segment of the Group during the current interim period.

## 1. GENERAL INFORMATION AND BASIS OF PREPARATION *(Continued)*

### 1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD *(Continued)*

- (ii) On 22 July 2016, Hao Tian Investment (China) Company Limited (“Hao Tian China”), an indirect wholly-owned subsidiary of the Company, and Fujian Nuoci Co., Ltd. (“Fujian Nuoci”) entered into a restructuring agreement (the “HT China Restructuring Agreement”). Pursuant to the HT China Restructuring Agreement, Hao Tian China conditionally agreed to: (i) participate in the restructuring of Fujian Nuoci, as the party responsible for restructuring under reorganisation plan; and (ii) Hao Tian China conditionally agreed to pay RMB150,583,000 (equivalent to HK\$174,978,000) for the retention of Fujian Nuoci’s assets which included, among others, land use rights, properties and other office equipment, these assets shall be retained by Fujian Nuoci for its future business operations as well as 51% equity interest in Fujian Nuoci. Fujian Nuoci is a joint stock limited liability company incorporated under the laws of the PRC and the H Shares of which are listed on the Main Board of the Stock Exchange. The equity transfer of Fujian Nuoci was completed on 5 September 2016. As at 30 September 2016, the investment in 51% equity interest of Fujian Nuoci is classified as available-for-sale investment.
  
- (iii) On 22 May 2016, Hao Tian Management (Hong Kong) Limited (“Hao Tian Management”), an indirect wholly-owned subsidiary of the Company, entered into a subscription agreement (the “HTM Subscription Agreement”) with Vandī Investments Limited (“Vandī”), an independent third party, pursuant to which, Vandī agreed to subscribe for, and Hao Tian Management agreed to issue, 821 new ordinary shares for a consideration of US\$40 million (equivalent to HK\$311,561,000) (the “HTM Subscription”). The HTM Subscription was completed on 23 August 2016. Upon the completion of the HTM subscription, Hao Tian Management remains as an indirect non-wholly owned subsidiary of the Company and will be owned as to approximately 92.41% and approximately 7.59% by the Company and Vandī respectively. As part of the HTM Subscription Agreement, upon the completion of the HTM Subscription, the Company entered into a call option deed (“Call Option Deed”) with Vandī, pursuant to which, the Company granted a call option to Vandī to subscribe up to 389,940,000 shares of the Company (the “HTD Option”) at an exercise price of HK\$0.8 per share.



## 1. GENERAL INFORMATION AND BASIS OF PREPARATION *(Continued)*

### 1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

*(Continued)*

- (iv) On 29 June 2016, the Group exercised the Put Options and requested Up Energy to issue additional consideration shares in accordance with the Top-up Options (as defined in Note 16(ii)) and recognised loss on change in fair value of HK\$127,281,000.
- (v) The Group recognised fair value loss of HK\$1,306,233,000 on its investments held-for-trading during the current interim period.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2016 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2016. In addition, the Group has applied the following accounting policies as they became applicable to the Group during the period.

In the current interim period, the Group has applied, for the first time, the following new amendments to Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRSs	Annual improvements to HKFRSs 2012 – 2014 cycle
Amendments to HKAS 1	Disclosure initiative
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
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

The application of the above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

### 3. REVENUE

Revenue represents interest income generated from lending of money to outside borrowers.

Income from rendering of services is recognised when the services are provided.

### 4. SEGMENT INFORMATION

The Group is currently organised into below operating divisions:

- (a) Money lending
- (b) Securities investment
- (c) Trading of futures
- (d) Commodities and securities brokerage

During the current interim period, the Group has commenced its business in provision of commodities and securities brokerage services, which has been regarded as a reportable segment of the Group since then.

The operating divisions are the basis of internal reports about components of the Group that are regularly reviewed by the executive directors of the Company, being the chief operating decision maker, in order to allocate resources to segments and to assess their performance.

No segment assets and liabilities are presented as the chief operating decision maker does not regularly review segment assets and liabilities.

#### 4. SEGMENT INFORMATION (Continued)

Information regarding the above segments from is reported below:

##### For the six months ended 30 September 2016

	Money lending HK\$'000 (unaudited)	Securities investment HK\$'000 (unaudited)	Trading of futures HK\$'000 (unaudited)	Commodities and securities brokerage HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue	74,785	-	-	3,610	78,395
Segment results	67,798	(1,299,036)	(7,197)	(5,006)	(1,243,441)
Other income					8,933
Other gains and losses					(156,126)
Central administration costs					(35,722)
Finance costs					(44,301)
Share of result of an associate					(254)
Loss before taxation					(1,470,911)

#### 4. SEGMENT INFORMATION (Continued)

For the six months ended 30 September 2015

	Money lending HK\$'000 (unaudited)	Securities investment HK\$'000 (unaudited)	Trading of futures HK\$'000 (unaudited)	Consolidated HK\$'000 (unaudited)
Segment revenue	47,064	-	-	47,064
Segment results	41,848	233,022	2,138	277,008
Other income				12,653
Other gains and losses				(166,797)
Central administration costs				(29,810)
Finance costs				(42,240)
Profit before taxation				50,814

Segment results represent the profit earned or loss incurred by each segment without allocation of other income, other gains and losses (other than fair value change on investments held for trading), central administration costs and finance costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

## 5. OTHER INCOME/OTHER GAINS AND LOSSES

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
<u>Other income</u>		
Dividend income from available-for-sale investments	1,988	2,842
Interest earned on bank deposits	4,818	2,905
Sundry income	2,187	6,906
	<b>8,993</b>	12,653
<u>Other gains and losses</u>		
Fair value (loss) gain on investments held for trading (Note a)	(1,306,233)	235,160
Impairment loss on available-for-sale investments	(69,627)	–
Fair value (loss) gain on derivative financial instruments	(124,682)	283,039
Loss on disposal of property, plant and equipment	(54)	(10)
Fair value of put option at initial recognition	–	(5,238)
Gain on disposal of available-for-sale investments	53,212	29,300
Impairment loss of loan receivables and interest receivables	(2,677)	–
Net exchange loss	(12,298)	(7,866)
Loss on issuance of warrants (Note b)	–	(466,022)
	<b>(1,462,359)</b>	68,363

## 5. OTHER INCOME/OTHER GAINS AND LOSSES (Continued)

Notes:

- (a) During the six months ended 30 September 2016, realised loss of HK\$970,226,000 (six months ended 30 September 2015: realised gain of HK\$15,577,000) was recognised for the Group's investments held for trading.
- (b) On 10 April 2015, the Company entered into a subscription agreement with Asia Link Capital Investment Holdings Limited ("Asia Link"), the Company's immediate and ultimate holding company. Pursuant to this agreement, the Company issued 588,858,000 warrants of the Company at issue price of HK\$0.001 per warrant and the subscription price for each underlying share for each warrant shall be HK\$0.50. The subscription was completed on 2 July 2015 and proceeds of HK\$589,000 were received on the same date. The share price of the Company on the date of issue was HK\$1.21 per share. In accordance with the valuation performed by Roma Appraisals Limited, an independent professional valuer, the fair value of the warrants as at the date of issue, by using Binomial Option Pricing Model, was estimated at HK\$466,611,000 which represented HK\$0.7924 per warrant granted. The difference between the fair value of the warrants and the proceeds received, i.e. HK\$466,022,000, was charged to the condensed consolidated statement of profit or loss and other comprehensive income during the six months ended 30 September 2015. Details of the issue of warrants are set out in the Company's circular dated 31 May 2015.

## 6. FINANCE COSTS

	Six months ended 30 September	
	2016 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)
Interest expenses on borrowings	40,336	36,036
Issuance cost of corporate bonds	–	2,900
Interest on other long term liability	3,965	3,304
	<b>44,301</b>	<b>42,240</b>

## 6. FINANCE COSTS *(Continued)*

During the six months ended 30 September 2016, interest expenses of approximately HK\$11,968,000 (six months ended 30 September 2015: HK\$15,993,000) was incurred for borrowings obtained solely for the Group's money lending business.

## 7. TAXATION (CREDIT) CHARGE

	Six months ended 30 September	
	2016	2015
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong:		
Current tax	9,586	874
Deferred tax (Note 26)	<u>(228,472)</u>	<u>36,140</u>
Income tax (credit) charge	<u>(218,886)</u>	<u>37,014</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

## 8. (LOSS) PROFIT FOR THE PERIOD

Six months ended 30 September	
2016	2015
HK\$'000	HK\$'000
<b>(unaudited)</b>	<b>(unaudited)</b>

(Loss) profit for the period has been arrived at after charging:

Amortisation of prepaid lease payment	174	183
Amortisation of premium over prepaid lease payment	1,360	1,359
Depreciation of property, plant and equipment	2,513	2,822
Staff costs (including directors' emoluments)		
Fees, salaries, bonus and other allowances	17,244	11,876
Retirement benefit scheme contributions	428	241
Share-based payments	400	–
	<b>18,072</b>	<b>12,117</b>

## 9. DIVIDEND

The directors of the Company do not recommend the payment of interim dividend for the six months ended 30 September 2016 and 2015.



## 10. (LOSS) EARNINGS PER SHARE

The calculation of basic and diluted (loss) earnings per share for the current and prior periods attributable to the owners of the Company is based on the following data:

Six months ended 30 September	
2016	2015
HK\$'000	HK\$'000
<b>(unaudited)</b>	(unaudited)

### (Loss) Earnings

(Loss) earnings for the purpose of basic and diluted (loss) earnings per share ((loss) profit for the period attributable to the owners of the Company)

<b>(1,253,646)</b>	13,899
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The basis of denominators used is the same as those detailed in the calculation of basic and diluted (loss) earnings per share both periods below.

Six months ended 30 September	
2016	2015
'000	'000
<b>(unaudited)</b>	(unaudited) (Restated)

### Number of shares

Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share  
Effect of dilutive potential ordinary shares:  
Warrants issued by the Company

<b>4,100,753</b>	3,387,203
–	70,021

Weighted average number of ordinary shares for the purpose of diluted (loss) earnings per share

<b>4,100,753</b>	3,457,224
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## 10. (LOSS) EARNINGS PER SHARE *(Continued)*

The weighted average number of ordinary shares for the six months ended 30 September 2015 has been adjusted to reflect the impact of the bonus issue took place on 5 February 2016.

For the six months ended 30 September 2016, the computation of diluted loss per share does not assume the exercise of the Company's outstanding share options, since the assumed exercise would reduce loss per share.

For the six months ended 30 September 2015, the computation of diluted earnings per share did not assume the exercise of the Company's outstanding share options because the exercise prices of those options were higher than the average market price for shares for that period.

## 11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current period, the Group spent HK\$2,511,000 (six months ended 30 September 2015: HK\$6,025,000) on purchase of property, plant and equipment.

During the current period, the Group renewed the bank facilities and the pledge of a yacht was released.

## 12. PREPAID LEASE PAYMENT

The prepaid lease payment comprises:

	<b>30.9.2016</b>	31.3.2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
<hr/>		
Leasehold land outside Hong Kong:		
Medium-term lease	<b>16,133</b>	16,850
	<hr/>	<hr/>
Analysed for reporting purposes as:		
Current portion	<b>370</b>	370
Non-current portion	<b>15,763</b>	16,480
	<hr/>	<hr/>
	<b>16,133</b>	16,850
	<hr/>	<hr/>

The leasehold land is amortised on a straight-line basis over the remaining term of the lease.

### 13. PREMIUM OVER PREPAID LEASE PAYMENT

During the year ended 31 March 2015, the Group acquired the entire interest of Access Profit Global Enterprises Group Limited and its subsidiaries (collectively referred as the “Access Profit Group”) at a consideration of HK\$150,000,000. The principal asset of the Access Profit Group is a land located in Urumqi, the capital city of the Uyghur Autonomous Region of Xinjiang in the PRC. The land is designated for logistics and warehousing development purpose. In the opinion of the directors, it is probable that the future economic benefits will flow to the Group as a result of engaging in the logistics and warehousing development on this land. At the date of acquisition, the excess of the fair value of the land, determined based on a valuation performed as on 31 March 2015 by Roma Appraisals Limited, an independent professional valuer, over the amount prepaid by Access Profit Group when it acquired the land use right, is recognised as premium over prepaid lease payment in accordance with HKAS 38 “Intangible assets”.

At the date of the completion of the acquisition, the Group recorded HK\$18,131,000 and HK\$133,261,000 as prepaid lease payment and premium over prepaid lease payment respectively. The premium over prepaid lease payment is amortised on a straight-line basis over the remaining term of the lease of the prepaid lease payment of 49 years as of the date of the completion of the acquisition.

### 14. ACQUISITION OF A SUBSIDIARY

On 8 August 2016, the Group acquired the entire issued share capital of Paul Securities Limited from an independent third party at a consideration of HK\$29,158,000. This acquisition has been accounted for using the purchase method. Paul Securities Limited is engaged in the provision of securities brokerage service in Hong Kong.

#### *Consideration transferred*

	<b>HK\$'000</b>
Cash	29,158
Less: Bank balances and cash acquired	<u>(18,833)</u>
Net cash used in acquisition	<u>10,325</u>

#### 14. ACQUISITION OF A SUBSIDIARY (Continued)

**Assets acquired and liabilities recognised at the date of acquisition (determined on a provisional basis):**

	HK\$'000
Property, plant and equipment	125
Intangible assets	11,000
Deposits	200
Trade and other receivables	2,259
Bank balances, trust and segregated accounts	40,386
Bank balances and cash	18,833
Trade and other payables	(43,636)
Tax payable	(9)
	<hr/>
	29,158
	<hr/>

The initial accounting for the above acquisition has been determined provisionally, awaiting the finalisation of professional valuation in relation to intangible assets.

The fair value as well as the gross contractual amounts of the trade and other receivables acquired amounted to HK\$2,259,000 at the date of acquisition.

#### **Impact of acquisition on the results of the Group**

During the six months ended 30 September 2016, Paul Securities Limited contributed HK\$337,000 to the Group's revenue and HK\$253,000 to the loss for the period between the respective date of acquisition and 30 September 2016.

## 15. AVAILABLE-FOR-SALE INVESTMENTS

	<b>30.9.2016</b>	31.3.2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Available-for-sale investments include:		
Equity securities listed in Hong Kong, at fair value	<u>982,805</u>	<u>1,317,504</u>
Unlisted equity securities, at cost (Note)	<b>541,460</b>	363,235
Less: accumulated impairment loss	<u>(294,653)</u>	<u>(281,253)</u>
Unlisted equity securities at cost less accumulated impairment loss	<u>246,807</u>	<u>81,982</u>
	<b><u>1,229,612</u></b>	<b><u>1,399,486</u></b>

As at 30 September 2016, the Group has pledged certain available-for-sale investments of approximately HK\$164,859,000 (31 March 2016: HK\$463,733,000) to secure a bank loan advanced to the Group.

Note: As at 30 September 2016, HK\$178,225,000 (31.3.2016: nil) represents the Group's investment in 51% equity interest in domestic shares of Fujian Nuoqi. Pursuant to Rule 26.1 of the Takeovers Code, the Group is required to make mandatory unconditional cash offers to all shareholders of Fujian Nuoqi (other than the Group and parties acting in concert with it) (the "General Offer").

Pursuant to Rule 26.4 of the Takeovers Code "Restrictions on control by offeror", the Group is restricted to appoint its nominee or persons acting in concert with it as director of Fujian Nuoqi or exercise its voting rights in Fujian Nuoqi until the offer document for the General Offer (the "Offer Document") has been posted. The directors of the Company are of the view that the Group does not have control or significant influence over Fujian Nuoqi prior to the appointment of the Group's nominee or person acting in concert with it as directors of Fujian Nuoqi and the Group may not exercise its shareholders' voting rights in Fujian Nuoqi until the Offer Document has been posted, except with the consent of the Securities and Futures Commission. Consequently, investment in Fujian Nuoqi is classified as available-for-sale investments. Up to the date of this report, the Group is in the process to prepare the Offer Document and the Offer Document has not yet been posted.

## 15. AVAILABLE-FOR-SALE INVESTMENTS (Continued)

Note: (Continued)

The remaining unlisted equity securities represent investments in unlisted securities issued by two private entities. The business of these companies are investment holding and securities trading. They are measured at cost less impairment at the end of the reporting period because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

During the period ended 30 September 2016, the Group recognised impairment loss of HK\$13,400,000 to profit or loss in respect of an investment in one of the private entities with reference to the latest financial information of this entity available to the Group.

## 16. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS/DERIVATIVE FINANCIAL INSTRUMENTS

	<b>30.9.2016</b>	31.3.2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
<u>Financial assets designated at FVTPL</u>		
Jimei Bond (Note i)	<u>22,727</u>	<u>24,252</u>
<u>Derivative financial instruments</u>		
Financial assets:		
Options consideration received (Note ii)	<u>–</u>	<u>466,150</u>
Financial liabilities:		
CIFG Option (Note iii)	<b>21,036</b>	28,503
HTF Warrants (Note iii)	<b>16,038</b>	13,012
HTD Option (Note iv)	<u>108,014</u>	<u>–</u>
	<u><b>145,088</b></u>	<u>41,515</u>

## 16. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS/DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Notes:

- (i) On 5 November 2015, the Group subscribed for an unlisted 8% coupon convertible bond issued by Jimei International Entertainment Group Limited, a company listed on the Stock Exchange ("Jimei Bond") with principal amount of HK\$25 million at a consideration of HK\$25 million. The Jimei Bond is denominated in HK\$ and will mature on 2 December 2018. The Group has the right to convert the Jimei Bond to ordinary shares of Jimei International Entertainment Group Limited, at any time before the maturity date, at a conversion price of HK\$5 per share. Jimei International Entertainment Group Limited may also redeem part or all of the Jimei Bond at any time before the maturity date at principal amount.

The Group designated the entire Jimei Bond as financial assets designated at FVTPL at initial recognition.

The fair value of the debt component of the Jimei Bond was determined based on the present value of the estimated future cash flows discounted at the prevailing market rate of interest of similar instruments. The fair value of the embedded options was calculated using the Binomial Option Pricing Model. The inputs into the valuation of the Jimei Bond were as follows:

	<b>At</b>	At
	<b>30 September</b>	31 March
	<b>2016</b>	2016
Share price of Jimei International Entertainment Group Limited	<b>HK\$1.940</b>	HK\$2.560
Conversion price	<b>HK\$5.000</b>	HK\$5.000
Risk free rate (Note a)	<b>0.456%</b>	0.689%
Expected life (Note b)	<b>2.172 years</b>	2.672 years
Expected volatility (Note c)	<b>47.760%</b>	60.390%
Discount rate	<b>14.540%</b>	10.830%

As at 30 September 2016, the fair value of the Jimei Bond was HK\$22,727,000 (31 March 2016: HK\$24,252,000), with a fair value loss of HK\$1,525,000 (31 March 2016: HK\$748,000) charged to profit or loss.

**16. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS/DERIVATIVE FINANCIAL INSTRUMENTS** *(Continued)*

Notes: *(Continued)*

(i) *(Continued)*

Notes:

- (a) Risk free rate is determined by reference to the yield of the Hong Kong Exchange Fund Notes with duration similar to the expected life of the bond.
  - (b) Expected life is the expected remaining life of the bond.
  - (c) Expected volatility is estimated by reference to the volatility of other companies which shares are listed on the Stock Exchange and engaged in similar industry of Jimei International Entertainment Group Limited.
- (ii) On 12 October 2012, the Group and Up Energy Mining Limited, an independent third party, entered into a sale and purchase agreement (“S&P Agreement”). Pursuant to the S&P Agreement, the Group conditionally agreed to dispose of its entire interest in Champ Universe Limited and its subsidiaries (collectively referred as the “Champ Universe Group”), which operated the Group’s coal mines in the Xinjiang Uygur Autonomous Region in the PRC (the “Xinjiang Coal Mining Operation”) and to assign HK\$1.6 billion shareholder’s loan at a consideration of HK\$1,580,000,000 subject to adjustments pursuant to the terms of the S&P Agreement (the “Champ Universe Disposal”). The Champ Universe Disposal was completed on 28 June 2013.



**16. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS/DERIVATIVE FINANCIAL INSTRUMENTS** *(Continued)*

Notes: *(Continued)*

(ii) *(Continued)*

The consideration was satisfied by: (i) issue of 367,500,000 shares of Up Energy Development Group Limited ("Up Energy"), ultimate holding company of Up Energy Mining Limited with its shares listed on the Stock Exchange, at an issue price of HK\$2 per share ("Up Energy Share(s)"). However, if as at the third anniversary of the completion date of this disposal ("Third Anniversary Date"), 28 June 2016 (the "Reference Date"), the average closing price of Up Energy Share for the five trading days immediately preceding ("Shortfall Determined Market Price") and including the Third Anniversary Date is less than HK\$2 per share, Up Energy shall allot and issue additional new Up Energy Share to the Company (the "Top-up Options"); (ii) HK\$845,000,000 by way of cash payment; (iii) put option granted to the Company, pursuant to which, as at the Third Anniversary Date, the Company has the right to request Up Energy to arrange for the sale of Up Energy Shares (the "Put Options"), up to a maximum of 140,000,000 shares by way of placing through an independent qualified placing agent nominated by Up Energy at a price to be agreed between Up Energy and such placing agent ("Placing Price"). If the Placing Price is less than HK\$2.2 per share, Up Energy shall pay the shortfall as cash compensation to the Company.

On 19 January 2016, Up Energy announced that it has defaulted on the payment of its convertible bonds issued on 18 January 2011 that matured on 18 January 2016. This also triggered some other cross defaults and other provisions of some outstanding loans and other indebtedness (the "Cross Default Indebtedness"). On 19 February 2016, being the end of the remedial period when Up Energy could remedy such default, Up Energy announced that none of the principal amounts have been settled and the Cross Default Indebtedness became immediately repayable on demand.

In accordance with the announcements dated 29 March 2016, 31 March 2016 and 23 May 2016 issued by Up Energy, Up Energy has received a writ of summons, winding up petitions and demand letters from its creditors and the controlling shareholders to demand for full settlement of the outstanding principal with interest accrued on the Cross Default Indebtedness (the "Outstanding Indebtedness").

## 16. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS/DERIVATIVE FINANCIAL INSTRUMENTS *(Continued)*

Notes: *(Continued)*

(ii) *(Continued)*

In accordance with the announcements dated 13 April 2016 and 23 May 2016 issued by Up Energy, Up Energy is looking for new funding and is in the process of formulating a reorganisation plan and will implement a scheme of arrangement (the "Scheme") in the Supreme Court of Bermuda for sanction. The reorganisation plan is subject to the approval by the creditors and shareholders of Up Energy and the relevant authorities.

During the current interim period, the Group issued a written notice to Up Energy to exercise the Put Options and requested Up Energy to issue additional consideration shares in accordance with the Top-up Options.

Scenario-based analysis assessing the probabilities of successful reorganisation and unsuccessful reorganisation were adopted to determine the fair values of the Top-up Options and the Put Options as at the Reference Date and 31 March 2016. The fair value of the Top-up Options and the Put Options are determined based on the aggregated probability weighted average value of each scenarios including: i) the discounted fair value determined by the payoff formula directly for Top-up Options as at Reference Date and the Black Scholes Option Pricing Model for Top-up Options as at 31 March 2016 and for Put Options as at Reference Date and 31 March 2016 if the reorganisation succeeds and completed after 2 years (31 March 2016: 1.5 years) ("Scenario 1"); ii) the discounted recoverable value determined based on the net asset value of Up Energy as at the Reference Date and 31 March 2016 with deep discount if the reorganisation fails and the Group is able to receive the proceeds from the sale of Up Energy's assets after 4 years (31 March 2016: 2 years) ("Scenario 2"); and iii) zero if the reorganisation fails and the Group is unable to receive the proceeds from the sale of Up Energy's assets ("Scenario 3").

The directors of the Company applied probabilities to each scenario based on their judgement and their understanding on the recent development of the reorganisation. However, if the reorganisation are not successful or completed with significant delay, the fair value of the Top-up Options and the Put Options as at the Reference Date and 31 March 2016 could be significantly affected. The probabilities applied to each scenario would be adjusted to reflect the most recent development of the reorganisation in the future.

**16. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS/DERIVATIVE FINANCIAL INSTRUMENTS** (Continued)

Notes: (Continued)

(ii) (Continued)

The inputs into the valuation were as follows:

<b>Top-up Options</b>	<b>At Reference Date</b>	<b>At 31 March 2016</b>
Shortfall Determinant Market Price	HK\$0.1082	N/A
Share price of Up Energy	N/A	HK\$0.153
Strike price	N/A	HK\$2.000
Risk free rate (note a)	N/A	0.069%
Expected life (note b)	N/A	0.243 years
Expected volatility (note c)	N/A	112.587%
Discount rate for Scenario 1	39.040%	27.450%
Discount rate for Scenario 2	43.800%	31.890%
Probability for Scenario 1	85%	90%
Probability for Scenario 2	14%	9%
Probability for Scenario 3	1%	1%

<b>Put Options</b>	<b>At Reference Date</b>	<b>At 31 March 2016</b>
Share price of Up Energy	HK\$0.120	HK\$0.153
Strike price	HK\$2.200	HK\$2.200
Risk free rate (note a)	0.110%	0.082%
Expected life (note b)	0.08 years	0.325 years
Expected volatility (note c)	65.85%	106.182%
Discount rate for Scenario 1	39.040%	27.450%
Discount rate for Scenario 2	43.800%	31.890%
Probability for Scenario 1	85%	90%
Probability for Scenario 2	14%	9%
Probability for Scenario 3	1%	1%

**16. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS/DERIVATIVE FINANCIAL INSTRUMENTS** *(Continued)*

Notes: *(Continued)*

(ii) *(Continued)*

Notes:

- (a) Risk free rate is determined by reference to the yield of the Hong Kong Exchange Fund Notes with duration similar to the expected life of the options.
- (b) Expected life is the expected remaining life of the options.
- (c) Expected volatility is estimated by calculating the historical daily share price volatility of the stock price of Up Energy.

As at the Reference Date, the fair value of the Top-up Options and Put Options were HK\$201,654,000 and HK\$137,215,000 respectively, with an aggregate fair value loss of HK\$127,281,000 recognised in profit and loss during the six months ended 30 September 2016. The Top-up Options and Put Options were derecognised and the fair value of the consideration receivable of HK\$338,869,000 was recognised and included in the condensed consolidated statement of financial position as other receivable as at 30 September 2016. Up to the date of this report, the reorganisation plan is still in progress.

On 17 October 2016 and 20 October 2016, the Group and other creditors of Up Energy, issued requisition notices to Up Energy to request a special general meeting (the "SGM") to pass resolution to remove the majority of the existing board of directors of Up Energy and appoint two individuals as new directors of Up Energy. Up to the date of this report, the SGM is pending from Up Energy's arrangement.

**16. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS/DERIVATIVE FINANCIAL INSTRUMENTS** *(Continued)*

Notes: *(Continued)*

- (iii) During the six months ended 30 September 2015, the Group granted the CIFG Option and HTF Warrants (as defined in Note 22) to an independent third party. Details of the CIFG Option and the HTF Warrants are set out in Note 22.

***CIFG Option***

The fair value of the CIFG Option was calculated using the Binomial Option Pricing Model. The inputs into the valuations were as follows:

	<b>At</b>	At
	<b>30 September</b>	31 March
	<b>2016</b>	2016
Stock price of China Innovative Finance Group Limited ("CIFG")	<b>HK\$0.840</b>	HK\$0.950
Strike price	<b>HK\$1.440</b>	HK\$1.440
Risk free rate (Note a)	<b>0.423%</b>	0.607%
Expected life (Note b)	<b>1.785 years</b>	2.286 years
Expected volatility (Note c)	<b>89.85%</b>	84.180%

Notes:

- (a) Risk free rate is determined by reference to the yield of the Hong Kong Exchange Fund Notes with duration similar to the expected life of the option.
- (b) Expected life is the expected remaining life of the option.
- (c) Expected volatility is estimated by calculating the historical weekly share price volatility of the stock price of CIFG.

As at 30 September 2016, the fair value of the CIFG Option was HK\$21,036,000 (31 March 2016: HK\$28,503,000). The change in fair value of HK\$7,467,000 was credited to profit and loss.

**16. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS/DERIVATIVE FINANCIAL INSTRUMENTS** *(Continued)*

Notes: *(Continued)*

(iii) *(Continued)*

**HTF Warrants**

The fair value of the HTF Warrants was calculated using the Binomial Option Pricing Model. The inputs into the valuations were as follows:

	<b>At 30 September 2016</b>	At 31 March 2016
Equity value (Note a)	<b>HK\$1.099</b>	HK\$1.049
Risk free rate (Note b)	<b>0.423%</b>	0.608%
Expected life (Note c)	<b>1.790 years</b>	2.291 years
Expected volatility (Note d)	<b>21.017%</b>	17.565%

Notes:

- (a) Being equity value of Hao Tian Finance Company Limited (the "Hao Tian Finance"), a subsidiary of the Company, determined by reference to the net asset value of Hao Tian Finance as at 31 March 2016 and 30 September 2016 respectively.
- (b) Risk free rate is determined by reference to the yield of the Hong Kong Exchange Fund Notes with duration similar to the expected life of the warrants.
- (c) Expected life is the expected remaining life of the warrants.
- (d) Expected volatility is estimated by reference to the volatility of other companies which shares are on the Stock Exchange and engaged in similar industry of Hao Tian Finance.

As at 30 September 2016, the fair value of the HTF Warrants was HK\$16,038,000 (31 March 2016: HK\$13,012,000). The change in fair value of HK\$3,026,000 was charged to profit and loss.

## 16. FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS/DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Notes: (Continued)

- (iv) During the current interim period, the Group issued HTD Option (as detailed in Notes 1A and 25) to Vandí, an independent third party. According to the Call Option Deed, Vandí has the right to subscribe up to 389,940,000 shares of the Company at an exercise price of HK\$0.8 per share (the "HTD Option Price"). Upon the exercise of the HTD Option, the HTD Option Price will be settled by: (i) cash; (ii) transfer of Hao Tian Management's shares owned by Vandí at a fixed price of US\$48,721 per Hao Tian Management share; or (iii) a combination of payment of (i) and (ii). The HTD option is carried in the condensed consolidated statement of financial position as derivative financial liability as the exercise of the HTD option conversion will be settled other than by exchange of a fixed number of the Company's own equity.

### HTD Option

The fair values of the HTD Option was calculated using the Monte-Carlo Simulation Model. The inputs into the valuations were as follows:

	<b>At 30 September 2016</b>	<b>At issue date</b>
Stock price of the Company	HK\$0.395	HK\$0.420
Strike price	HK\$0.800	HK\$0.800
Risk free rate (Note a)	0.641%	0.620%
Expected life (Note b)	4.89 years	5 years
Expected volatility of the Company (Note c)	92.27%	93.01%

Notes:

- (a) Risk free rate is determined by reference to the yield of the Hong Kong Exchange Fund Notes with duration similar to the expected life of the option.
- (b) Expected life is the expected remaining life of the option.
- (c) Expected volatility is estimated by calculating the historical weekly share price volatility of the stock price of the Company.

As at date of issue, the fair value of the HTD Option was HK\$107,697,000. As at 30 September 2016, the fair value of the HTD Option was HK\$108,014,000. The change in fair value of HK\$317,000 was charged to profit and loss.

## 17. LOAN RECEIVABLES

	<b>30.9.2016</b>	31.3.2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Non-current:		
Secured, fixed-rate loan receivables	<b>116,336</b>	112,961
Unsecured, fixed-rate loan receivables	<b>3,901</b>	5,608
	<b>120,237</b>	118,569
Current:		
Secured, fixed-rate loan receivables (Note)	<b>751,233</b>	636,508
Unsecured, fixed-rate loan receivables	<b>169,748</b>	72,712
	<b>920,981</b>	709,220
	<b>1,041,218</b>	827,789

Note: The loan receivables are secured by properties of the borrowers. Included in the Group's loans receivables are debtors, with carrying amount of HK\$63,220,000 (31 March 2016: HK\$58,257,000) which are past due at the reporting date. The loan receivables are secured by properties pledged to the Group. The Group assessed the fair value of the pledged properties, in the opinion of the directors, the risk of non-recoverability of the amount is minimal, and no impairment is required as at 30 September 2016.



## 18. INVESTMENT IN AN ASSOCIATE

**30.9.2016**  
**HK\$'000**  
(unaudited)

Cost of investment in an associate	2,334
Share of post-acquisition loss and other comprehensive expense	(254)
	2,080

Name of entity	Country of registration	Principal Place of business	Proportion of ownership by the Group		Principal activity
			30.9.2016	31.3.2016	
Fujian Province Qingliu County Jiuli Youzhi Co., Limited ("Jiuli Youzhi") <sup>#</sup>	PRC	PRC	49%	-	Manufacturing and trading of Camellia Oleifera related products.

<sup>#</sup> One out of three directors of the entity is appointed by the Group. In the opinion of the directors, the Group has significant influence over this entity.

On 27 May 2016, Hao Tian China acquired 49% of issued equity interest of Jiuli Youzhi for a total consideration of RMB2,009,000 (equivalent to HK\$2,334,000). As at 30 September 2016, the consideration remains unsettled and such amount was included in other payables.

## 19. TRADE AND BILLS RECEIVABLES

	<b>30.9.2016</b>	31.3.2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Trade receivables from clients arising from		
– commodities brokerage	<b>54</b>	–
– securities brokerage	<b>824</b>	–
Margin and other trade related deposits with brokers and financial institution arising from		
– commodities brokerage	<b>16,758</b>	–
Interest receivables in relation to money lending business	<b>49,531</b>	36,226
	<b>67,167</b>	36,226

For those cash commodities and securities trading clients, it normally takes two to three days to settle after trade date of those transactions. These outstanding unsettled trades due from clients are reported as trade receivables from clients.

The margin clients of the commodities and securities brokerage business are required to pledge their shares to the Group for credit facilities for securities trading.

The settlement terms of trade receivables from clearing houses are usually one to two days after the trade date.

Trade receivables from cash and margin clients arising from the commodities and securities brokerage business are repayable on demand subsequent to settlement date. No aging analysis is disclosed as in the opinion of directors, the aging analysis does not provide additional value in view of the nature of commodities and securities dealing business.

Credits are extended to brokerage clients on a case-by-case basis in accordance with the financial status of clients such as their financial conditions, trading records, business profile and collateral available to the Group. Clients trading in commodities and obtaining securities margin financing from the Group are required to observe the Group's margin policies. For commodities, initial margins are required before trading and thereafter clients are required to keep the equity position at a prescribed maintenance margin level.

## 19. TRADE AND BILLS RECEIVABLES (Continued)

Interest in relation to money lending business is accrued on a time basis, by reference to the principal outstanding and at effective interest rate applicable. Settlement of interest receivables is in accordance with the terms stated in agreement entered with its customers ranging from 1 month to 6 months (31 March 2016: 1 month to 6 months).

As at 30 September 2016, HK\$9,688,000 (31 March 2016: HK\$7,893,000) interest receivables in relation to money lending business was past due but not impaired.

The interest receivables are secured by properties pledged to the Group. The Group assessed the fair value of the pledged properties. The risk of non-recoverability of the amount is considered minimal by the directors, and no impairment is required as at 30 September 2016.

## 20. CONSIDERATION RECEIVABLES

	<b>30.9.2016</b>	31.3.2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Consideration receivables in respect of:		
Menggang Group Disposal (Note i)	<b>69,720</b>	72,120
CIFG Disposal (Note ii)	<b>516,168</b>	–
	<b>585,888</b>	72,120

## 20. CONSIDERATION RECEIVABLES (Continued)

Notes:

- (i) On 7 September 2011, the Group entered into a sale and purchase agreement with an independent third party not connected with the Group, Inner-Mongolia Shuangxin Resources Group Co., Ltd. (the “Purchaser”). Pursuant to this sale and purchase agreement, the Group agreed to dispose of Wuhai City Menggang Industrial Development Co., Ltd. and its subsidiaries (collectively referred to as the “Menggang Group”) (the “Menggang Group Disposal”), which operated the Group’s coal mines in the Inner-Mongolia Autonomous Region in the PRC (the “Inner-Mongolia Coal Mining Operation”), for a cash consideration of RMB1,503,000,000 (“Total Consideration”). The Menggang Group Disposal was completed on 30 May 2012. The Total Consideration shall be satisfied by four installments: RMB781,560,000 by completion; RMB420,840,000 by 90 days subsequent to the completion; RMB225,450,000 by 180 days subsequent to the completion and the remaining RMB75,150,000 by fifteen months subsequent to the completion. On 19 November 2012, the Group and the Purchaser entered into a supplemental agreement in relation to the Menggang Group Disposal, pursuant to which the Group and the Purchaser agreed to reduce the Total Consideration by RMB75,000,000. Such reduction shall be settled by deducting the third installment by RMB40,000,000 and deducting the final installment by RMB35,000,000.

On 6 December 2012, the Purchaser received a notice (the “Notice”) from the tax bureau of Wuhai City Hainan District in the Inner Mongolia Autonomous Region (the “Tax Bureau”), pursuant to which, the Tax Bureau requested the Purchaser to withhold additional business tax of RMB80 million. The directors of the Company are of the view that such additional business tax is not applicable to this transaction. Hence the Group negotiated with the Tax Bureau and finally the Tax Bureau revoked the Notice on 3 April 2015. However, the Purchaser continues to withhold this RMB80 million.

On 16 May 2013, an arbitration (the “First Arbitration”) was filed by the Group to China International Economic and Trade Arbitration Commission (the “Commission”) to claim this unsettled amount. On 8 August 2013, the Purchaser provided its written defense to the arbitration court and argued that the Notice issued by the Tax Bureau did not clearly state that additional business tax is not applicable to this transaction and the Tax Bureau’s revocation of the Notice could not remove the obligation for the Purchaser to withhold and pay the additional business tax.

## 20. CONSIDERATION RECEIVABLES *(Continued)*

Notes: *(Continued)*

(i) *(Continued)*

On 30 August 2013, the final installment of the Total Consideration, RMB40,150,000 has been due. On 8 October 2013, the Purchaser filed a counter arbitration (the “Counter-claim”) request to the Commission and claimed that the Group had failed to fulfil certain terms and obligations in accordance with the sale and purchase agreement. Due to this non-compliance, the Purchaser has to incur additional costs before the Menggang Group’s coal mines could be put into operations. Therefore, the Purchaser withheld the final installment of the Total Consideration and claimed an aggregate compensation amount of approximately RMB65 million (approximately equivalent to HK\$82 million).

On 13 January 2014, the Group filed another arbitration to the Commission to claim the unsettled final installment (the “Second Arbitration”).

On 27 June 2014, the decision of the First Arbitration was concluded by the Commission. The decision is in favour of the Group and the Commission ordered the Purchaser to settle the unsettled portion of the third installment of RMB80 million and dismissed the Counter-claim. The Purchaser, however, filed a litigation to the Beijing Second Intermediate People’s Court (the “Beijing Court”) to request the Beijing Court to void the decision made in the First Arbitration and applied to temporarily suspend the Second Arbitration. On 22 September 2014, the Purchaser revoked its request about the temporarily suspension of the Second Arbitration. On 23 October 2014, the Group requested the Commission to re-open the Second Arbitration. On 18 December 2014, the Beijing Court rejected the request from the Purchaser to void the decision made in the First Arbitration.

On 6 February 2015, the Group has submitted a mandatory enforcement application to Ordos Intermediate People’s Court (the “Ordos Court”) to execute the decision of the First Arbitration (the “First Execution”), which require the Purchaser to settle the remaining portion of the third installment of RMB80 million. On 22 September 2015, RMB20 million (approximately HK\$24,358,000) as part of unsettled portion of the third installment was received by the Group. The First Execution is under process.

On 3 August 2015, the decision of the Second Arbitration was concluded by the Commission. The decision is in favour of the Group and the Commission ordered the Purchaser to settle the unsettled final installment of RMB40 million.

## 20. CONSIDERATION RECEIVABLES (Continued)

Notes: (Continued)

(i) (Continued)

On 8 September 2015, the Group has submitted a mandatory enforcement to Ordos Court to execute the decision of the Second Arbitration (the "Second Execution").

On 29 December 2015, the Purchaser settled the final installment of RMB40 million and withhold the Enterprise Income Tax of RMB10 million, which previously the Group provided and included in tax payable. Net cash inflow from this settlement was RMB30 million (approximately HK\$36,027,000). Overdue interests, penalty and relevant arbitration expenses of RMB4,115,000 (approximately HK\$4,896,000) was received by the Group from the Purchaser and was recognised as other income.

On 21 August 2014, the Purchaser, however, filed a litigation to the Inner-Mongolia Autonomous Regional High People's Court ("the Inner-Mongolia Court") and claimed for an aggregate amount of approximately RMB103 million (approximately HK\$131 million), based on similar facts under the Counter-claim. On 6 February 2015, the Group received a writ of summons from the Inner-Mongolia Court regarding this litigation which was dated 29 December 2014. On 8 May 2015, the Group submitted an application of objection to the jurisdiction at the Inner-Mongolia Court (the "Objection"). On 2 June 2015, the Inner-Mongolia Court turned down the Group's Objection. On 6 August 2015, the Group filed an appeal to the Inner-Mongolia Court and reaffirmed its Objection.

On 25 December 2015, the Inner-Mongolia Court turned down the Group's Objection. On 22 March 2016, the Purchaser applied to the Inner-Mongolia Court to temporarily suspend the First Execution and the decision of the Inner-Mongolia Court is in favour of the Purchaser. The First Execution is temporarily suspended. On 30 March 2016, the Group filed an appeal to the Inner-Mongolia Court and requested to void the decision on temporarily suspending the First Execution. The appeal was dismissed on 5 May 2016. Subsequently, the Inner-Mongolia Court commenced the hearing of the case on 13 April 2016 and 17 June 2016 and the court hearing is still in progress.

Up to the date of the report, the decision from the Inner-Mongolia Court have not been announced.

## 20. CONSIDERATION RECEIVABLES *(Continued)*

Notes: *(Continued)*

(i) *(Continued)*

In view of the Notice was revoked by the Tax Bureau, the decision of the First Arbitration, Second Arbitration and the Beijing Court, the directors of the Company considered that the Group had fully complied with the terms of the sale and purchase agreement. After taking legal advice, in the opinion of the directors of the Company, the Group has a meritorious ground on the arbitration and litigation, so the risk of not recovering the amount is minimal, and no impairment loss is required as at 30 September 2016.

As at 30 September 2016, the remaining unsettled consideration of RMB60,000,000 (or equivalent to HK\$69,720,000) (31 March 2016: HK\$72,120,000) was included in the condensed consolidated statement of financial position as consideration receivable.

(ii) On 23 September 2016, the Group entered into a sale and purchase agreement with an independent third party (the "CIFG Purchaser"), pursuant to which, the Group agreed to dispose of 1,737,940,350 shares of CIFG (the "CIFG Disposal") at the consideration of HK\$0.297 per share (or approximately HK\$516,168,000). The consideration has been fully settled subsequent to the end of the reporting period.

## 21. INVESTMENTS HELD FOR TRADING

	<b>30.9.2016</b>	31.3.2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Investments held for trading include:		
Equity securities and derivatives listed in Hong Kong, at fair value	<b>3,022,631</b>	4,859,871
Derivatives listed outside Hong Kong, at fair value	<b>3,551</b>	270
	<b><u>3,026,182</u></b>	<u>4,860,141</u>

As at 30 September 2016, included in investments held for trading, approximately HK\$2,778,131,000 (31 March 2016: HK\$4,550,500,000) represents the Group's investment in 17.24% (31 March 2016: 24.81%) of the equity interest in CIFG. The investment in CIFG is classified as investments held for trading, as in the opinion of the directors, the investment is owned for short-term trading purpose and the Group irrevocably undertake to CIFG that the Group shall not to participate or otherwise exercise any influence over the management or the operating and financial policy decisions of CIFG and shall not nominate any directors to or remove any directors from the board of directors of CIFG. On 14 July 2015, the Group entered into a call option deed with an independent third party in connection with the SN Notes (as defined and detailed in Note 22) issued by the Group. The Group granted a right to this independent third party to purchase up to 80,729,170 shares of CIFG at an exercise price of HK\$1.44 per share. Details of the option are set out in Notes 16(iii) and 22.

As at 30 September 2016, included in the Group's investments held for trading, carrying amount of approximately HK\$899,801,000 (31 March 2016: HK\$1,422,000,000) and HK\$764,400,000 (31 March 2016: HK\$864,500,000) (the "Pledged Shares") are pledged to secure a banking facility of HK\$300,000,000 (31 March 2016: HK\$450,000,000) with a term of twelve months and to secure the SN Notes respectively. The Pledged Shares as security will be released upon the full repayment of the loan. Details of the SN Notes and the banking facility are disclosed in Notes 22 and 24 respectively.



## 22. SECURED NOTES

On 6 July 2015, the Group entered into a subscription agreement (the "SN Subscription Agreement") with an independent third party (the "SN Subscriber"). Pursuant to the SN Subscription Agreement, the Group agreed to issue and the SN Subscriber agreed to subscribe for notes (the "SN Notes") in the aggregate principal amount of up to US\$30,000,000 (or approximately HK\$232,499,000). The maturity date of the SN Notes is two years after the issue date. The SN Notes bear fixed coupon rate at 9% per annum. As at 30 September 2016, the SN Notes are secured by certain of the Group's investments held for trading of HK\$764,400,000 (31 March 2016: HK\$864,500,000).

Pursuant to the SN Subscription Agreement, the SN Subscriber has the right to request the Group to redeem the SN Notes in whole or in part at the sum of (a) the principal amount outstanding on the SN Notes; (b) the outstanding interest up to the date of redemption; (c) any default interest; and (d) any other outstanding amount due but unpaid under that SN Notes. Hence, the SN Notes are recognised as current liability in the condensed consolidated statement of financial position.

As part of the SN Subscription Agreement, the Group entered into a call option deed (the "CIFG Call Option Deed") and a warrant agreement (the "HTF Warrant Agreement") with the SN Subscriber. Pursuant to the CIFG Call Option Deed, the SN Subscriber is granted a right to purchase up to 80,729,170 shares of CIFG at an exercise price of HK\$1.44 per share (the "CIFG Option"). The SN Subscriber is entitled to exercise the option at any time before 14 July 2018.

Pursuant to the HTF Warrant Agreement, the SN Subscriber is granted a right to subscribe in aggregate up to a maximum amount of US\$15,000,000 worth of the shares of Hao Tian Finance (the "HTF Warrants") in the period from the grant of the HTF Warrants until three years after such grant. The exercise price will be determined (i) if the HTF Warrants are exercised before the consolidated audited accounts of the Company for the year ending 31 March 2017 are delivered by the Company, the net assets value per Hao Tian Finance Shares as at 31 March 2016; or (ii) if the HTF Warrants are exercised after the consolidated audited accounts of the Company for the year ending 31 March 2017 are delivered by the Company, the lower of (a) the net assets value per Hao Tian Finance share as at 31 March 2016; or (b) net assets value per Hao Tian Finance share as at 31 March 2017.

As at date of issue, the fair values of the SN Notes, the CIFG Option and the HTF Warrants were HK\$188,198,000, HK\$24,253,000 and HK\$20,048,000 respectively.

## 22. SECURED NOTES (Continued)

The SN Notes represent the present value of the contractually determined stream of future cash flows discounted at the rate of interests, on initial recognition, of instruments of comparable credit status and providing substantially the same cash flows, on the same terms, but without the CIFG Option and the HTF Warrants. The effective interest rate of the SN Notes is 21.157% per annum. The SN Notes also include the value of the early repayment option as the option is closely related to the host debt instrument. The SN Notes are classified as financial liabilities as defined under HKAS 39 "Financial Instruments: Recognition and Measurement" ("HKAS 39") and were carried in the consolidated statement of financial position at amortised cost in accordance with HKAS 39.

The CIFG Option and the HTF Warrants were carried in the condensed consolidated statement of financial position as derivative financial instruments. The fair values of the CIFG Option and the HTF Warrants were detailed in Note 16 (iii).

During the six months ended 30 September 2016, an imputed interest on the SN Notes of HK\$11,410,000 (six months ended 30 September 2015: HK\$4,738,000) is recognised as finance costs in the condensed consolidated statement of profit or loss and other comprehensive income.

## 23. TRADE PAYABLES

	<b>30.9.2016</b>	31.3.2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Trade payables to clients arising from commodities and securities brokerage	<b>15,139</b>	–
Margin and other deposits payable to clients arising from commodities and securities brokerage	<b>37,719</b>	–
Trade payables to brokers and clearing houses arising from commodities and securities brokerage	<b>1,057</b>	–
	<b>53,915</b>	–

The carrying amounts of trade payables approximate their fair value. All trade payables are expected to be settled within one year. The trade payables are aged within 30 days.

The settlement terms of payable to brokers, clearing houses and securities trading clients from the ordinary course of business of brokerage in securities range from two to three days after the trade date of those transactions. Margin and other deposits received from clients for their trading of commodities and futures contracts were payable on demand.

## 24. BORROWINGS

	<b>30.9.2016</b>	31.3.2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Bank overdrafts – secured (Note a)	<b>29,877</b>	34,275
Bank loans – secured (Note b)	<b>310,000</b>	429,619
Corporate bonds and notes – unsecured (Note c)	<b>164,550</b>	164,550
	<b>504,427</b>	628,444
Carrying amount repayable (based on the scheduled repayment dates set out on loan agreements)		
Within one year (Note d)	<b>339,877</b>	463,894
More than one year but less than two years	<b>9,550</b>	–
More than two years but less than five years	<b>20,000</b>	19,550
More than five years	<b>135,000</b>	145,000
	<b>504,427</b>	628,444
Comprising:		
Amounts due within one year shown under current liabilities	<b>339,877</b>	463,894
Amounts shown under non-current liabilities	<b>164,550</b>	164,550
	<b>504,427</b>	628,444

## 24. BORROWINGS (Continued)

Notes:

- (a) The bank overdrafts are secured by pledged bank deposits of HK\$20,229,000 (31 March 2016: HK\$35,204,000). The bank overdrafts carry floating rates of Hong Kong Interbank Offered Rate (the “HIBOR”) plus 1% or Hong Kong dollars prime lending rate (“Prime Rate”) plus 1%, i.e. effective interest rate of 2.26% to 6% per annum (31 March 2016: HIBOR plus 1% or Prime Rate plus 2%, i.e. effective interest rate of 2.27% to 7% per annum).
- (b) As at 30 September 2016, the Group’s bank borrowings of HK\$300,000,000 (31 March 2016: HK\$300,000,000) were secured by certain assets of the Group, including the Group’s available-for-sale investments of HK\$164,859,000, investments held for trading of HK\$899,801,000 and the entire issued share capital of the Group’s subsidiaries, Hao Tian Finance and Guo Guang Limited (31 March 2016: available-for-sale investments of HK\$463,733,000, investments held for trading of HK\$1,422,000,000, a yacht of HK\$55,256,000 and the entire issued share capital of the Company’s subsidiaries, Hao Tian Finance and Guo Guang Limited). The bank borrowings carried floating rates of HIBOR plus 3.7% per annum (31 March 2016: HIBOR plus 2.7%), i.e. effective interest of 4% per annum.

As at 30 September 2016, the Group’s bank borrowings of HK\$10,000,000 (31 March 2016: HK\$10,000,000) are secured by a bank deposit of HK\$15,000,000. The bank borrowings carry floating rates of 2% per annum above Prime Rate (31 March 2016: Prime Rate plus 2%) per annum, i.e. effective interest of 7% (31 March 2016: 6%) per annum.

- (c) The borrowings are unsecured, carries fixed rate ranges from 3.25% to 7.5% per annum (31 March 2016: 2.25% to 7.5% per annum) and will mature in year 2017 to 2023 (31 March 2016: year 2017 to 2022).
- (d) Included in the Group’s borrowings of HK\$310,000,000 (31 March 2016: HK\$429,619,000) which contain a repayment on demand clause.

## 25. CHANGE OF GROUP'S INTEREST IN SUBSIDIARY

According to the HTM Subscription Agreement and the Call Option Deed, Hao Tian Management issued 821 new shares to Vandi for a consideration of US\$40 million (equivalent to HK\$311,561,000) and the Company issued HTD Option to Vandi to subscribe up to 389,940,000 shares of the Company. The difference between the increase in non-controlling interests of HK\$209,354,000, the cash consideration of HK\$311,561,000, and the fair value of the HTD Option of HK\$107,697,000, has been debited to other reserve.

## 26. DEFERRED TAXATION

The following is the major deferred tax liability recognised and movement thereon during the current period:

	<b>Fair value change of investments held for trading</b> HK\$'000
At 1 April 2016 (audited)	(567,335)
Credit to profit or loss (Note 7)	<u>228,472</u>
At 30 September 2016 (unaudited)	<u>(338,863)</u>
At 1 April 2015 (audited)	(315,155)
Charge to profit or loss (Note 7)	<u>(36,140)</u>
At 30 September 2015 (unaudited)	<u>(351,295)</u>

## 27. SHARE CAPITAL

	Nominal value per share HK\$	Number of shares	Share capital HK\$'000
Ordinary shares			
<i>Authorised:</i>			
At 1 April 2016 and 30 September 2016	0.01	50,000,000,000	500,000
<i>Issued:</i>			
At 1 April 2016	0.01	3,642,348,316	36,423
Issue of new shares upon exercise of warrants (Note)	0.01	537,743,800	5,378
At 30 September 2016 (unaudited)	0.01	4,180,092,116	41,801

Note: During the six months ended 30 September 2016, a total of 537,743,800 new ordinary shares of the Company of HK\$0.01 each were issued upon the exercise of 537,743,800 warrants at HK\$0.4545 per share, adjusted to reflect the impact of the bonus issue took place on 5 February 2016. As at 30 September 2016, there was no warrants outstanding.

All the shares issued during the six months ended 30 September 2016 rank pari passu with the then existing shares of the Company in all respects.

## 28. COMMITMENTS

### (a) *Operating lease commitments*

#### The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	<b>30.9.2016</b>	31.3.2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Within one year	<b>18,787</b>	16,332
Within two to five years inclusive	<b>22,791</b>	16,071
	<b>41,578</b>	32,403

Operating lease payments represent rentals payable by the Group for certain of its office and factory premises and staff quarters. Leases are negotiated for an average term of two to five years and rentals are fixed over the relevant lease terms.

### (b) *Capital commitment*

	<b>30.9.2016</b>	31.3.2016
	<b>HK\$'000</b>	HK\$'000
	<b>(unaudited)</b>	(audited)
Capital expenditure in respect of addition of property, plant and equipment:		
– contract for but not provided in the condensed consolidated financial statements (Note)	<b>135,725</b>	140,397

Note: A wholly-owned subsidiary of the Company has entered into contractual agreement for the development of the logistics warehousing business in the PRC. Total contract sum as at 30 September 2016 approximated to RMB116,803,000 (equivalent to HK\$135,725,000).

## 29. SHARE-BASED PAYMENTS

Details of the share options outstanding and movements during the current period were as follows:

Grantee	Date of grant	Exercising period	Exercise price per share HK\$	Number of share options		
				Outstanding at 1 April 2016	Lapsed during the period	Outstanding at 30 September 2016
<b>Director</b>						
Fok Chi Tak	8.4.2011	8.4.2013 to 7.4.2016	0.888	499,752	(499,752)	-
	8.4.2011	8.4.2014 to 7.4.2017	0.888	666,336	-	666,336
<b>Controlling shareholder</b>						
Li Shao Yu ("Ms. Li") (Note)	27.9.2010	27.9.2013 to 26.9.2016	0.961	6,330,192	(6,330,192)	-
Other employees	27.9.2010	27.9.2012 to 26.9.2016	0.961	10,694,693	(10,694,693)	-
	8.4.2011	8.4.2013 to 8.4.2016	0.888	124,938	(124,938)	-
	8.4.2011	8.4.2014 to 7.4.2017	0.888	166,584	-	166,584
	29.1.2016	3.2.2017 to 2.2.2020	0.318	5,000,000	-	5,000,000
				<u>23,482,495</u>	<u>(17,649,575)</u>	<u>5,832,920</u>
Weighted average exercise price				<u>0.6936</u>	<u>0.7979</u>	<u>0.3783</u>
Exercisable at the end of the period				<u>16,482,495</u>		<u>832,920</u>

Note: Ms. Li is a controlling shareholder and senior consultant of the Company.

During the six months ended 30 September 2016, HK\$400,000 share option expenses were recognised with a corresponding credit in the share options reserve.



### 30. RELATED PARTY TRANSACTIONS

- (i) The remuneration of directors and other key management personnel of the Group during the period was HK\$2,903,340 (six months ended 30 September 2015: HK\$2,626,200) which included HK\$1,062,000 (six months ended 30 September 2015: HK\$885,000) remuneration paid/payable to Ms. Li. Ms. Li is a controlling shareholder of the Company who can exercise significant influence to the Group and senior consultant of the Company.
- (ii) On 10 April 2015, the Company entered into a subscription agreement with Asia Link, the Company's immediate and ultimate holding company. Pursuant to this agreement, the Company issued 588,858,000 warrants of the Company at issue price of HK\$0.001 per warrant at subscription price of HK\$0.50 per share. The subscription was completed on 2 July 2015 and proceeds of HK\$589,000 was received. In accordance with the valuation performed by Roma Appraisals Limited, an independent professional valuer, the fair value of the warrants as at the date of issue was estimated at HK\$466,611,000. The difference between the fair value of the warrants and the proceeds received of HK\$466,022,000, was charged to profit and loss during the six months ended 30 September 2015.

### 31. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

#### ***Fair value of the Group's financial instruments that are measured at fair value on a recurring basis***

Some of the Group's financial instruments are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial instruments 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. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### 31. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

*Fair value of the Group's financial instruments that are measured at fair value on a recurring basis (Continued)*

	Fair value at 30 September 2016 HK\$'000 (unaudited)	31 March 2016 HK\$'000 (audited)	Fair value hierarchy	Valuation techniques and key inputs
<b>Financial assets</b>				
Listed equity securities classified as available-for-sale investments	982,805	1,317,504	Level 1	Quoted prices in an active market
Listed equity securities classified as investments held for trading	3,022,631	4,859,871	Level 1	Quoted prices in an active market
Overseas listed derivatives classified as investments held for trading	3,551	270	Level 1	Quoted prices in an active market
Convertible bond classified as financial assets designated at FVTPL	22,727	24,252	Level 3	Discounted cash flow and Binomial Option Pricing Model. Future cash flows are estimated based on the prevailing market rate of interest of similar instruments. The unobservable key input is expected volatility detailed in Note (a).
Derivative financial instruments – Top-up Options and Put Options	–	466,150	Level 3	Discount cash flow and Black Scholes Option Pricing Model. Future cash flows are estimated based on the prevailing market rate of interest of similar instruments. The unobservable key input is probabilities Note (b).
<b>Financial liabilities</b>				
Derivative financial instruments – CFIG Option and HTF Warrants	37,074	41,515	Level 3	Binomial Option Pricing Model. The unobservable key input is expected volatility detailed in Note (c).
Derivative financial instruments – HTD Options	108,014	–	Level 3	Monte-Carlo Simulation Model. The unobservable key input are expected volatility of the Company, expected volatility of Hao Tian Management and correlation detailed in Note (d).

### 31. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

#### *Fair value of the Group's financial instruments that are measured at fair value on a recurring basis (Continued)*

Notes:

- (a) If the expected volatility to the valuation model had been 5% higher/lower while all other variables were held constant, the carrying amount of convertible bond would increase/decrease by approximately HK\$67,000/HK\$45,000. In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent price risk as the period end exposure does not reflect the exposure during the period.
- (b) The fair value as at 31 March 2016 of HK\$466,150,000 was determined based on the probabilities of 90%, 9% and 1% for Scenario 1, Scenario 2 and Scenario 3 (as defined in Note 16(ii)) respectively. If the probabilities of Scenario 1, Scenario 2 and Scenario 3 to the valuation model had been changed to 100%, 0% and 0% respectively and 80%, 19% and 1% respectively while all other variables were held constant, the carrying amount of derivative financial instruments would increase/decrease by approximately HK\$24,967,000/HK\$22,284,000. In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent price risk as the year end exposure does not reflect the exposure during the year.
- (c) If the expected volatility to the valuation model had been 5% higher/lower while all other variables were held constant, the carrying amount of derivative financial instruments would increase/decrease by approximately HK\$4,821,000/HK\$4,865,000. In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent price risk as the period end exposure does not reflect the exposure during the period.
- (d) If the expected volatility of the Company to the valuation model had been 5% higher/lower while all other variables were held constant, the carrying amount of derivative financial instruments would increase/decrease by approximately HK\$1,909,000/HK\$2,853,000. If the expected volatility of Hao Tian Management to the valuation model had been 5% higher/lower while all other variables were held constant, the carrying amount of derivative financial instruments would increase/decrease by approximately HK\$1,890,000/HK\$379,000. If the correlation to the valuation model had been 5% higher/lower while all other variables were held constant, the carrying amount of derivative financial instruments would increase/decrease by approximately HK\$323,000/HK\$2,483,000. In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent price risk as the period end exposure does not reflect the exposure during the period.

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

### 31. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

*Fair value of the Group's financial instruments that are measured at fair value on a recurring basis (Continued)*

**Reconciliation of Level 3 fair value measurements of financial assets and financial liabilities:**

	Financial assets designated at FVTPL HK\$'000	Derivative financial assets HK\$'000	Derivative financial liabilities HK\$'000
At 1 April 2016 (audited)	24,252	466,150	(41,515)
Reclassification of options consideration received to other receivable following the exercise of Top-up Options and Put Options (Note 16(iii))	–	(338,869)	–
Addition	–	–	(107,697)
Total gain or loss recognised in profit or loss			
– Change in fair value	<u>(1,525)</u>	<u>(127,281)</u>	<u>4,124</u>
At 30 September 2016 (unaudited)	<u>22,727</u>	–	<u>(145,088)</u>
At 1 April 2015 (audited)		585,324	(202,601)
Additions		–	(44,301)
Total gain or loss recognised in profit or loss			
– Change in fair value		<u>70,839</u>	<u>212,200</u>
At 30 September 2015 (unaudited)		<u>656,163</u>	<u>(34,702)</u>

Of the total gains or losses for the period included in profit or loss, HK\$124,682,000 (six months ended 30 September 2015: HK\$283,039,000) relates to financial assets designated as at fair value through profit or loss and derivative financial instruments held at the end of the current reporting period. Fair value gains or losses on financial assets designated as at fair value through profit or loss and derivative financial instruments are included in "other gains and losses".

### 31. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

#### ***Fair value of the Group's financial instruments that are measured at fair value on a recurring basis (Continued)***

##### **Fair value measurements and valuation processes**

In estimating the fair value of an asset or a liability, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group obtains transaction price and quoted price from secondary market and counterparty bank, as well as engages third party qualified valuers to perform the valuation on regular basis. The Group's investment committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Group's investment committee reports the valuer's findings to the board of directors of the Company to explain the cause of fluctuations in the fair value of the assets. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed above.