



易易壹金融集團有限公司

EASY ONE FINANCIAL GROUP LIMITED

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

Stock Code : 221



2017 INTERIM REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Chan Chun Hong, Thomas
(*Chairman & Managing Director*)
Mr. Cheung Wai Kai
Ms. Stephanie

Independent Non-executive Directors

Mr. Sin Ka Man
Mr. Cheung Sau Wah, Joseph, *PMSM*
Mr. Yuen Kam Ho, George, *FHKIoD*
(*retired on 29 August 2017*)
Mr. Wong Hung Tak, *PMSM*
(*appointed on 27 November 2017*)

AUDIT COMMITTEE

Mr. Sin Ka Man (*Chairman*)
Mr. Cheung Sau Wah, Joseph, *PMSM*
Mr. Yuen Kam Ho, George, *FHKIoD*
(*retired on 29 August 2017*)
Mr. Wong Hung Tak, *PMSM*
(*appointed on 27 November 2017*)

REMUNERATION COMMITTEE

Mr. Cheung Sau Wah, Joseph, *PMSM*
(*Chairman*)
Mr. Sin Ka Man
Mr. Yuen Kam Ho, George, *FHKIoD*
(*retired on 29 August 2017*)
Mr. Wong Hung Tak, *PMSM*
(*appointed on 27 November 2017*)
Mr. Chan Chun Hong, Thomas
Mr. Cheung Wai Kai

NOMINATION COMMITTEE

Mr. Yuen Kam Ho, George, *FHKIoD*
(*Chairman*) (*retired on 29 August 2017*)
Mr. Wong Hung Tak, *PMSM* (*Chairman*)
(*appointed on 27 November 2017*)
Mr. Cheung Sau Wah, Joseph, *PMSM*
Mr. Sin Ka Man
Mr. Chan Chun Hong, Thomas
Mr. Cheung Wai Kai

INVESTMENT COMMITTEE

Mr. Chan Chun Hong, Thomas (*Chairman*)
Mr. Cheung Wai Kai
Mr. Cheung Sau Wah, Joseph, *PMSM*

COMPANY SECRETARY

Mr. Cheung Chin Wa, Angus

LEGAL ADVISERS

DLA Piper Hong Kong

AUDITORS

HLB Hodgson Impey Cheng Limited
Certified Public Accountants

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking
Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 3202, 32/F., Skyline Tower
39 Wang Kwong Road
Kowloon Bay
Kowloon
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

PRINCIPAL SHARE REGISTRAR AND TRANSFER AGENT IN BERMUDA

Conyers Corporate Services (Bermuda)
Limited
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
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HOMEPAGE

www.easyonefg.com

STOCK CODE

221

INTERIM DIVIDEND

The board of directors (the “**Board**” or “**Director(s)**”) of Easy One Financial Group Limited (the “**Company**”, together with its subsidiaries, collectively the “**Group**”) did not recommend the payment of any interim dividend for the six months (the “**First Half of 2017**” or the “**Period**”) ended 30 September 2017 (2016: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL RESULTS REVIEW

For the First Half of 2017, the Group’s turnover amounted to approximately HK\$114.5 million (2016: approximately HK\$47.8 million), representing an increase of approximately 140% compared to the corresponding period in 2016 (the “**Prior Period**”), of which turnover generated from property sales in the People’s Republic of China (the “**PRC**”) amounted to approximately HK\$66.8 million (2016: approximately HK\$27.9 million).

The Group’s net loss after tax attributable to owners of the Company for the Period was approximately HK\$117.1 million (2016: net loss after tax attributable to owners of the Company was approximately HK\$66.5 million). The increase in loss was mainly due to the decrease in fair value on financial assets and the increase in loss on share of results of an associate of the Group as compared to the Prior Period.

OPERATION AND BUSINESS REVIEW

During the Period, the Group was principally engaged in the businesses of property development in the PRC, provision of finance and securities brokerage services in Hong Kong. The Group continues to explore potential business opportunities to deliver long term benefits to the shareholders of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

OPERATION AND BUSINESS REVIEW *(Continued)*

Property Development

During the Period, the Group held a total of approximately 0.3 million square feet site of residential and commercial land reserves in two projects in the PRC. As at the date of this report, details of the Group's two property development projects in the PRC are as follows:

City/Province	Percentage ownership/ interest	Approximate site area (square feet)	Approximate saleable area (square feet)	Development Plan
Fuzhou, Jiangxi Province	100%	0.1 million	0.4 million	Residential cum commercial complex
Dongguan, Guangdong Province	100%	0.2 million	0.4 million	Commercial complex
		<hr/> 0.3 million <hr/>	<hr/> 0.8 million <hr/>	

The majority construction of the fifth phase of residential cum commercial units of the Fuzhou project was completed and delivered. Pre-sale of the remaining residential cum commercial units of the fifth phase is in progress. The construction of the sixth phase (Part A) was completed and of the sixth phase (Part B) commenced in the second quarter of 2016 and is expected to be completed at the beginning of 2018.

As at the date of this report, the Group sold more than 99% of the residential and commercial units under the Fuzhou and Dongguan projects. The Group's turnover generated from property sales for the Period was approximately HK\$66.8 million (2016: approximately HK\$27.9 million).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

OPERATION AND BUSINESS REVIEW *(Continued)*

Provision of Finance

The money lending business recorded a tremendous growth in the First Half of 2017. The revenue from the money lending business amounted to HK\$40.7 million during the Period, which represented an increase of approximately 104% compared to approximately HK\$20 million in the Prior Period. The net balance of the loan portfolio as at 30 September 2017 was HK\$530.5 million which represented an increase of approximately 15% compared to the balance of approximately HK\$462.6 million as at 31 March 2017. The annual average interest rate of the loan portfolio was approximately 15% as at 30 September 2017 (31 March 2017: approximately 15%).

As at 30 September 2017, the Group operated 3 shops in Central, Mongkok and Tuen Mun, respectively, focusing on mortgage loan and personal loan businesses. In October 2017 (i.e. after the Period), the Group opened its 4th shop in Wanchai in order to expand its branch network to increase its accessibility to consumers and to facilitate the provision of services to our customers. The Group will continue to focus on its brand building via advertising and promotion activities, and to expand its branch network, product portfolio and customer base to develop its “Easy Access” and “Easy Apply” services to the customers. Meanwhile, the Group will maintain its prudent credit policy and risk management approach with a view to generate a sustainable and stable income for the Group.

Securities Brokerage Service

Easy One Securities Limited (“**Easy One Securities**”), a wholly-owned subsidiary of the Company, was licensed by the Securities and Futures Commission (the “**SFC**”) to carry out Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities in August 2016 and March 2017, respectively.

In May 2017, Easy One Securities started to offer margin financing services to our customers and diversify our revenue stream. It also continued to participate as placing agent and underwriter for a number of Hong Kong listed companies. During the Period, our securities brokerage business continued to grow and the total revenue increased to approximately HK\$7.0 million (2016: nil).

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

OPERATION AND BUSINESS REVIEW *(Continued)*

Liquidity and Financial Resources

The Group's total assets as at 30 September 2017 were approximately HK\$2,044.5 million (31 March 2017: approximately HK\$2,003.4 million) which were financed by total liabilities of approximately HK\$906.8 million (31 March 2017: approximately HK\$748.6 million) and total equity of approximately HK\$1,137.7 million (31 March 2017: approximately HK\$1,254.8 million). The current ratio as at 30 September 2017 was approximately 2.7 times (31 March 2017: approximately 2.6 times).

As at 30 September 2017, the Group's aggregate bank and other borrowings, all of which were denominated in Hong Kong Dollars ("**HKD**") and Renminbi ("**RMB**") and bore a floating interest rate, amounted to approximately HK\$209.3 million (31 March 2017: approximately HK\$166.9 million). As at 30 September 2017, the Group's aggregate non-financial institution borrowings were all denominated in HKD and amounted to approximately HK\$274.0 million (31 March 2017: approximately HK\$153.5 million).

The gearing ratio was calculated by reference to the Group's total borrowings net of cash and cash equivalents and the total equity of the Group. As at 30 September 2017, the gearing ratio was approximately 16.5% (31 March 2017: approximately 5.3%).

Exposure to Fluctuation in Exchange Rates

As at 30 September 2017, the revenue, bank deposits and operating costs of the Group were mainly denominated in HKD and RMB. The Group did not have any outstanding foreign exchange contracts, interest or currency swaps or other financial derivatives as at 30 September 2017. Due to the currency fluctuation of RMB, the Group had been considering alternative risk hedging tools to mitigate RMB currency exchange risk.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2017, the Group had a total of 145 employees (31 March 2017: 141), of which 60 employees were based in Hong Kong and 85 employees were based in the PRC. The Group's remuneration policy is reviewed periodically by the remuneration committee of the Company and the Board. The remuneration of the Group's employees is determined with reference to the market terms, company performance and individual qualifications and performance. The Group maintains a Mandatory Provident Fund Scheme for its employees in Hong Kong, who are eligible to participate, and pays retirement contributions in accordance with the statutory requirements for its PRC employees.

The Group has also adopted a performance based reward system to motivate its staff which is reviewed on a regular basis. On 21 August 2012, the Company terminated the old share option scheme adopted on 8 October 2002 and adopted a new share option scheme (together the **"Share Option Schemes"**) which became effective on 21 August 2012 in compliance with Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the **"Listing Rules"**). During the Period, the Board had not granted any share option under the Share Option Schemes to any Directors or eligible employees of the Group for the subscription of shares of the Company. As at 31 March 2017 and 30 September 2017, there was no outstanding share option under the Share Option Schemes.

CONTINGENT LIABILITIES AND CHARGE ON ASSETS

As at 30 September 2017, the Group had no significant contingent liability (31 March 2017: nil).

As at 30 September 2017, (i) stock of properties with a carrying value of approximately HK\$270.2 million (31 March 2017: approximately HK\$257.5 million); (ii) shares of several subsidiaries and (iii) loan receivable with a carrying value of approximately HK\$36.8 million were pledged to secure the Group's banking and other loan facilities.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

DEBT PROFILES AND FINANCIAL PLANNING

As at 30 September 2017, the interest-bearing debt profile of the Group was analyzed as follows:

	Outstanding amount (HK\$ million)	Approximate annual effective interest rate (per annum)	Maturity date
Financial Institution Borrowings	209.3	5.3%	From November 2017 to February 2020
Non-financial Institution Borrowings	274.0	6.5%	From October 2018 to April 2020
Total	<u>483.3</u>		

In order to repay the interest-bearing debts and to meet the interest payment obligations and the business capital expenditure and funding needs for, inter alia, the increase of land banks, and/or payment of construction costs for the development of its property development projects and/or financing business, and/or securities business, the Group had been from time to time considering various financing alternatives including but not limited to equity fund raising, financial institution borrowings, non-financial institution borrowings, bonds issuance, convertible notes, other debt financial instruments, disposal of investment properties and sales of stock of properties.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ASSETS INVESTMENT HELD

As at 30 September 2017, the Group had financial assets at fair value through profit or loss investment of approximately HK\$181.5 million, details of which are set out in the following:

Nature of investments	As at 30 September 2017				For the period ended 30 September 2017		Fair value/ carrying amount		Investment cost
	Number of shares/units held	Amount	Percentage of shareholding in such stock %	Percentage to the Group's net assets %	Net loss on financial assets at FVTPL (HK\$' million)	Dividends received (HK\$' million)	As at 30 September 2017 (HK\$' million)	As at 31 March 2017 (HK\$' million)	
	'000	(HK\$' million)					(HK\$' million)	(HK\$' million)	(HK\$' million)
A. Listed Investments									
Town Health International Medical Group Limited (stock code: 3886)	62,500	43.8	0.830	3.850	(33.8)	0.2	43.8	77.5	19.5
Others	125	0.0	0.001	0.000	–	–	0.0	0.0	1.0
B. Mutual Funds									
Manulife Investment International Bond Fund	337	3.6		0.316	–	–	3.6	3.6	3.0
HongHe Venture Fund I, L.P.	–	3.7		0.325	–	–	3.7	3.7	3.9
C. Unlisted Convertible Notes									
China Agri-Products Exchange Limited (stock code: 149)	–	130.4		11.462	(56.8)	–	130.4	187.2	140.0
		<u>181.5</u>			<u>(90.6)</u>	<u>0.2</u>	<u>181.5</u>	<u>272.0</u>	<u>167.4</u>

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

CAPITAL COMMITMENT

The Group's capital commitment as at 30 September 2017 amounted to approximately HK\$36.5 million (31 March 2017: approximately HK\$40.6 million).

MATERIAL EVENTS AFTER THE PERIOD

Subscription under the 2017 Rights Issue

As disclosed in the joint announcement of the Company and China Agri-Products Exchange Limited ("**CAP**") dated 4 October 2017, the Company and CAP jointly announced, inter alia, Onger Investments Limited, a wholly-owned subsidiary of the Company, granted an irrevocable undertaking to CAP dated 4 October 2017, pursuant to which Onger Investments Limited conditionally agreed to subscribe for 1,673,083,385 rights shares (the "**Subscription**") at HK\$0.088 per rights share (the "**2017 Rights Issue**") to be issued by CAP comprising the full acceptance of its provisional entitlements. The portion of the consideration payable by the Company is approximately HK\$147 million of which approximately HK\$110 million will be offset by the outstanding principal amount of the bonds issued by CAP (the "**Bonds**") on 28 November 2014 and approximately HK\$37 million will be offset by the outstanding principal amount of the convertible notes (the "**CAP CN**") issued on 19 October 2016. The Subscription is subject to, inter alia, the approval of the shareholders of the Company which was obtained in the special general meeting of the Company held on 22 November 2017. Details of the Subscription were disclosed in the joint announcements of the Company and CAP dated 4 October 2017 and 26 October 2017, respectively, and the circular of the Company dated 3 November 2017.

Extension of interest payment dates

On 18 October 2017, Peony Finance Limited ("**Peony Finance**"), a wholly-owned subsidiary of the Company, entered into an extension agreement with CAP (the "**Extension**"), pursuant to which Peony Finance agreed to extend the payment dates of (i) the relevant outstanding interest of the Bonds; and (ii) the outstanding interest under the CAP CN to 31 January 2018, in consideration for an interest calculated at the rate of 12% per annum which shall be payable on the relevant outstanding interests under the Bonds and the CAP CN for such extension periods. The Extension constituted a discloseable transaction for the Company. Details of the Extension were disclosed in the joint announcement of the Company, CAP, Wang On Group Limited ("**WOG**") and Wai Yuen Tong Medicine Holdings Limited ("**WYT**") dated 18 October 2017.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

TREASURY POLICY

The Group's treasury policy includes diversifying the funding sources. Generating cash flow internally and interest-bearing bank loans during the Period are the general sources of funds to finance the operation of the Group. The Group regularly reviews its major funding positions to ensure it has adequate financial resources in meeting its financial obligations.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Except for the subsidiaries of the Company and the conditional Subscription, there was no significant investments held, nor was there any material acquisition or disposal of subsidiaries during the Period. As at 30 September 2017, there was no concrete plan for material investments or capital assets.

FUTURE PLANS AND PROSPECTS

In the second half of the financial year ending 31 March 2018, the uncertainties surrounding the global economy are expected to continue to affect the market. Global economy is likely to be challenging in light of concerns over the slowdown in emerging markets, possible United States interest rate hikes over pace and the volatility of RMB. However, we will strive to ramp up the effort to enhance our business network and competitiveness with a prudent and balanced risk management approach. Our prime focus remains on improving the overall operating result of the Group through effective cost control and the increase of revenue streams with different strategies based on market situations.

In view of the blossoming of the Hong Kong stock market, the management is cautiously optimistic about the earnings of the Group for the financial year ending 31 March 2018 and expects the financing and securities brokerage business of the Group in Hong Kong will grow in the long run.

DISCLOSURE OF INTERESTS

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

As at 30 September 2017, none of the Directors or the chief executive of the Company, nor any of their respective associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “**SFO**”)) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) pursuant to Part XV of the SFO or the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the section headed “Share Option Scheme”, at no time during the period for the six months ended 30 September 2017 were rights to acquire benefits by means of the acquisition of shares or underlying shares in or debentures of the Company granted to any Director or their respective spouses or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or the chief executive of the Company to acquire such rights in any other body corporate.

DISCLOSURE OF INTERESTS *(Continued)*

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

To the best of the Directors' knowledge, as at 30 September 2017, the following person (other than the Directors or the chief executive of the Company) had, or was deemed or taken to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange pursuant to section 336 of the SFO or, who had notified the Company of the relevant interests or short positions in the shares or underlying shares of the Company:

Long positions in the shares of the Company:

Name of Shareholder	Capacity	Total number of shares held	Approximate % of the Company's total issued share capital (Note 1)
Tang Ching Ho (Note 2)	Interest of controlled corporation	132,418,625	28.51
Yau Yuk Yin (Note 2)	Interest of controlled corporation	132,418,625	28.51
WOG (Note 2)	Interest of controlled corporation	132,418,625	28.51
WYT (Note 2)	Interest of controlled corporation	132,418,625	28.51

Notes:

1. The percentage stated represents the percentage of the Company's share capital as stated in the relevant disclosure of interest form.
2. Hearty Limited and Suntech Investments Limited held 131,234,225 shares and 1,184,400 shares of the Company, respectively. Both companies were wholly-owned subsidiaries of Total Smart Investments Limited. Total Smart Investments Limited was a wholly-owned subsidiary of WYT. WYT was held as to 56.54% by Rich Time Strategy Limited. Rich Time Strategy Limited was a wholly-owned subsidiary of Wang On Enterprises (BVI) Limited. Wang On Enterprises (BVI) Limited was a wholly-owned subsidiary of WOG. WOG was held as to 51.76% by Tang Ching Ho and Yau Yuk Yin through their associates' interests.

DISCLOSURE OF INTERESTS *(Continued)*

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES *(Continued)*

Save as disclosed above, as at 30 September 2017, there was no other person (other than the Directors or the chief executive of the Company) who had any interest or short position in the shares or underlying shares 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, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

SHARE OPTION SCHEME

The Company has adopted a performance based reward system to motivate its staff and such system is reviewed on a regular basis. On 21 August 2012, the Company adopted a new share option scheme (the “**Share Option Scheme**”) in compliance with Chapter 17 of the Listing Rules. The Share Option Scheme became effective on 21 August 2012 and, unless otherwise cancelled or amended, will remain in force for a period of 10 years from that date.

The Board has not granted any share option under the Share Option Scheme since its adoption. As at the date of this interim report, the maximum number of shares available for issue upon exercise of all options to be granted under the Share Option Scheme shall not exceed 46,443,250, representing 10% of the total number of issued shares of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

In the opinion of the Board, the Company had complied with the code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules throughout the period for the six months ended 30 September 2017 except for the following deviations:

Code provision A.2.1

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(Continued)

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE *(Continued)*

Code provision A.2.1 (Continued)

Mr. Chan Chun Hong, Thomas currently takes up the roles of both the chairman and managing Director and is responsible for overall corporate planning, strategic policy making and management of day-to-day operations of the Group. Mr. Chan has extensive experience in the industry which is of great value to overall development of the Company. The Company does not propose to comply with code provision A.2.1 of the CG Code for the time being as the Board considers that the balance of power and authority is ensured by the operation of the Board, which comprises experienced individuals with a balance of skills and experience appropriate for the requirements of the Group. The current structure also allows flexibility and enhances the efficiency of decision-making process in response to the constantly changing competitive environment.

The Group will continue to review and recommend such proposals, as appropriate, in aspect of such deviation or other aspects in order to enhance the Company's competitiveness and operating efficiency, to ensure its sustainable development and to generate greater returns for the shareholders of the Company.

Code provision A.5.1

Code provision A.5.1 of the CG Code requires that the nomination committee should be chaired by the chairman of the board or an independent non-executive director and comprise a majority of independent non-executive directors. Furthermore, Rule 3.10(1) of the Listing Rules provides that every board of directors of listed companies must include at least three independent non-executive directors, Rule 3.21 of the Listing Rules provides that the audit committee (the "**Audit Committee**") of the Company should comprise a minimum of three members and Rule 3.25 of the Listing Rules provides that the remuneration committee should comprise a majority of independent non-executive directors.

Subsequent to the retirement of Mr. Yuen Kam Ho, George as an independent non-executive Director, the chairman of the nomination committee (the "**Nomination Committee**") of the Company and a member of each of the Audit Committee and the remuneration committee (the "**Remuneration Committee**") of the Company upon the conclusion of the 2017 annual general meeting of the Company (i.e. 29 August 2017), the number of independent non-executive Directors and the number of members of each of the Audit Committee, the Remuneration Committee and the Nomination Committee have fallen below the minimum number as required under Rules 3.10(1), 3.21 and 3.25 of the Listing Rules and code provision A.5.1 of the CG Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(Continued)

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE *(Continued)*

Code provision A.5.1 (Continued)

On 27 November 2017, Mr. Wong Hung Tak was appointed as an independent non-executive Director, the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee with effect from 27 November 2017. Following the aforesaid appointments of Mr. Wong, (i) the Company has three independent non-executive Directors, which means that the Company has complied with the requirement set out in Rule 3.10 of the Listing Rules; (ii) the Audit Committee comprises three members, which means that the Company has complied with the requirement set out in Rule 3.21 of the Listing Rules; and (iii) the Remuneration Committee comprises five members, a majority of which are independent non-executive Directors, which means that the Company has complied with the requirement set out in Rule 3.25 of the Listing Rules. Details of Mr. Wong's appointment were disclosed in the announcement of the Company dated 27 November 2017.

DISCLOSURES PURSUANT TO RULE 13.20 OF THE LISTING RULES

Pursuant to a subscription agreement dated 4 October 2014 entered into between Peony Finance and CAP, Peony Finance subscribed the Bonds in the principal amount of HK\$150 million with an annual interest rate of 10% for a term of 5 years. The subscription was completed on 28 November 2014. Details of the Bonds were disclosed in the announcements of the Company dated 4 October 2014, 10 November 2014 and 28 November 2014 and the circular of the Company dated 24 October 2014, respectively. CAP settled HK\$40 million of the Bonds upon the completion of the subscription of the CAP CN. The outstanding amount of the Bonds was HK\$110 million as at the date of this interim report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(Continued)

DISCLOSURES PURSUANT TO RULE 13.20 OF THE LISTING RULES *(Continued)*

Pursuant to a subscription agreement dated 23 August 2016 entered into between Peony Finance and CAP, Peony Finance subscribed the CAP CN in the principal amount of HK\$140 million for a term of 5 years with the interest rate of 7.5% per annum. The subscription was completed on 19 October 2016. Details of the CAP CN were disclosed in the announcements of the Company dated 23 August 2016, 13 September 2016 and 19 October 2016 and the circular of the Company dated 15 September 2016, respectively. The Group advanced the amount of HK\$140 million to CAP under the CAP CN which remained outstanding as at the date of this interim report. The aggregate outstanding amount under the Bonds and the CAP CN was HK\$250 million as at the date of this interim report.

UPDATE ON DIRECTORS' INFORMATION

- Mr. Yuen Kam Ho, George retired as an independent non-executive Director, the chairman of the Nomination Committee and a member of each of the Audit Committee and the Remuneration Committee upon the conclusion of the 2017 annual general meeting of the Company (i.e. 29 August 2017).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by Directors. Having made specific enquiries of all Directors, the Company confirmed that all Directors had complied with the required standard set out in the Model Code throughout the period under review.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(Continued)

AUDIT COMMITTEE

As at the date of this interim report, the Audit Committee comprises two independent non-executive Directors, namely Messrs. Sin Ka Man and Cheung Sau Wah, Joseph, and is chaired by Mr. Sin Ka Man. The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters including a review of the unaudited condensed consolidated interim financial statements of the Group and the interim report for the six months ended 30 September 2017.

By Order of the Board

Chan Chun Hong, Thomas

Chairman and Managing Director

Hong Kong, 21 November 2017

INTERIM RESULTS

The Board announces the unaudited condensed consolidated interim results of the Group for the six months ended 30 September 2017, together with the comparative figures for the corresponding period in 2016. The unaudited condensed consolidated interim financial statements have been reviewed by the Audit Committee.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Notes	For the six months ended 30 September	
		2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Revenue	4	114,533	47,817
Cost of sales		(29,715)	(19,964)
Gross profit		84,818	27,853
Other revenue and gain	4	29,299	24,236
Selling and distribution expenses		(9,231)	(7,188)
Administrative expenses		(69,083)	(39,734)
Finance costs	5	(13,494)	(6,074)
Net loss on financial assets at fair value through profit or loss		(90,615)	(21,592)
Loss on deemed disposal of interest in an associate		(15,982)	–
Share of results of an associate		(27,288)	(39,556)
Loss before taxation	6	(111,576)	(62,055)
Taxation	7	(5,124)	(2,752)
Loss for the period		(116,700)	(64,807)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the six months ended 30 September 2017

		For the six months ended 30 September	
	Notes	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Other comprehensive (loss)/income, net of tax			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Share of changes in other comprehensive income/(loss) in an associate		20,328	(23,420)
Exchange differences on translation of financial statements of overseas subsidiaries		12,363	(11,051)
Change in fair value of available-for-sale financial assets			
— Non-current		959	(9,303)
— Current		—	2,602
Other comprehensive income/(loss) for the period		33,650	(41,172)
Total comprehensive loss for the period		(83,050)	(105,979)
(Loss)/profit for the period attributable to:			
— Owners of the Company		(117,147)	(66,470)
— Non-controlling interests		447	1,663
		(116,700)	(64,807)
Total comprehensive (loss)/income attributable to:			
— Owners of the Company		(83,497)	(107,642)
— Non-controlling interests		447	1,663
		(83,050)	(105,979)
Loss per share attributable to owners of the Company for the period			(Restated)
— Basic and diluted	8	HK(25.22) cents	HK(14.31) cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

		As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
	Notes		
Non-current assets			
Property, plant and equipment	10	7,674	7,875
Property under development		–	73,628
Prepaid lease payments	11	–	19,943
Interest in an associate	12	196,363	232,004
Financial assets at fair value through profit or loss	13	130,428	187,241
Available-for-sale financial assets		147,460	146,225
Loan receivables	14	147,993	74,940
Intangible assets	15	653	653
Deposit paid		500	500
		631,071	743,009
Current assets			
Stock of properties	16	474,731	361,264
Account receivables	17	104,821	68,882
Loan receivables	14	382,490	387,655
Prepayments, deposits and other receivables		98,925	96,579
Financial assets at fair value through profit or loss	13	51,073	84,838
Cash and bank balance held in segregated accounts		6,092	7,687
Time deposits		1,161	13,481
Cash and bank balances		294,183	240,011
		1,413,476	1,260,397
Less: Current liabilities			
Account payables	18	16,324	31,228
Deposits received, accruals and other payables		186,770	176,577
Receipts in advance		143,939	142,910
Tax payable		76,481	77,516
Bank and other loans	19	108,571	62,674
		532,085	490,905
Net current assets		881,391	769,492
Total assets less current liabilities		1,512,462	1,512,501

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30 September 2017

		As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
	Notes		
Less: Non-current liabilities			
Loans from non-controlling interests	20	–	73,500
Loans from related companies	21	274,000	80,000
Bank and other loans	19	100,745	104,235
		374,745	257,735
Net assets		1,137,717	1,254,766
Capital and reserves			
Share capital	22	4,644	4,644
Reserves		1,133,073	1,245,975
Equity attributable to owners of the Company		1,137,717	1,250,619
Non-controlling interests		–	4,147
Total equity		1,137,717	1,254,766

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Attributable to equity holders of the Company									
	Share capital	Share premium	Contributed surplus	Exchange fluctuation reserve	Other reserve (Note i)	Revaluation reserve	Statutory reserve fund (Note ii)	Retained profits	Attributable to owners of the Company	Non-controlling interests
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2016 (audited)	46,443	407,424	714,069	39,291	(4,240)	(15,837)	28,430	231,284	1,446,864	(113)
(Loss)/profit for the period	-	-	-	-	-	-	-	(66,470)	(66,470)	1,663
Other comprehensive loss for the period	-	-	-	(34,471)	-	(6,701)	-	-	(41,172)	-
Total comprehensive (loss)/income for the period	-	-	-	(34,471)	-	(6,701)	-	(66,470)	(107,642)	1,663
At 30 September 2016 (unaudited)	46,443	407,424	714,069	4,820	(4,240)	(22,538)	28,430	164,814	1,339,222	1,550
At 1 April 2017 (audited)	4,644	-	1,163,292	(47,844)	38,959	725	28,430	62,413	1,250,619	4,147
(Loss)/profit for the period	-	-	-	-	-	-	-	(117,147)	(117,147)	447
Other comprehensive loss for the period	-	-	-	32,677	-	973	-	-	33,650	-
Total comprehensive (loss)/income for the period	-	-	-	32,677	-	973	-	(117,147)	(83,497)	447
Acquisition of the remaining interest in a non wholly-owned subsidiary	-	-	-	-	(16,706)	-	-	-	(16,706)	(4,594)
Share of other reserve in an associate	-	-	-	-	(12,699)	-	-	-	(12,699)	-
At 30 September 2017 (unaudited)	4,644	-	1,163,292	(15,167)	9,554	1,698	28,430	(54,714)	1,137,717	-

Notes:

- (i) Other reserve represents the share of the changes in the associate's ownership interests and adjustment arising from acquisition of the remaining interest in a non wholly-owned subsidiary.
- (ii) According to the relevant People's Republic of China (the "PRC") regulations applicable to the PRC group companies are foreign investment enterprises, each of these subsidiaries is required to allocate a certain portion (not less than 10%) of its profit after tax, as determined in accordance with the PRC Accounting Regulations, to the statutory reserve fund until such reserve reaches 50% of its registered capital.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	For the six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Net cash used in operating activities	(34,709)	(214,916)
Investing activities		
Interest received	5,946	12,006
Dividend income received	2,830	3,267
Net proceeds from disposal of property, plant and equipment	9	–
Purchase of property, plant and equipment	(1,744)	–
Property under development paid	(61,623)	(17,227)
Acquisition of the remaining interest in a non wholly-owned subsidiary	(21,300)	–
Other investing activities	–	8,433
Net cash (used in)/generated from investing activities	(75,882)	6,479
Financing activities		
Interest paid	(5,584)	(8,478)
Proceeds from loans from related companies	194,000	–
Proceeds from bank and other loans	43,000	–
Repayment of bank and other loans	(5,037)	(13,301)
Repayment of loans from non-controlling interests	(73,500)	–
Proceeds from loans from non-controlling interests	–	39,200
Net cash generated from financing activities	152,879	17,421
Net increase/(decrease) in cash and cash equivalents	42,288	(191,016)
Cash and cash equivalents at the beginning of the period	253,491	399,243
Effects of foreign exchange rate changes	(435)	6,086
Cash and cash equivalents at the end of the period	295,344	214,313
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	294,183	214,012
Time deposits	1,161	301
	295,344	214,313

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

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

The unaudited condensed consolidated interim financial statements should be read in conjunction with the consolidated financial statements for the year ended 31 March 2017, which has been prepared in accordance with Hong Kong Financial Reporting Standards (the “**HKFRSs**”).

The preparation of the unaudited condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these unaudited condensed consolidated interim financial statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimate uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2017.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The unaudited condensed consolidated interim financial statements have been prepared under the historical cost basis except for financial assets at fair value through profit or loss and available-for-sale financial assets, which are measured at fair values. In the current interim period, the Group has applied, for the first time, the following new and revised standards, amendments and interpretations (the “**new and revised HKFRSs**”) issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 April 2017.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	Disclosure of Interests in Other Entities
included in Annual Improvements 2014–2016 Cycle	

The application of the above new and revised HKFRSs has had no material effect on the Group’s results and financial position for the current or prior periods that have been prepared or presented.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective in the current period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. SEGMENT INFORMATION

The following is an analysis of the Group's revenue and contribution to operating results by operating segments for the six months ended 30 September 2017 and 2016, respectively:

2017

	Property development operation (Unaudited) HK\$'000	Provision of finance business operation (Unaudited) HK\$'000	Provision of brokerage services operation (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue	66,791	40,696	7,046	114,533
Segment results	23,262	5,717	2,260	31,239
Unallocated interest income and gains				14,099
Corporate and other unallocated expenses				(9,535)
Finance costs				(13,494)
Net loss on financial assets at fair value through profit or loss				(90,615)
Loss on deemed disposal of interest in an associate				(15,982)
Share of results of an associate				(27,288)
Loss before taxation				(111,576)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

3. SEGMENT INFORMATION *(Continued)*

2016

	Property development operation (Unaudited) HK\$'000	Provision of finance business operation (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue	27,858	19,959	47,817
Segment results	(7,503)	2,190	(5,313)
Unallocated interest income and gains			17,491
Corporate and other unallocated expenses			(7,011)
Finance costs			(6,074)
Net loss on financial assets at fair value through profit or loss			(21,592)
Share of results of an associate			(39,556)
Loss before taxation			(62,055)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the period (six months ended 30 September 2016: Nil).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

4. REVENUE AND OTHER REVENUE AND GAIN

Revenue represents sales of stock of properties, interest income earned and commission and fee income from dealing in securities. All significant intra-group transactions have been eliminated on consolidation.

An analysis of the Group's revenue and other revenue and gain is as follows:

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue		
Sales of stock of properties	66,791	27,858
Interest income from loan financing	40,696	19,959
Interest income from margin clients	1,738	–
Commission and fee income from dealing in securities	1,887	–
Placing and underwriting commission	3,421	–
	114,533	47,817
	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other revenue and gain		
Interest income on bank deposits	632	470
Interest income on unlisted bonds	6,013	7,856
Interest income on convertible notes	5,261	–
Interest income on an interest-bearing loan to an associate	–	6,016
Interest income from cash clients	2,440	–
Dividend income on listed securities	2,830	3,267
Handling and settlement income	176	–
Rental income	9,201	6,033
Sundry income	2,746	594
	29,299	24,236

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

5. FINANCE COSTS

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Interest on interest-bearing bank loans wholly repayable within five years	4,592	8,575
Interest on interest-bearing loans wholly repayable within five years	8,902	–
	13,494	8,575
Less: Amounts capitalised on the cost of property under developments	–	(2,501)
	13,494	6,074

6. LOSS BEFORE TAXATION

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss before taxation is stated at after charging/(crediting):		
Cost of completed properties sold	21,313	17,544
Business taxes and other levies	3,771	1,574
Commission paid to brokers and others	2,031	–
Depreciation of owned property, plant and equipment	2,365	1,477
Exchange (gain)/losses	(707)	238
Impairment loss on loan receivables and interest receivables	13,408	5,468
Minimum lease payments under operating leases for land and buildings	6,020	3,952
Net loss on financial assets at fair value through profit or loss	90,615	21,592
Net loss on disposal of property, plant and equipment	3	–

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

7. TAXATION

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current taxation		
— Hong Kong profits tax	705	1,325
— PRC corporate income tax	4,419	1,427
	<hr/>	<hr/>
Total tax charge for the period	5,124	2,752

Hong Kong profits tax has been provided at the rate of 16.5% (six months ended 30 September 2016: 16.5%) on the estimated assessable profits arising in Hong Kong during the period. The PRC corporate income tax has been provided at the rate of 25% (six months ended 30 September 2016: 25%) on the estimated assessable profits arising in the PRC during the period.

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE PERIOD

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

	For the six months ended 30 September	
	2017	2016
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Loss		
Loss for the purpose of basic loss per share (loss for the period attributable to owners of the Company)	(117,147)	(66,470)
	<hr/>	<hr/>
	'000	'000
		(Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	464,432	464,432
	<hr/>	<hr/>

The weighted average number of shares for the purpose of basic loss per share has been restated and adjusted with effect of share consolidation which occurred during the year ended 31 March 2017.

Diluted loss per share for the periods ended 30 September 2017 and 2016 was the same as the basic loss per share as there was no dilutive event existed during both periods.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

9. DIVIDEND

The Directors do not recommend the payment of interim dividend for the periods ended 30 September 2017 and 2016.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 September 2017, the Group had acquired property, plant and equipment amounting to approximately HK\$1,744,000 (six months ended 30 September 2016: HK\$2,108,000).

During the six months ended 30 September 2017, the Group had disposal of property, plant and equipment amounting to approximately HK\$12,000 (six months ended 30 September 2016: Nil).

11. PREPAID LEASE PAYMENTS

HK\$'000

Cost

At 31 March 2017 and 1 April 2017	22,515
Exchange realignment	823
Transfer to stock of properties	(23,338)
	<hr/>
At 30 September 2017	<hr/> –

Accumulated amortisation

At 31 March 2017 and 1 April 2017	2,238
Charge for the period	174
Exchange realignment	94
Transfer to stock of properties	(2,506)
	<hr/>
At 30 September 2017	<hr/> –

Carrying amounts

At 30 September 2017 (Unaudited)	<hr/> –
	<hr/>
At 31 March 2017 (Audited)	<hr/> 20,277

The prepaid lease payments comprise of leasehold land situated in the PRC held under long-term leases.

Amortisation expense on prepaid lease payments of approximately HK\$174,000 (six months ended 30 September 2016: HK\$201,000) has been capitalised to property under development for the period.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

11. PREPAID LEASE PAYMENTS *(Continued)*

Analysed for reporting purpose as:

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Current assets (included in prepayments, deposits and other receivables)	—	334
Non-current assets	—	19,943
	<hr/>	<hr/>
	—	20,277
	<hr/>	<hr/>

12. INTEREST IN AN ASSOCIATE

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Cost of investment in an associate — listed in Hong Kong	520,727	520,727
	<hr/>	<hr/>
Share of net assets	196,363	232,004
	<hr/>	<hr/>

On 6 April 2017, an associate of the Group, China Agri-Products Exchange Limited (“CAP”), issued and allotted 380,000,000 and 115,500,000 conversion shares on 6 April 2017 and 19 April 2017 respectively due to the exercise of conversion rights under the convertible notes. The number of ordinary shares of CAP as at the date of approval of these financial statements was 1,658,844,637 and the Group’s interest in Cap decreased from approximately 28.76% to approximately 20.17%.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

12. INTEREST IN AN ASSOCIATE *(Continued)*

Details of the Group's associate which is held indirectly by the Company at 30 September 2017 and 31 March 2017 are as follows:

Name of associate	Form of entity	Place of incorporation	Principal place of operation	Class of shares held	Proportion of nominal value of issued share capital held	Proportion of voting power held	Principal activities
CAP	Limited company	Bermuda	HK and the PRC	Ordinary	20.17% (31 March 2017: 28.76%)	20.17% (31 March 2017: 28.76%)	Agricultural produce exchange market management and property sales

For the purpose of applying the equity method of accounting for the current period, the unaudited consolidated financial statements of CAP for the six months ended 30 June 2017 have been used.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Equity securities listed in Hong Kong (Note i)	43,765	77,516
Unlisted bond fund (Note ii)	7,308	7,322
Convertible notes (Note iii)	130,428	187,241
	181,501	272,079
Carrying amount analysed for reporting purpose:		
Current assets	51,073	84,838
Non-current assets	130,428	187,241
	181,501	272,079

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

Notes

- i: The fair values of the listed equity securities are determined based on the quoted market bid prices available on The Stock Exchange of Hong Kong Limited.
- ii: The unlisted bond fund is denominated in US dollar. The fair value of unlisted bond fund is reference to indicative market price.
- iii: The fair value of convertible notes is determined using binomial model.
- iv: Assuming the portfolio of the Group's listed equity securities has remained unchanged, the fair value of the Group's listed equity securities at the date of approval of these financial statement was approximately HK\$41,278,000 (31 March 2017: HK\$57,515,000).

14. LOAN RECEIVABLES

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Loan receivables:		
Within one year	383,137	399,559
Two to five years	83,854	46,223
Over five years	77,087	28,717
	544,078	474,499
Less: Provision for individual impairment assessment of loan receivables	(9,826)	(10,500)
Provision for collective impairment assessment of loan receivables	(3,769)	(1,404)
	530,483	462,595
Carrying amount analysed for reporting purpose:		
Current assets	382,490	387,655
Non-current assets	147,993	74,940
	530,483	462,595

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

14. LOAN RECEIVABLES *(Continued)*

Note

- i: The Group's loan receivables which arise from the money lending business of providing property mortgage loans, personal loans and corporate loans in Hong Kong are denominated in Hong Kong dollars.

Before approving any loans to new borrowers, the Group has assessed the potential borrower's credit quality and defined credit limits individually. The Group has policy for allowance of doubtful debts which is based on the evaluation of collectability and aging analysis of accounts and on management's judgment, including the current creditworthiness, collaterals and the past collection history of each client.

As at 30 September 2017, the loan receivables included (i) loans to customers amounted to approximately HK\$297,042,000 (31 March 2017: HK\$223,300,000) which were disclosed in the announcements of the Company dated 24 November 2016, 29 December 2016, 15 and 21 February 2017, 24 and 28 April 2017, 17 and 23 May 2017, 2 June 2017, 7 and 10 July 2017, 25 August 2017, and 18 and 21 September 2017 (31 March 2017: 6 May 2016, 6 June 2016, 24 November 2016, 29 December 2016, 16 January 2017, 15 February 2017 and 21 February 2017), respectively, and (ii) loans to 788 customers amounted to approximately HK\$247,036,000 (31 March 2017: 569 customers amounted to approximately HK\$251,199,000) in total before impairment which were not required to be disclosed under the Listing Rules.

The credit quality analysis of the loan receivables is as follows:

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Neither past due nor impaired		
Secured	374,813	338,676
Unsecured	155,670	123,919
Impaired	13,595	11,904
	544,078	474,499

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

15. INTANGIBLE ASSETS

	Money lender license HK\$'000
Cost	
At 31 March 2017, 1 April 2017 and 30 September 2017	653
Accumulated amortisation	
At 31 March 2017, 1 April 2017 and 30 September 2017	—
Carrying amounts	
At 30 September 2017 (Unaudited) and 31 March 2017 (Audited)	653

Note: The money lender license represents the right granted to the Group for carrying on the business of a money lender for an indefinite period of time. Such intangible assets are carried at cost less accumulated impairment losses. The recoverable amount of the intangible assets has been determined based on a value in use calculation. No impairment loss was recognised during the period in which, the recoverable amount was determined on discounted cash flow method. The calculation uses cash flow projections based on financial budgets approved by the management covering 5 years. The discount rate applied was approximately 19.1%. The directors of the Company are not aware of any expected impediment with respect to the renewal of the license and consider that the possibility of failing in licenses renewal is remote. Therefore, the directors of the Company consider that the intangible assets are treated as having indefinite useful lives.

16. STOCK OF PROPERTIES

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Property under development	114,051	—
Completed properties	360,680	361,264
	474,731	361,264

As at 30 September 2017, property under development and prepaid lease payments of HK\$93,219,000 and HK\$20,832,000 respectively (31 March 2017: Nil) were transferred to stock of properties because they were scheduled to be completed in the coming twelve months.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

17. ACCOUNT RECEIVABLES

The settlement terms of account receivables arising from the business of dealing in securities are two days after trade date. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral over these balances.

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Account receivables arising from the ordinary course of business of dealing in securities:		
— Cash clients	44,306	58,488
— Margin clients	60,515	—
— Clearing houses	—	10,394
	104,821	68,882
Less: Impairment	—	—
	104,821	68,882

No ageing analysis of margin clients is disclosed as in the opinion of the executive directors of the Company, the ageing analysis does not give additional value in the view of the nature of this business.

The ageing analysis of the account receivables as at the end of the reporting period, based on settlement or invoices date, net of impairment is as follows:

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Current	9,797	23,623
Within 30 days	27,420	39,734
31 to 90 days	4,888	4,270
Over 90 days	2,201	1,255
	44,306	68,882

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

18. ACCOUNT PAYABLES

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Clients	13,588	18,022
Brokers, dealers and clearing houses	2,736	13,206
	16,324	31,228

The settlement terms of account payables arising from the business of dealing in securities are two days after trade date. No ageing analysis is disclosed as in the opinion of the executive directors of the Company, the ageing analysis does not give additional value in the view of the nature of this business.

Included in account payables as at 30 September 2017, amounts of approximately HK\$6,092,000 (31 March 2017: HK\$7,678,000) were payable to clients and other institutions in respect of the trust and segregated bank balances received and held for clients and other institutions in the course of conducting the regulated activities. However, the Group currently does not have an enforceable right to offset these account payables with the deposit placed.

19. BANK AND OTHER LOANS

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Carrying amount repayable:		
On demand or within one year	108,571	62,674
More than one year, but not exceeding two years	100,745	104,235
	209,316	166,909
Interest-bearing bank and other loans at:		
Floating interest rate	209,316	166,909

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

19. BANK AND OTHER LOANS *(Continued)*

The ranges of effective interest rates (which equal to contracted interest rates) on the Group's borrowings are as follows:

	As at 30 September 2017 (Unaudited)	As at 31 March 2017 (Audited)
Floating interest rate loans	2.6%-8.0%	3.8%-6.2%

The bank loans denominated in RMB bear interest at the prevailing market rates quoted by the People's Bank of China. The loans of approximately HK\$113,338,000 (31 March 2017: HK\$113,931,000) are secured by pledge of the Group's stock of properties of approximately HK\$270,182,000 (31 March 2017: HK\$257,462,000). The loans of approximately HK\$113,338,000 (31 March 2017: HK\$113,931,000) are secured by corporate guarantees from subsidiaries of the Group and the Company.

The bank loans denominated in Hong Kong dollars are at the prevailing market rates reference to HIBOR+2% (31 March 2017: HIBOR+3.75%). As at 30 September 2017, the loans of approximately HK\$65,978,000 (31 March 2017: HK\$52,978,000) are secured by pledge of the Group's stock of properties of approximately HK\$270,182,000 (31 March 2017: HK\$257,462,000) and mortgage over shares of a wholly-owned subsidiary of the Company. The loans are secured by corporate guarantees from a subsidiary of the Group and the Company.

The other loan denominated in Hong Kong dollars is at the prevailing market rates reference to P+3% (31 March 2017: Nil). As at 30 September 2017, the loan of HK\$30,000,000 (31 March 2017: Nil) is secured by the Group's loan receivables of approximately HK\$36,800,000 (31 March 2017: Nil). The loan is secured by corporate guarantees from the Group.

20. LOANS FROM NON-CONTROLLING INTERESTS

As at 31 March 2017, a loan with aggregate principal amount of HK\$73,500,000 was borrowed from a minority interest of a non wholly-owned subsidiary. The loan was unsecured, interest-free and had no fixed term of repayment. There was no outstanding balance as at 30 September 2017.

21. LOANS FROM RELATED COMPANIES

As at 30 September 2017, a loan with aggregate principal amount of HK\$100,000,000 (31 March 2017: HK\$80,000,000) was borrowed from Able Trend Limited which is an indirect wholly-owned subsidiary of Wai Yuen Tong Medicine Holdings Limited ("WYT") and a loan with aggregate principal amount of HK\$174,000,000 (31 March 2017: Nil) was borrowed from Emperor Smart Investments Limited which is an indirect wholly-owned subsidiary of Wang On Group Limited ("WOG"). The loans are unsecured and carry fixed rate of 6.5% per annum.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

22. SHARE CAPITAL

	Number of shares '000	Share capital HK\$'000
Authorised:		
At 31 March 2017 and 1 April 2017, ordinary shares of HK\$0.01 each (audited)	20,000,000	200,000
At 30 September 2017, ordinary shares of HK\$0.01 each (unaudited)	20,000,000	200,000
Issued and fully paid:		
At 31 March 2017 and 1 April 2017, ordinary shares of HK\$0.01 each (audited)	464,432	4,644
At 30 September 2017, ordinary shares of HK\$0.01 each (unaudited)	464,432	4,644

Share option scheme

Details of the Company's share option scheme are set out in the section "Share Option Scheme" on page 14 of the interim report.

23. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office premises under operating lease arrangements which are negotiated for lease terms of from one to three years.

At 30 September 2017, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Within one year	8,697	6,254
In the second to fifth years, inclusive	6,539	6,444
	15,236	12,698

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

24. MATERIAL RELATED PARTY TRANSACTIONS

During the period, the Group had entered into the following transactions with related parties which, in the opinion of the Directors, were carried out in the ordinary course of the Group's business.

	For the six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Interest income on unlisted bonds	6,013	7,856
Interest income on convertible notes	5,261	–
Interest income on an interest-bearing loan to an associate	–	6,016
Rental expense paid to WYT	150	367
Interest expense on an interest-bearing loan from an indirect wholly-owned subsidiary of WYT	3,223	–
Interest expense on an interest-bearing loan from an indirect wholly-owned subsidiary of WOG	5,415	–

Key management personnel compensation

Remuneration for key management personnel, including amounts paid to the Company's Directors during the period is as follows:

	For the six months ended 30 September	
	2017 (Unaudited) HK\$'000	2016 (Unaudited) HK\$'000
Salaries and other short-term employee benefits	1,540	1,431
Employer contribution to pension scheme	22	22
	1,562	1,453

25. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets 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).

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

25. FAIR VALUE HIERARCHY (Continued)

Assets measured at fair value:

As at 30 September 2017

	Level 1 (Unaudited) HK\$'000	Level 2 (Unaudited) HK\$'000	Level 3 (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Financial assets				
Fair value through profit or loss				
— listed equity securities	43,745	—	—	43,745
— unlisted bond fund	7,328	—	—	7,328
— convertible notes	—	—	130,428	130,428
 Available-for-sales				
— unlisted bond	—	—	108,697	108,697
— listed equity securities	38,763	—	—	38,763
Total	89,836	—	239,125	328,961

As at 31 March 2017

	Level 1 (Audited) HK\$'000	Level 2 (Audited) HK\$'000	Level 3 (Audited) HK\$'000	Total (Audited) HK\$'000
Financial assets				
Fair value through profit or loss				
— listed equity securities	77,516	—	—	77,516
— unlisted bond fund	7,322	—	—	7,322
— convertible notes	—	—	187,241	187,241
 Available-for-sales				
— unlisted bond	—	—	109,055	109,055
— listed equity securities	37,170	—	—	37,170
Total	122,008	—	296,296	418,304

During the periods ended 30 September 2017 and 2016, there were no transfers between Level 1 and Level 2 and no transfers into or out of Level 3.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

26. CAPITAL COMMITMENT

At 30 September 2017, the Group had the following capital commitments:

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Contracted but not provided for:		
Additions of property under development	36,509	40,614
	36,509	40,614

27. PLEDGE OF ASSETS

Assets with the following carrying amounts have been pledged to secure interest-bearing bank and other loans of the Group are as follows:

	As at 30 September 2017 (Unaudited) HK\$'000	As at 31 March 2017 (Audited) HK\$'000
Stock of properties	270,182	257,462
Loan receivables	36,800	–
	306,982	257,462

As at 30 September 2017 and 31 March 2017, shares of a subsidiary of the Company have been pledged to secure interest-bearing bank loans of the Group.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

28. CONTINGENT LIABILITIES

The Group and the Company have no material contingent liabilities as at 30 September 2017 and 31 March 2017.

29. EVENTS AFTER THE REPORTING PERIOD

Subscription under the 2017 Rights Issue

As disclosed in the joint announcement of the Company and CAP dated 4 October 2017, the Company and CAP jointly announced, inter alia, Onger Investments Limited, a wholly-owned subsidiary of the Company, granted an irrevocable undertaking to CAP dated 4 October 2017, pursuant to which Onger Investments Limited conditionally agreed to subscribe for 1,673,083,385 rights shares (the “**Subscription**”) at HK\$0.088 per rights share (the “**2017 Rights Issue**”) to be issued by CAP comprising the full acceptance of its provisional entitlements. The portion of the consideration payable by the Company is approximately HK\$147 million of which approximately HK\$110 million will be offset by the outstanding principal amount of the bonds issued by CAP (the “**Bonds**”) on 28 November 2014 and approximately HK\$37 million will be offset by the outstanding principal amount of the convertible notes (the “**CAP CN**”) issued on 19 October 2016. The Subscription is subject to, inter alia, the approval of the shareholders of the Company which was obtained in the special general meeting of the Company held on 22 November 2017. Details of the Subscription were disclosed in the joint announcements of the Company and CAP dated 4 October 2017 and 26 October 2017, respectively, and the circular of the Company dated 3 November 2017.

Extension of interest payment dates

On 18 October 2017, Peony Finance Limited (“**Peony Finance**”), a wholly-owned subsidiary of the Company, entered into an extension agreement with CAP (the “**Extension**”), pursuant to which Peony Finance agreed to extend the payment dates of (i) the relevant outstanding interest of the Bonds; and (ii) the outstanding interest under the CAP CN to 31 January 2018, in consideration for an interest calculated at the rate of 12% per annum which shall be payable on the relevant outstanding interests under the Bonds and the CAP CN for such extension periods. The Extension constituted a discloseable transaction for the Company. Details of the Extension were disclosed in the joint announcement of the Company, CAP, WOG and WYT dated 18 October 2017.

30. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENT

The unaudited condensed consolidated financial statements were approved by the Board on 21 November 2017.