



中國山東高速金融集團有限公司

CHINA SHANDONG HI-SPEED FINANCIAL GROUP LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 00412

Interim Report
2020

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director and Chairman

Mr. Wang Xiaodong

Executive Director and Vice Chairman

Mr. Liu Han

Executive Directors

Mr. Liu Honghui

Mr. Liu Zhijie

Mr. Liu Yao

Non-Executive Directors

Mr. Liang Zhanhai

Mr. Chen Di

Mr. Gao Guicheng

Independent Non-Executive Directors

Mr. Guan Huanfei

Mr. Chan Wai Hei

Mr. Tan Yuexin

Mr. Jonathan Jun Yan

AUDIT COMMITTEE

Mr. Chan Wai Hei (*Chairman*)

Mr. Chen Di

Mr. Gao Guicheng

Mr. Tan Yuexin

Mr. Jonathan Jun Yan

REMUNERATION COMMITTEE

Mr. Guan Huanfei (*Chairman*)

Mr. Liu Zhijie

Mr. Liu Honghui

Mr. Chan Wai Hei

Mr. Tan Yuexin

NOMINATION COMMITTEE

Mr. Wang Xiaodong (*Chairman*)

Mr. Chen Di

Mr. Chan Wai Hei

Mr. Tan Yuexin

Mr. Jonathan Jun Yan

EXECUTIVE COMMITTEE

Mr. Wang Xiaodong (*Chairman*)

Mr. Liu Han (*Vice-Chairman*)

Mr. Liu Honghui

Mr. Liu Zhijie

Mr. Liu Yao

JOINT COMPANY SECRETARIES

Mr. Yu Qin

Ms. Lam Katrina Lai Kuen

AUTHORISED REPRESENTATIVES

Mr. Liu Yao

Ms. Lam Katrina Lai Kuen

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

17th Floor
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No. 50 Connaught Road Central
Hong Kong

STOCK CODE

412

AUDITOR

Crowe (HK) CPA Limited
9/F Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

LEGAL ADVISERS

Hong Kong law:
Li & Partners
22/F, World-Wide House Central
Hong Kong

Bermuda law:
Conyers Dill & Pearman
29/F, One Exchange Square
8 Connaught Place
Central
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
Bank of China Tower
No.1 Garden Road Central
Hong Kong

Industrial and Commercial Bank of China
(Macau) Limited
18/F, ICBC Tower
Macau Landmark
555 Avenida da Amizade
Macau

PRINCIPAL SHARE REGISTRAR IN BERMUDA

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

BRANCH SHARE REGISTRAR IN HONG KONG

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

COMPANY WEBSITE

www.csfg.com.hk

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
REVENUE	4	621,480	329,973
COST OF SERVICES		(337,152)	(143,854)
Gross profit		284,328	186,119
Other income		25,835	37,772
Other gains and losses, net	5	171,433	–
Impairment losses on financial assets recognised, net of reversal	6	(252,572)	(166,698)
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	8	24,868	(1,382,284)
Employee benefit expenses	8	(92,507)	(75,885)
Administrative expenses		(127,492)	(61,084)
Finance costs	7	(1,130)	(144,739)
Share of results of associates	12	45,284	(946)
PROFIT/(LOSS) BEFORE TAX	8	78,047	(1,607,745)
Income tax expense	9	(18,938)	(1,897)
PROFIT/(LOSS) FOR THE PERIOD		59,109	(1,609,642)
Profit/(loss) for the period attributable to:			
Owners of the Company		(65,646)	(1,617,719)
Holders of perpetual capital instruments		105,931	–
Non-controlling interests		18,824	8,077
		59,109	(1,609,642)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	10	HK\$(0.27) cents	HK\$(6.62) cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	For the six months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	59,109	(1,609,642)
OTHER COMPREHENSIVE (LOSS)/INCOME		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Fair value changes on equity instruments classified as financial assets at fair value through other comprehensive income	(335,853)	363,511
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Fair value changes on debt instruments classified as financial assets at fair value through other comprehensive income	(63,893)	–
Amounts reclassified to profit or loss upon disposal of debt instruments classified as financial assets at fair value through other comprehensive income	738	–
Exchange difference arising on translation of foreign operations	(43,907)	20,412
TOTAL OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD	(442,915)	383,923
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	(383,806)	(1,225,719)
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	(507,408)	(1,233,939)
Holder of perpetual capital instruments	105,931	–
Non-controlling interests	17,671	8,220
	(383,806)	(1,225,719)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		9,869	9,823
Right-of-use assets		45,393	27,249
Intangible assets		1,314,756	1,269,703
Interests in associates	12	2,108,337	47,460
Financial assets at fair value through other comprehensive income	13	2,477,509	3,275,811
Financial assets at fair value through profit or loss	14	58,607	656,697
Finance lease receivables	15	809,161	1,390,935
Loans receivables	16	–	37,474
Total non-current assets		6,823,632	6,715,152
CURRENT ASSETS			
Financial assets at fair value through other comprehensive income	13	2,331,644	880,707
Financial assets at fair value through profit or loss	14	6,350,631	2,200,732
Finance lease receivables	15	1,411,966	1,436,872
Loans receivables	16	3,774,742	2,650,011
Trade and other receivables	17	849,178	1,036,333
Restricted cash		43,738	64,923
Cash and cash equivalents		3,727,388	8,214,075
Total current assets		18,489,287	16,483,653
CURRENT LIABILITIES			
Other payables and accruals		372,452	198,895
Lease liabilities		14,011	2,025
Borrowings	18	7,855,166	5,436,520
Tax payables		13,027	24,906
Total current liabilities		8,254,656	5,662,346

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
NET CURRENT ASSETS		10,234,631	10,821,307
TOTAL ASSETS LESS CURRENT LIABILITIES		17,058,263	17,536,459
NON-CURRENT LIABILITIES			
Borrowings	18	7,163,854	7,128,121
Lease liabilities		35,077	25,651
Other payables and accruals		30,328	19,480
Deferred tax liabilities		111,750	111,750
Total non-current liabilities		7,341,009	7,285,002
Net assets		9,717,254	10,251,457
CAPITAL AND RESERVES			
Issued capital	19	6,113	6,113
Reserves		2,446,184	2,953,592
Equity attributable to owners of the Company		2,452,297	2,959,705
Perpetual capital instruments	20	7,070,333	7,114,799
Non-controlling interests		194,624	176,953
Total equity		9,717,254	10,251,457

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

	Attributable to owners of the Company													
	Issued capital HK\$'000 (Unaudited)	Share premium account HK\$'000 (Note i) (Unaudited)	Share options reserve HK\$'000 (Note ii) (Unaudited)	Capital redemption reserve HK\$'000 (Note iii) (Unaudited)	Contributed surplus HK\$'000 (Note iv) (Unaudited)	Fair value through other comprehensive income reserve HK\$'000 (Note v) (Unaudited)	Convertible bonds reserve HK\$'000 (Note vi) (Unaudited)	Statutory reserve HK\$'000 (Note vii) (Unaudited)	Translation reserve HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Perpetual capital instruments HK\$'000 (Unaudited)	Non-controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
At 1 January 2019 (Audited)	6,113	4,784,098	40,150	1,177	1,524,577	181,069	19,084	37,995	(263,673)	(1,535,564)	4,795,026	-	83,220	4,878,246
(Loss)/profit for the period	-	-	-	-	-	-	-	-	-	(1,617,719)	(1,617,719)	-	8,077	(1,609,642)
Other comprehensive income for the period:														
Fair value change on equity instruments classified as financial assets at fair value through other comprehensive income	-	-	-	-	-	363,511	-	-	-	-	363,511	-	-	363,511
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	20,269	-	20,269	-	143	20,412
Other comprehensive income for the period	-	-	-	-	-	363,511	-	-	20,269	-	383,780	-	143	383,923
Total comprehensive income/(loss) for the period	-	-	-	-	-	363,511	-	-	20,269	(1,617,719)	(1,233,939)	-	8,220	(1,225,719)
At 30 June 2019 (Unaudited)	6,113	4,784,098	40,150	1,177	1,524,577	544,580	19,084	37,995	(243,404)	(3,153,283)	3,561,087	-	91,440	3,652,527

	Attributable to owners of the Company													
	Issued capital HK\$'000 (Unaudited)	Share premium account HK\$'000 (Note i) (Unaudited)	Share options reserve HK\$'000 (Note ii) (Unaudited)	Capital redemption reserve HK\$'000 (Note iii) (Unaudited)	Contributed surplus HK\$'000 (Note iv) (Unaudited)	Fair value through other comprehensive income reserve HK\$'000 (Note v) (Unaudited)	Convertible bonds reserve HK\$'000 (Note vi) (Unaudited)	Statutory reserve HK\$'000 (Note vii) (Unaudited)	Translation reserve HK\$'000 (Unaudited)	Accumulated losses HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)	Perpetual capital instruments HK\$'000 (Unaudited)	Non-controlling interests HK\$'000 (Unaudited)	Total equity HK\$'000 (Unaudited)
At 1 January 2020 (Audited)	6,113	4,784,098	40,150	1,177	1,524,577	531,756	-	37,995	(306,453)	(3,659,708)	2,959,705	7,114,799	176,953	10,251,457
(Loss)/profit for the period	-	-	-	-	-	-	-	-	-	(65,646)	(65,646)	105,931	18,824	59,109
Other comprehensive loss for the period:														
Fair value change on equity instruments classified as financial assets at fair value through other comprehensive income	-	-	-	-	-	(335,853)	-	-	-	-	(335,853)	-	-	(335,853)
Fair value changes on debt instruments classified as financial assets at fair value through other comprehensive income	-	-	-	-	-	(63,155)	-	-	-	-	(63,155)	-	-	(63,155)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	-	-	(42,754)	-	(42,754)	-	(1,153)	(43,907)
Other comprehensive loss for the period	-	-	-	-	-	(399,008)	-	-	(42,754)	-	(441,762)	-	(1,153)	(442,915)
Total comprehensive (loss)/income for the period	-	-	-	-	-	(399,008)	-	-	(42,754)	(65,646)	(507,408)	105,931	17,671	(383,806)
Distributions paid to holders of perpetual capital instruments	-	-	-	-	-	-	-	-	-	-	-	(150,397)	-	(150,397)
Release of fair value through other comprehensive income reserve	-	-	-	-	-	(514,271)	-	-	-	514,271	-	-	-	-
At 30 June 2020 (Unaudited)	6,113	4,784,098	40,150	1,177	1,524,577	(381,523)	-	37,995	(349,207)	(3,211,083)	2,452,297	7,070,333	194,624	9,717,254

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2020

Notes:

(i) Share premium account

Share premium account represents the excess of proceeds received over the nominal value of the Company's shares issued, less share issue expenses. Pursuant to the Companies Act of Bermuda, the Company's share premium account may be distributed in the form of fully paid bonus shares.

(ii) Share options reserve

Share options reserve relates to share options granted to employees under new share option scheme.

(iii) Capital redemption reserve

Capital redemption reserve arose from the reduction of the nominal value of the issued capital of the Company upon the cancellation of the repurchased shares.

(iv) Contributed surplus

Contributed surplus arose from capital reorganisation in previous years. Under the Companies Act of Bermuda, the contributed surplus of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities.

(v) Fair value through other comprehensive income reserve

As at 30 June 2020, the fair value through other comprehensive income reserve included net fair value loss of approximately HK\$317,819,000 (31 December 2019: fair value gain HK\$532,306,000) that will not be reclassified to profit or loss credited to the fair value through other comprehensive income reserve and net fair value loss of approximately HK\$63,704,000 (31 December 2019: HK\$550,000) may be reclassified subsequently to profit or loss.

(vi) Convertible bonds reserve

Convertible bonds reserve relates to convertible bonds issued/redeemed during the period.

(vii) Statutory reserve

The statutory reserve of the Group refers to the People's Republic of China (the "PRC") statutory reserve fund. Appropriations to such reserve fund are made out of profit after tax as recorded in the statutory financial statements of the PRC subsidiaries. The amount should not be less than 10% of the profit after tax as recorded in the statutory financial statements unless the aggregate amount exceeds 50% of the registered capital of the PRC subsidiaries. The statutory reserve can be used to make up prior year losses, if any, and can be applied in conversion into the PRC subsidiaries' capital by means of capitalisation issue.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2020

	For the six months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash generated from operations	702,906	49,867
(Increase)/decrease in financial assets at fair value through profit or loss	(4,650,827)	1,525
(Increase)/decrease in loans receivables	(1,096,519)	356,732
Decrease/(increase) in finance lease receivables	199,056	(434,460)
Net cash used in operating activities	(4,845,384)	(26,336)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of financial assets at fair value through other comprehensive income	(2,535,904)	(148,281)
Proceeds from disposal of financial assets at fair value through other comprehensive income	535,140	–
Other cash flows generated from/(used in) investing activities	27,328	(72,251)
Net cash used in investing activities	(1,973,436)	(220,532)
CASH FLOWS FROM FINANCING ACTIVITIES		
New borrowings raised	1,480,269	505,388
Repayment of borrowings	(382,165)	(369,208)
Proceeds from issuance of bond	6,200,251	–
Repayment of bond	(4,678,937)	–
Interest paid	(436,486)	(173,029)
Other cash flows (used in)/generated from financing activities	(4,449)	10,230
Net cash generated from/(used in) financing activities	2,178,483	(26,619)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(4,640,337)	(273,487)
Cash and cash equivalents at the beginning of the period	8,214,075	681,398
Effect of foreign exchange rate changes	153,650	4,428
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	3,727,388	412,339

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. CORPORATE INFORMATION

China Shandong Hi-Speed Financial Group Limited (the “Company”) is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The address of the registered office and the principal place of business of the Company are Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and 17/F., Agricultural Bank of China Tower, 50 Connaught Road Central, Hong Kong, respectively.

2. BASIS OF PREPARATION

(a) Statement of compliance

These unaudited condensed consolidated financial statements for the six months ended 30 June 2020 (the “Interim Financial Statements”) have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Interim Financial Statements are presented in Hong Kong Dollar (“HK\$”), which is the same as the functional currency of the Company and all values are rounded to the nearest thousands (HK\$’000) except when otherwise indicated.

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2019.

Except as described below, the Group’s accounting policies applied in preparing these Interim Financial Statements are consistent with those policies applied in preparing the annual financial statements for the year ended 31 December 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

2. BASIS OF PREPARATION (continued)

(b) Application of New and Revised HKFRSs

The Group has adopted the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, HKASs and Interpretations) issued by the HKICPA for the first time for these Interim Financial Statements.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The adoption of the revised HKFRSs has had no significant financial effect on these Interim Financial Statements and there have been no significant changes to the accounting policies applied in these Interim Financial Statements.

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

(c) Judgements and estimates

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

The significant judgements made by the management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

3. OPERATING SEGMENT INFORMATION

The Group determines its operating segments based on the reports that are used to make strategic decisions reviewed by the Group's chief operating decision maker ("CODM"). For the six months ended 30 June 2020, the Group had four reportable operating segments. Details are as follows:

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

CODM monitors the results of the Group's operating segments separately as described above, for the purpose of making decisions about resource allocation and assessment of the Group's performance. Segment performance is evaluated based on reportable segment results, which is a measure of adjusted loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that unallocated income, unallocated finance costs, unallocated expenses and share of results of associates are excluded from such measurement.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments except corporate assets; and
- all liabilities are allocated to reportable segments except corporate liabilities, deferred tax liabilities, certain borrowings and certain other payables and accruals.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

3. OPERATING SEGMENT INFORMATION (continued)

	Investments in securities		Money lending		Financial leasing		Financial technology		Unallocated		Condensed	
	For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue:												
Revenue from external customers	348,368	55,769	20,053	21,875	61,228	181,733	191,831	70,596	-	-	621,480	329,973
Segment results	254,285	(1,359,836)	28,153	11,055	(188,818)	(139,431)	30,371	17,800	-	-	123,991	(1,470,412)
Reconciliations:												
Unallocated income											180,980	12,831
Unallocated finance costs											(516)	(98,095)
Unallocated expenses*											(271,692)	(51,123)
Share of results of associates											45,284	(946)
Profit/(loss) before tax											78,047	(1,607,745)
Other segment information:												
Finance costs	-	(39,361)	-	(7,186)	(575)	-	(39)	(97)	(516)	(98,095)	(1,130)	(144,739)
Amortisation	-	-	-	-	(75)	-	(3,650)	(2,377)	(144)	(134)	(3,869)	(2,511)
Depreciation												
- property, plant and equipment	-	-	-	-	(399)	(193)	(442)	(576)	(898)	(1,288)	(1,739)	(2,057)
- right-of-use assets	-	-	-	-	(1,880)	(591)	(631)	-	(4,082)	-	(6,593)	(591)
Fair value (loss)/gain on financial assets at fair value through profit or loss	(11,862)	(1,382,284)	-	-	36,730	-	-	-	-	-	24,868	(1,382,284)
Compensation income	-	-	-	-	-	-	-	-	173,959	-	173,959	-
Gain on remeasurement of pre-existing interest in an associate	-	-	-	-	-	-	-	-	6,148	-	6,148	-
Gain on disposal of associates	-	-	-	-	-	-	-	-	300	-	300	-
Guarantee fee paid	-	-	-	-	-	-	-	-	(87,048)	-	(87,048)	-
Impairment losses recognised in respect of												
- goodwill	-	-	-	-	-	-	(8,974)	-	-	-	(8,974)	-
- finance lease receivables	-	-	-	-	(214,254)	(164,028)	-	-	-	-	(214,254)	(164,028)
- loans receivables	-	-	13,939	18	(5,413)	35	1,142	2,993	-	-	9,668	3,046
- trade and other receivables	(51,019)	(5,575)	-	-	1,484	(73)	1,549	(68)	-	-	(47,986)	(5,716)
Capital expenditure**	-	-	-	-	17	-	20,581	20,748	435	1,428	21,033	22,176

Notes:

* Unallocated expenses mainly included employee benefit expenses of approximately HK\$41,669,000 (six months ended 30 June 2019: HK\$27,587,000), minimum lease payment under operating lease of approximately HK\$6,683,000 (six months ended 30 June 2019: HK\$1,191,000), exchange loss of approximately HK\$8,634,000 (six months ended 30 June 2019: Nil), legal and professional fee of approximately HK\$7,651,000 (six months ended 30 June 2019: HK\$4,854,000), depreciation of approximately HK\$4,980,000 (six months ended 30 June 2019: HK\$1,879,000) and guarantee fee paid of approximately HK\$87,048,000 (six months ended 30 June 2019: Nil).

** Capital expenditure consists of additions to property, plant and equipment and intangible assets and those assets acquired from acquisition of subsidiaries.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

3. OPERATING SEGMENT INFORMATION (continued)

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Segment assets:		
Investments in securities	16,444,196	15,391,146
Money lending	3,448,648	2,273,313
Financial leasing	4,256,821	4,622,740
Financial technology	1,034,104	897,655
	25,183,769	23,184,854
Unallocated assets	129,150	13,951
Total assets	25,312,919	23,198,805
Segment liabilities:		
Investments in securities	12,045,633	10,147,553
Money lending	39,978	166,713
Financial leasing	3,025,836	2,369,167
Financial technology	243,073	226,619
	15,354,520	12,910,052
Unallocated liabilities	241,145	37,296
Total liabilities	15,595,665	12,947,348

Geographical information

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

	Revenue from external customers For the six months ended		Non-current assets (Note)	
	30 June 2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Hong Kong	368,421	77,644	82,878	13,851
The PRC	253,059	252,329	1,287,140	1,292,924
	621,480	329,973	1,370,018	1,306,775

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

No customer of the Group has contributed over 10% of the total revenue of the Group for the six months ended 30 June 2020 and 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

4. REVENUE

Disaggregation of revenue from contracts with customers

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Types of services		
Consultancy services income	106,175	38,042
Handling fee income	138,792	97,772
Income from asset management and performance	2,968	2,612
Online new media services income	10,793	18,576
	258,728	157,002
Timing of revenue recognition		
Recognised at a point in time	204,876	116,276
Recognised over time	53,852	40,726
	258,728	157,002

Set out below is the reconciliation of the revenue from contracts with customers with the amounts:

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue from contracts with customers	258,728	157,002
Financial leasing income	40,558	70,988
Interest income from money lending operations	116,197	45,868
Dividend income from financial assets at fair value through profit or loss	36,623	18,210
Interest income from financial assets at fair value through profit or loss	45,071	21,062
Interest income from financial assets at fair value through other comprehensive income	124,303	16,843
	621,480	329,973

Transaction price allocated to the remaining performance obligation for contracts with customers.

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its revenue such that the Group does not disclose information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts as all contract works have an original expected duration of one year or less.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

5. OTHER GAINS AND LOSSES, NET

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Impairment losses recognised in respect of		
– Goodwill	(8,974)	–
Compensation income	173,959	–
Gain on remeasurement of pre-existing interest in an associate	6,148	–
Gain on disposal of associates	300	–
	171,433	–

6. IMPAIRMENT LOSSES ON FINANCIAL ASSETS RECOGNISED, NET OF REVERSAL

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Impairment losses on financial assets recognised, net of reversal, in respect of:		
– Finance lease receivables	(214,254)	(164,028)
– Loans receivables	9,668	3,046
– Trade and other receivables	(47,986)	(5,716)
	(252,572)	(166,698)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

7. FINANCE COSTS

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest on bank borrowings wholly repayable within five years	55,426	34,152
Interest on other borrowings	–	35,008
Interest on bonds	121,393	158,301
Amortised interest on convertible bonds	–	17,345
Interest on lease liabilities	1,130	–
	177,949	244,806
Less: Finance costs included in cost of services	(176,819)	(100,067)
	1,130	144,739

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

8. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Employee benefit expenses:		
Directors' remuneration:		
– Fees	1,498	2,036
– Salaries and allowances	7,489	4,623
– Retirement benefit scheme contributions (defined contribution scheme)*	44	29
Sub-total	9,031	6,688
Other staff's costs:		
– Salaries and allowances	77,638	63,213
– Retirement benefit scheme contributions (defined contribution scheme)*	5,838	5,984
Sub-total	83,476	69,197
Total employee benefit expenses	92,507	75,885
Realised gains from financial assets at fair value through profit or loss (Note 14(ix))	(16,057)	(3,101)
Unrealised (gains)/losses from financial assets at fair value through profit or loss (Note 14(viii))	(8,811)	1,385,385
Fair value (gains)/losses on financial assets at fair value through profit or loss, net	(24,868)	1,382,284
Realised losses on debt instruments at fair value through other comprehensive income, net **	738	–
Foreign exchange loss/(gain), net**	23,717	(20,794)
Amortisation of intangible assets	3,869	2,511
Depreciation of property, plant and equipment	1,739	2,057
Depreciation of right-of-use assets	6,593	591
Expenses relating to short term leases	12,284	14,131

Notes:

* As at 30 June 2020, the Group had no material forfeited contributions available to reduce its contributions to the retirement benefit schemes in future years (six months ended 30 June 2019: Nil).

** Those items are included in "administrative expenses" in the condensed consolidated income statement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

9. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Current tax		
– PRC Enterprise Income Tax	18,938	15,667
Deferred tax credit	–	(13,770)
Total income tax expense recognised in the condensed consolidated income statement	18,938	1,897

No provision for current Hong Kong Profits Tax had been made for the six months ended 30 June 2020 and 2019 as the Group did not generate any assessable profits arising in Hong Kong during the period.

PRC Enterprise Income Tax was calculated at 25% of the estimated assessable profit for the six months ended 30 June 2020 and 2019.

10. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	For the six months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted loss per share	(65,646)	(1,617,719)
Number of share ('000)		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	24,452,450	24,452,450
Basic and diluted loss per share (in HK cents)	(0.27)	(6.62)

Diluted loss per share did not assume the exercise of share options since their assumed exercise had an anti-dilutive effect on loss per share for the six months ended 30 June 2020.

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

11. DIVIDEND

The Board of the Company does not recommend the payment of any interim dividend in respect of the current period (six months ended 30 June 2019: Nil).

12. INTERESTS IN ASSOCIATES

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Cost of investments, unlisted	2,063,289	20,828
Share of post-acquisition income/(loss) and other comprehensive income/(loss)	45,237	(4,920)
Exchange realignment	(189)	(180)
	2,108,337	15,728
Advances to associates	–	31,732
	2,108,337	47,460
Amount due to an associate	1,522	1,585

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

12. INTERESTS IN ASSOCIATES (continued)

The following table sets out the particulars of the principal associates of the Group as at 30 June 2020 and 31 December 2019:

Name of associate	Place of incorporation/ registration	Class of share held	Proportion of ownership held by the Group		Nature of business
			30 June 2020	31 December 2019	
China Innovative Finance Securities Limited (Note (i))	Hong Kong	Ordinary shares	N/A	25%	Securities brokerage business
China Innovative Finance Securities (Holdings) Limited (Note (i))	Hong Kong	Ordinary shares	N/A	25%	Investment holding
Top Wish Holdings Limited (Note (i))	British Virgin Island ("BVI")	Ordinary shares	N/A	25%	Investment holding
Eternal Billion Holding Group Limited (Note (ii))	BVI	Ordinary shares	N/A	25%	Investment holding
Fairy Ambition Limited (Note (ii))	Hong Kong	Ordinary shares	N/A	25%	Advisory on securities and asset management activities
Shandong Hi-Speed (BVI) International Holdings Limited ("Shandong (BVI)") (Note (iii))	BVI	Ordinary shares	40%	N/A	Financial leasing business in the PRC
深圳利用投資管理有限公司 (Note (iv))	PRC	Registered capital	13%	13%	Investment holding
濟南高厚睿康股權投資基金管理有限公司 (Note (iv))	PRC	Registered capital	14%	14%	Investment holding
深圳前海厚生財富管理有限公司 (Note (iv))	PRC	Registered capital	16%	16%	Investment holding

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

12. INTERESTS IN ASSOCIATES (continued)

Notes:

(i) Acquisition of entire interest in Top Wish Holdings Limited ("Top Wish")

Before 12 June 2020, by holding 25% equity interest in Top Wish, the Group had power to exercise significant influence over Top Wish, which was classified as an associate.

On 12 June 2020, the Group acquired further 75% equity interest in Top Wish pursuant to a sale and purchase agreement dated on 12 June 2020 at a total consideration of approximately HK\$25,300,000. The consideration was settled by cash. Upon completion of the acquisition, the Group holds 100% equity interest in Top Wish. The Group is able to exercise control over Top Wish, which became a subsidiary of the Group. Top Wish acts as an investment holding company and its subsidiaries were principally engaged in securities brokerage business.

The goodwill of approximately HK\$47,003,000 arising from the acquisition of Top Wish was recognised for the six months ended 30 June 2020. None of the goodwill recognised is expected to be deductible for income tax purposes.

A gain on remeasurement of pre-existing interest in an associate of approximately HK\$6,148,000 was recognised in the condensed consolidated income statement for the six months ended 30 June 2020.

(ii) Disposal of entire interest in Eternal Billion Holding Group Limited ("Eternal Billion")

On 12 June 2020, the Group entered into a sale and purchase agreement with an independent third party to dispose of the entire interest in Eternal Billion, for an aggregate cash consideration of HK\$300,000. Eternal Billion acts as an investment holding company and its subsidiary is principally engaged in advisory on securities and asset management activities. The transaction was completed on the same day and has resulted in recognition of an aggregate gain of approximately HK\$300,000 in the condensed consolidated income statement for the six months ended 30 June 2020.

(iii) On 1 April 2020, the unlisted equity investment of Shandong (BVI) of approximately HK\$2,067,882,000 has been reclassified from financial assets at fair value through other comprehensive income to investment in an associate. The directors of the Company consider that the Group has significant influence over Shandong (BVI) since 1 April 2020 based on the following factors: (1) the Group has appointed a director to the board of directors (total 3 directors) on 1 April 2020; and (2) the appointed director actively participates in the policy-making process of Shandong (BVI).

(iv) The above represented effective interest indirectly held by the Group. These entities were associates of non-wholly owned subsidiaries of the Group, which held more than 20% equity interest in them, and therefore the directors of the Company consider that the Company has significant influence over these entities through control of these subsidiaries.

The associates of the Group are accounted for using the equity method in these condensed consolidated financial statements.

The advances to associates are unsecured, interest-free and have no fixed repayment terms.

The amount due to an associate is unsecured, interest-free and repayable on demand. It is included in the "other payables and accruals" in the condensed consolidated statement of financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

12. INTERESTS IN ASSOCIATES (continued)

The information below reflects the amounts presented in the unaudited financial statements of an associate which were prepared in accordance with HKFRSs adjusted for the differences arising from accounting policies and different financial year-end dates between the Group and the associate, if any.

The summarised financial information in respect of the Group's material associate, Shandong (BVI), is set out below:

	30 June 2020 HK\$'000 (Unaudited)
Non-current assets	9,990,930
Current assets	968,752
Non-current liabilities	(920,396)
Current liabilities	(7,317,685)
Net assets	2,721,601

	From date of significant influence obtained to 30 June 2020 HK\$'000 (Unaudited)
Revenue	285,488
Profit for the period	115,688
Total comprehensive income for the period	115,688
Group's share of results and total comprehensive income for the period	46,275

	30 June 2020 HK\$'000 (Unaudited)
Reconciled to the Group's interest in the associate:	
Gross amount of net assets of the associate	2,721,601
Group's effective interest	40%
Group's share of net assets of the associate	1,088,640
Goodwill	1,007,483
Carrying amount	2,096,123

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

12. INTERESTS IN ASSOCIATES (continued)

Aggregate financial information of associates that are not individually material:

	For the six months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Group's share of results and other comprehensive loss for the period	(991)	(946)
Group's share of total comprehensive loss for the period	(991)	(946)
Group's aggregate interests in these associates and the carrying amounts	12,214	19,325

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Non-current assets		
Unlisted equity investment		
– In elsewhere (Notes (ii) and (iv))	289,407	2,067,882
Listed equity investments		
– In Hong Kong (Note (ii))	132,353	–
Note		
– In elsewhere	–	243,166
Listed bonds		
– In Hong Kong	76,980	–
– In the PRC	105,191	23,765
– In elsewhere	1,225,726	940,998
Unlisted bonds		
– In elsewhere	232,509	–
Investment fund		
– In elsewhere (Notes (ii) and (v))	415,343	–
	2,477,509	3,275,811
Current assets		
Notes		
– In elsewhere	385,295	140,368
Listed bonds		
– In Hong Kong	19,246	–
– In elsewhere	698,500	502,314
Unlisted bonds		
– In Hong Kong	236,563	238,025
– In elsewhere	992,040	–
	2,331,644	880,707

Notes:

- (i) As at 30 June 2020, no individual investment in financial assets at fair value through other comprehensive income and its fair value is over 5% of the total assets of the Group.

As at 31 December 2019, an unlisted equity investment represented the Group's 40% equity investment in Shandong (BVI). Shandong (BVI) and its subsidiaries were principally engaged in financial leasing in the PRC. Its fair value accounted for 8.91% of the total assets of the Group at 31 December 2019. The investment cost of Shandong (BVI) was approximately HK\$1,530,000,000.

- (ii) On 1 January 2020, the directors of the Company re-considered that certain investments are not held for trading and not expected to be sold in the foreseeable future. Accordingly, an unlisted equity investment of approximately HK\$289,407,000, listed equity investments of approximately HK\$359,957,000 and an investment fund of approximately HK\$508,684,000 were reclassified from financial assets at fair value through profit or loss to financial assets at fair value through other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

Notes: (continued)

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

Nature of investments	Fair value		Net gain/(loss) for the period ended		Investment cost	
	as at 30 June 2020 HK\$'000	as at 31 December 2019 HK\$'000	30 June 2020 HK\$'000	30 June 2019 HK\$'000	as at 30 June 2020 HK\$'000	as at 31 December 2019 HK\$'000
Non-current assets						
Unlisted equity investment						
– in elsewhere (Note (iv))	289,407	2,067,882	(18,034)	363,511	281,220	1,530,000
Listed equity investments						
– in Hong Kong	132,353	–	(227,604)	–	547,136	–
Note						
– in elsewhere	–	243,166	–	–	–	233,230
Listed bonds						
– in Hong Kong	76,980	–	(333)	–	77,313	–
– in the PRC	105,191	23,765	(90)	–	104,912	23,530
– in elsewhere	1,225,726	940,998	(61,610)	–	1,309,781	963,120
Unlisted bonds						
– in elsewhere	232,509	–	–	–	232,509	–
Investment fund						
– in elsewhere (Note (v))	415,343	–	(90,215)	–	522,381	–
	2,477,509	3,275,811	(397,886)	363,511	3,075,252	2,749,880
Current assets						
Notes						
– in elsewhere	385,295	140,368	4,118	–	370,401	140,901
Listed bonds						
– in Hong Kong	19,246	–	(130)	–	19,376	–
– in elsewhere	698,500	502,314	(5,110)	–	690,834	490,777
Unlisted bonds						
– in Hong Kong	236,563	238,025	–	–	240,260	241,745
– in elsewhere	992,040	–	–	–	992,040	–
	2,331,644	880,707	(1,122)	–	2,312,911	873,423

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

Notes: (continued)

- (iv) On 1 April 2020, the investment of approximately HK\$2,067,882,000 was reclassified from financial assets at fair value through other comprehensive income to investment in an associate. The reclassification results in release of fair value through other comprehensive income reserve of approximately HK\$514,271,000. Details are set out in Note 12 (iii) to the condensed consolidated financial statements.

As at 30 June 2020, the balance of approximately HK\$289,407,000 represented an unlisted equity investment in a private entity incorporated in the BVI principally engaged in provision of integrated financial services, securities brokerage services, money lending, securities and other direct investments mainly in Hong Kong. During the six months ended 30 June 2020, no dividend has been declared by this entity and no cumulative gain or loss has been transferred within the equity. The fair value was determined with reference to the valuation report issued by a firm of independent professional valuer using the market approach. This is classified as Level 3 fair value measurement under HKFRS 13. Details of the fair value measurement are set out in Note 22 to the condensed consolidated financial statements.

- (v) The investment fund represents the investment in OBOR Stable Growth Fund Limited (the "OBOR Fund"). The principal investment objective of OBOR Fund is to seek to achieve long term capital appreciation by investing primarily in listed companies in Asia countries. The OBOR Fund will invest mainly in a portfolio of listed equities, but may also invest in equity related instruments including convertible bonds, options and warrants relating to listed equities and index future contracts. The OBOR Fund will make investments in companies located in Greater China and throughout Asia (ex-Japan) in countries participating in or expected to benefit from One Belt One Road. The OBOR Fund may also invest in debt securities mainly through investing in convertible bonds. During the six months ended 30 June 2020, no dividend has been declared by the OBOR Fund and no cumulative gain or loss has been transferred within the equity.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Non-current assets		
Listed equity investment		
– In Hong Kong (Note (i))	52,557	327,875
Unlisted equity investments		
– In the PRC (Note (ii))	–	–
– In elsewhere (Note (iii))	–	289,407
	–	289,407
Investment fund		
– In the PRC	–	33,365
Club membership debenture		
– In Hong Kong (Note (iv))	6,050	6,050
Total	58,607	656,697
Current assets		
Held-for-trading listed equity investments		
– In Hong Kong (Note (i))	3,639,765	382,533
– In the PRC (Note (i))	133,551	–
– In elsewhere (Note (i))	323,560	77,981
	4,096,876	460,514
Held-for-trading investment funds		
– In Hong Kong	547,369	543,697
– In elsewhere (Note (v))	20,000	528,684
– In the PRC	3,256	3,280
	570,625	1,075,661
Other investment funds		
– In elsewhere (Note (vi))	962,029	664,557
Held-for-trading listed bonds		
– In elsewhere	721,101	–
Total	6,350,631	2,200,732

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

Notes:

- (i) The fair values of the listed equity investments were determined by quoted prices in the Stock Exchange in Hong Kong, the PRC and United State of America.

On 1 January 2020, listed equity investments of approximately HK\$359,957,000 were reclassified to financial assets at fair value through other comprehensive income. Details are set out in Note 13 (ii) to the condensed consolidated financial statements.

- (ii) As at 30 June 2020, the Group holds 29,951,000 (31 December 2019: 29,951,000) shares of China Yunnan Highway Construction Group Co., Ltd. ("Yunnan Highway"), representing 8.32% (31 December 2019: 8.32%) of its issued share capital. Shares of Yunnan Highway was listed in the National Equities Exchange and Quotations (the "NEEQ") in the PRC during the year ended 31 March 2018 and subsequently delisted in April 2018. As at 30 June 2020 and 31 December 2019, the fair values of Yunnan Highway were zero because the directors of the Company considered that Yunnan Highway was loss-making and management of the Company has no sufficient reliable information to assess the fair value after the delisting of the investee in April 2018.

- (iii) As at 31 December 2019, the balance represented an unlisted equity investment in a private entity incorporated in the BVI principally engaged in provision of integrated financial services, securities brokerage services, money lending, securities and other direct investments mainly in Hong Kong. The fair value was determined with reference to the valuation report issued by a firm of independent professional valuer using the market approach. This is classified as Level 3 fair value measurement under HKFRS 13. Details of the fair value measurement are set out in Note 22 to the condensed consolidated financial statements.

On 1 January 2020, the balance was reclassified to financial assets at fair value through other comprehensive income. Details are set out in Note 13 (ii) to the condensed consolidated financial statements.

- (iv) Club membership debenture is stated at fair value at the end of the reporting period with reference to open market price. This is classified as Level 2 fair value measurement under HKFRS 13. Details of the fair value measurement are set out in Note 22 to the condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

Notes: (continued)

(v) The held-for-trading investment funds in elsewhere include the following:

(a) Altair Asia Investment Limited

The Group invested in Altair Asia Investment Limited (“Altair Asia”) with a guaranteed return of 15% internal rate of return per annum. Pursuant to the terms of the subscriptions of Altair Asia, the Group has issued a written notice to Altair Asia on 4 January 2018 requesting the redemption of the entire participating shares of cost of investment in value of HK\$200,000,000 and subsequently on 23 January 2018 agreed to waive its rights to request for early redemption of part of the participating shares of HK\$140,000,000 on the ground of certain cumulative conditions being met within the prescribed time.

Since the conditions of waiver were not fully satisfied and Altair Asia failed to redeem all the participating shares pursuant to the subscription terms, the Group commenced legal proceedings in the High Court of Hong Kong against Altair Asia’s two guarantors, including (1) a winding-up petition against China Silver Asset Management (Hong Kong) Limited (“CSAMHK”); and (2) a bankruptcy petition against Frank Dominick; and a winding-up petition against Altair Asia in the Grant Court of the Cayman Islands (the “Cayman Court”) for the recovery of the investment.

On 11 March 2020, the High Court of Hong Kong handed down its decision ordering, among others, that (1) CSAMHK be wound up; and (2) the bankruptcy petition against Frank Dominick be adjourned. On 19 March 2020, CSAMHK lodged its notice of appeal to appeal against the said decision. The date of the hearing is yet to be fixed pending for the High Court of Hong Kong’s further decisions.

The petition against Altair Asia was heard on 21 January 2020 at the Cayman Court with judgment reserved. On 16 March 2020, the Cayman Court handed down its decision, ordering, among others, that the petition be adjourned in order to avoid inconsistent judgments between the Hong Kong and Cayman Courts.

Based on the legal opinion from an independent lawyer thereon, the directors of the Company considered that there is strong legal argument to win the case. The Group has engaged an independent professional valuer to assist the Group to assess the fair value of the investment in Altair Asia. As at 30 June 2020, based on the valuation performed, the directors of the Company considered that the carrying amount of the investment in Altair Asia was approximately HK\$20,000,000 (31 December 2019: HK\$20,000,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

Notes: (continued)

(v) The held-for-trading investment funds in elsewhere include the following: (continued)

(b) OBOR Fund

The principal investment objective of OBOR Fund is to seek to achieve long term capital appreciation by investing primarily in listed companies in Asia countries. The OBOR Fund will invest mainly in a portfolio of listed equities, but may also invest in equity related instruments including convertible bonds, options and warrants relating to listed equities and index future contracts. The OBOR Fund will make investments in companies located in Greater China and throughout Asia (ex-Japan) in countries participating in or expected to benefit from One Belt One Road. The OBOR Fund may also invest in debt securities mainly through investing in convertible bonds.

On 1 January 2020, the balance of approximately HK\$508,684,000 was reclassified to financial assets at fair value through other comprehensive income. Details are set out in Note 13 (ii) to the condensed consolidated financial statements.

(vi) The other investment funds in elsewhere include the following:

(a) Haitong Freedom Multi-Tranche Bond Fund

The Haitong Freedom Multi-Tranche Bond Fund (the "Haitong Freedom Fund") primarily invests in fixed income securities such as government, corporate or convertible bonds, private placement debt, notes linked to fixed income instruments or preferred shares, other bond funds, money market funds or cash. The Haitong Freedom Fund may invest in debt securities that are rated below investment grade or which are unrated by any relevant agency. As at 30 June 2020, its fair value is amounted to approximately HK\$411,349,000 (31 December 2019: HK\$428,193,000).

(b) SCCS Investment Fund LP

The SCCS Investment Fund LP invests in equity, equity-related or debt investment in logistics real estate, pension real estate, student residence, internet data centers and other real estate assets or real estate related portfolios, and/or any other investment in US\$ denominated bonds. As at 30 June 2020, its fair value is amounted to approximately HK\$234,855,000 (31 December 2019: HK\$236,364,000).

(c) Amber Hill ES Fund SPC

The Amber Hill ES Fund SPC invests in foreign exchange, foreign exchange options, equity, fixed income securities, exchange trade funds, foreign exchange futures and other foreign exchange related securities. As at 30 June 2020, its fair value is amounted to approximately HK\$155,006,000 (31 December 2019: Nil).

(d) Spring Fund SP

Spring Fund SP enters into swap agreements with the counterparties with a view to swapping certain payments derived from senior note instruments. As at 30 June 2020, its fair value is amounted to approximately HK\$160,819,000 (31 December 2019: Nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

Notes: (continued)

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

Nature of investments	Fair value		Net gain/(loss)		Investment cost	
	as at 30 June 2020 HK\$'000	as at 31 December 2019 HK\$'000	for the period ended 30 June 2020 HK\$'000	30 June 2019 HK\$'000	as at 30 June 2020 HK\$'000	as at 31 December 2019 HK\$'000
Non-current assets						
Listed equity investment						
– in Hong Kong	52,557	327,875	34,659	(1,090,961)	59,383	615,858
Unlisted equity investments						
– in the PRC	–	–	–	–	36,583	40,050
– in elsewhere	–	289,407	–	(27,145)	–	381,655
Investment fund						
– in the PRC	–	33,365	–	–	–	34,090
Club membership debenture						
– in Hong Kong	6,050	6,050	–	–	4,200	4,200
	58,607	656,697	34,659	(1,118,106)	100,166	1,075,853
Current assets						
Held-for-trading listed equity investments						
– in Hong Kong	3,639,765	382,533	(77,996)	(315,121)	3,727,063	589,848
– in the PRC	133,551	–	46,118	–	89,673	–
– in elsewhere	323,560	77,981	(13,761)	–	335,778	77,981
Held-for-trading investment funds						
– in Hong Kong	547,369	543,697	3,673	2,442	550,000	550,000
– in the PRC	3,256	3,280	–	2,164	3,226	3,352
– in elsewhere	20,000	528,684	–	40,488	140,000	140,000
Other investment funds						
– in elsewhere	962,029	664,557	(14,224)	–	986,227	674,547
Held-for-trading listed bonds						
– in elsewhere	721,101	–	46,399	–	680,957	–
Held-for-trading bond						
– in elsewhere	–	–	–	5,849	–	–
	6,350,631	2,200,732	(9,791)	(264,178)	6,512,924	2,035,728

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

Notes: (continued)

(viii) Net unrealised gains/(losses) from financial assets at fair value through profit or loss

	For the six months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Listed equity investments		
– In Hong Kong	2,464	(1,090,961)
Unlisted equity investments		
– In elsewhere	–	(27,145)
Held-for-trading listed equity investments		
– In Hong Kong	(56,890)	(316,030)
– In the PRC	43,854	–
– In elsewhere	(10,153)	–
Held-for-trading investment funds		
– In Hong Kong	3,673	2,442
– In the PRC	–	(28)
– In elsewhere	–	40,488
Held-for-trading listed bonds		
– In elsewhere	40,087	–
Other investment funds		
– In elsewhere	(14,224)	–
Held-for-trading bond		
– In Hong Kong	–	5,849
	8,811	(1,385,385)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

Notes: (continued)

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

	For the six months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Listed equity investment		
– In Hong Kong	32,195	–
Held-for-trading listed equity investments		
– In Hong Kong	(21,106)	909
– In the PRC	2,264	–
– In elsewhere	(3,608)	–
Held-for-trading investment funds		
– In the PRC	–	2,192
Held-for-trading listed bonds		
– In elsewhere	6,312	–
	16,057	3,101

(x) As at 30 June 2020 and 31 December 2019, no individual investment in financial assets at fair value through profit or loss and its fair value is over 5% of the total assets of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

15. FINANCE LEASE RECEIVABLES

The present values of minimum finance lease receivables are set out below:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within one year	1,594,665	1,634,145
Later than one year and not later than second year	643,544	954,664
Later than second year and not later than fifth year	239,158	523,856
Gross amount of finance lease receivables	2,477,367	3,112,665
Less: unearned finance income	(256,240)	(284,858)
Present value of minimum lease payment receivables	2,221,127	2,827,807

The carrying amounts of finance lease receivables are set out below:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within one year	1,411,966	1,436,872
Later than one year and not later than second year	590,699	890,173
Later than second year and not later than fifth year	218,462	500,762
Carrying amount of finance lease receivables	2,221,127	2,827,807
Analysed for reporting purpose as:		
Non-current assets	809,161	1,390,935
Current assets	1,411,966	1,436,872
	2,221,127	2,827,807

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

15. FINANCE LEASE RECEIVABLES (continued)

The Group entered into finance lease arrangements as a lessor for machine and equipment. The average terms of finance lease entered into usually range from 1 to 5 years.

Interest rates implicit in the above finance leases range from 4.75% to 12.00% (31 December 2019: 4.75% to 12.00%).

The Group's finance lease receivables are denominated in Renminbi ("RMB").

As at 30 June 2020, included in the Group's finance lease receivables balances are lessees with an aggregate carrying amount of approximately HK\$790,690,000 (31 December 2019: HK\$466,589,000) which had been past due as at the end of the reporting period. In the event that an installment repayment of a finance lease receivable is past due, the entire outstanding balances of the finance lease receivables are deemed as past due.

Finance lease receivables were considered credit-impaired when the customers fail to settle according to the settlement terms for more than 90 days after taking into consideration the recoverability of collateral and deposits. As such, as at 30 June 2020, finance lease receivables of approximately HK\$684,577,000 (31 December 2019: HK\$455,436,000) were credit-impaired under the lifetime expected credit loss ("ECL").

Included in the carrying amount of the above finance lease receivables as at 30 June 2020 is accumulated impairment losses of approximately HK\$687,929,000 (31 December 2019: HK\$481,552,000).

As at 30 June 2020, finance lease receivables with carrying amount of approximately HK\$225,840,000 (31 December 2019: HK\$282,102,000) have been pledged to secure for bank borrowings.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

15. FINANCE LEASE RECEIVABLES (continued)

Movement of allowance for credit losses is as follow:

	12m ECL HK\$'000	Lifetime ECL not credit- impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000	Total HK\$'000
At 1 January 2019 (Audited)	7,007	78,182	64,648	149,837
Movement during the period	2,230	23,383	138,415	164,028
Exchange realignment	2	40	(1,204)	(1,162)
At 30 June 2019 (Unaudited)	9,239	101,605	201,859	312,703
At 31 December 2019 and 1 January 2020 (Audited)	6,184	278,513	196,855	481,552
Movement during the period	(2,992)	94,990	122,256	214,254
Exchange realignment	(105)	(4,574)	(3,198)	(7,877)
At 30 June 2020 (Unaudited)	3,087	368,929	315,913	687,929

During the six months ended 30 June 2020 and year ended 31 December 2019, all the lessees of the Group are located in the PRC. If any of them experiences financial difficulties, the recovery of the Group's finance lease receivables through regular lease payments might be adversely affected and the Group may have to resort to recovery through repossession of the leased assets.

As at 30 June 2020, the Group's finance lease receivables were secured by collaterals, being deposits of approximately HK\$20,233,000 (31 December 2019: HK\$19,463,000) and plant and machinery. Estimates of fair value of collateral are made during the credit approval process. These estimates of valuations are made at the inception of finance lease, and generally not updated except when the receivable is individually impaired. When a finance lease receivable is identified as impaired, the corresponding fair value of collateral of that receivable is updated by reference to market value such as recent transaction price of the assets.

The Group is not permitted to sell, or repledge the collaterals of the finance lease receivables without consent from the lessees in the absence of default by the lessees. No assets have been repledged to secure borrowings of the Group as at 30 June 2020 and 31 December 2019.

To manage this risk, the Group assesses the business performance of the lessees on a regular basis. In view of the fact that the lessees are operating smoothly and the sound collection history of the receivable due from them, management believes that the credit risk inherent in the Group's outstanding finance lease receivable balances from lessees is low.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

16. LOANS RECEIVABLES

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Loans receivables	3,850,722	2,763,797
Less: allowance for impairment losses	(75,980)	(76,312)
	3,774,742	2,687,485
Analysed for reporting purpose as:		
Non-current assets	–	37,474
Current assets	3,774,742	2,650,011
	3,774,742	2,687,485

Loans receivables represent receivables arising from the money lending business of the Group, and bear interest at rates ranging from 4% to 20% per annum (31 December 2019: from 4% to 20% per annum). The grants of these loans were approved and monitored by the Group's management.

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Type of borrowers that loans receivables are arising from:		
Individual customers	173,077	185,538
Corporate customers	3,677,645	2,578,259
	3,850,722	2,763,797
Less: allowance for impairment loss		
Individual customers	(14,943)	(4,442)
Corporate customers	(61,037)	(71,870)
	(75,980)	(76,312)
	3,774,742	2,687,485

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Analysis of loans receivables by types of collateral:		
Corporate guarantee	2,923,674	1,740,434
Share charges	416,704	509,789
Personal guarantee and USD bonds	194,487	194,475
Unsecured	239,877	242,787
	3,774,742	2,687,485

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

16. LOANS RECEIVABLES (continued)

An aging analysis of loans receivables (net of impairment), determined based on the time to maturity of the loans receivables, as at the end of the reporting period is as follows:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 90 days	403,836	512,686
91 days to 180 days	2,000	–
181 days to 1 year	3,368,906	2,137,325
1 year to 2 years	–	37,474
	3,774,742	2,687,485

As at 30 June 2020, included in the Group's loans receivables balances are debtors with an aggregate carrying amount of approximately HK\$392,784,000 (31 December 2019: HK\$333,448,000) which has been past due as at the end of the reporting period. In the event that an installment repayment of a loans receivable is past due, the entire outstanding balances of the loans receivables are deemed as past due.

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

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 30 days	134,175	155,175
31 days to 90 days	–	178,273
More than 90 days	258,609	–
	392,784	333,448

As at 30 June 2020, loans receivables of approximately HK\$258,609,000 (31 December 2019: Nil) which are past due but not credit-impaired, represented the contractual payments have not been settled by debtors more than 90 days but were considered not to be credit-impaired as the management considered the reputation of these debtors were sound and the loans receivables were secured by collaterals including share charges.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

16. LOANS RECEIVABLES (continued)

Included in the carrying amount of loans receivables as at 30 June 2020 is accumulated impairment losses of approximately HK\$75,980,000 (31 December 2019: HK\$76,312,000).

Movement of allowance for impairment losses:

	12m ECL HK\$'000	Lifetime ECL not credit- impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000	Total HK\$'000
At 1 January 2019 (Audited)	8,470	2,016	45,504	55,990
Movement during the period	(3,113)	31	36	(3,046)
Exchange realignment	35	–	–	35
At 30 June 2019 (Unaudited)	5,392	2,047	45,540	52,979
At 31 December 2019 and 1 January 2020 (Audited)	21,801	6,595	47,916	76,312
Acquisition of subsidiaries	–	–	9,500	9,500
Movement during the period	(16,368)	6,253	447	(9,668)
Exchange realignment	(168)	4	–	(164)
At 30 June 2020 (Unaudited)	5,265	12,852	57,863	75,980

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

17. TRADE AND OTHER RECEIVABLES

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade receivables	89,496	82,553
Less: allowance for credit losses	(805)	(2,426)
	88,691	80,127
Prepayments	45,308	40,021
Deposits (Note (i))	63,935	70,721
Interest and dividend receivables	197,702	134,538
Other receivables (Note (ii))	453,542	710,926
	760,487	956,206
	849,178	1,036,333

Notes:

(i) The deposits mainly represent:

- (a) guarantee deposits of approximately HK\$49,877,000 (31 December 2019: HK\$58,154,000) paid to various entities in accordance with the cooperation agreements entered into between Shangao Puhui (Shenzhen) Information Services Co., Ltd.* (山高普惠(深圳)信息服务有限公司) (“Shangao Puhui”), an indirect non-wholly-owned subsidiary of Kun Peng, and these entities, for the purpose of Shangao Puhui providing financial guarantee to borrowers that obtained financing from lenders via these entities through Shangao Puhui money lending referral service business. In the opinion of the directors of the Company, to the best knowledge, belief, information of and after making all reasonable enquiries, these entities are independent third parties of the Group. Shangao Puhui is exposed to the guaranteed loan principal of the borrowers and the respective interests. The Group has assessed the credit worthiness and past payment history of the borrowers, pledge of collaterals and the Group has provided sufficient guarantee deposits in accordance with the cooperation agreements. In the opinion of the directors of the Company, 12 months ECL in respect of these deposits paid of approximately HK\$453,000 (31 December 2019: HK\$534,000) have been provided as at 30 June 2020; and
- (b) rental and utility deposits with carrying amount of approximately HK\$8,239,000 (31 December 2019: HK\$7,926,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

17. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(ii) Other receivables mainly represent:

- (a) an amount due from China Hover Dragon Group Limited (“China Hover Dragon”) of approximately RMB123,121,000 (equivalent to approximately of HK\$134,654,000) (31 December 2019: RMB123,121,000 (equivalent to approximately of HK\$136,932,000)) which had been past due from 30 August 2017.

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

The Bad Debt Repurchase Shares have an aggregate fair value of approximately HK\$354,132,000 as at 30 June 2020 (31 December 2019: HK\$176,328,000). The directors of the Company considered that the fair value of the Bad Debt Repurchase Shares is higher than the carrying amount of the amount due from China Hover Dragon as at 30 June 2020 and 31 December 2019, therefore, the amount is fully recoverable and no impairment loss has been provided as at 30 June 2020 and 31 December 2019.

The repurchase of the Bad Debt Repurchase Shares is under legal proceedings as at 30 June 2020 and the date of approval of the condensed consolidated financial statements of the Group for the six months ended 30 June 2020. However, as described in Note 45(a) in the Group’s annual financial statement for the year ended 31 December 2019, the directors of the Company considered that the Bad Debt Repurchase Shares could be repurchased by the Company at nil consideration. Details of the legal proceeding are disclosed in Note 45(a) in the Group’s annual financial statement for the year ended 31 December 2019.

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

- (b) proceeds with an aggregate amount of approximately HK\$351,000,000 (31 December 2019: HK\$351,000,000) arising from the disposals of certain investments in prior year. These receivables were matured in August 2019. The Group has entered into supplemental agreements with the buyers to extend the maturity date to April 2020. The remaining consideration is interest bearing at 9% per annum and secured by share charges over the entire issued share capital of entities owned the disposed investments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

17. TRADE AND OTHER RECEIVABLES (continued)

Notes: (continued)

(ii) Other receivables mainly represent: (Continued)

- (b) The Group has engaged an independent professional valuer to assist the Group to assess fair value of the collateral. Based on the valuation performed, the directors of the Company considered that accumulated lifetime ECL in respect of these vendors amounted to approximately HK\$351,000,000 (31 December 2019: HK\$298,350,000) as at 30 June 2020; and
- (c) commercial bills receivables which factored by independent third parties to the Group with principal amounts of approximately HK\$51,403,000 (31 December 2019: HK\$124,007,000). The commercial bills receivables were with recourse and factored with discount rates ranging from 6.5% to 11% (31 December 2019: from 6.5% to 11%) per annum and repayable within one year.

The following is an aging analysis of trade receivables, net of allowance for credit losses, presented based on the invoice date (or date of revenue recognition, if earlier):

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 90 days	47,664	48,165
91 days to 180 days	7,485	3,526
181 days to 1 year	9,398	11,144
Over 1 year	24,144	17,292
	88,691	80,127

The Group has a policy of granting trade customers with credit of generally within 90 (31 December 2019: 90) days.

The Group does not hold any collateral over these balances.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

17. TRADE AND OTHER RECEIVABLES (continued)

Movement of allowance for expected credit losses on trade receivables with the simplified approach set out in HKFRS 9 for the both reporting period:

	Lifetime ECL not credit- impaired HK\$'000
At 1 January 2019 (Audited)	592
Movement during the period	(348)
Exchange realignment	2
At 30 June 2019 (Unaudited)	246
At 31 December 2019 and 1 January 2020 (Audited)	2,426
Movement during the period	(1,580)
Exchange realignment	(41)
At 30 June 2020 (Unaudited)	805

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

	12m ECL HK\$'000	Lifetime ECL not credit- impaired HK\$'000	Lifetime ECL credit- impaired HK\$'000	Total HK\$'000
At 1 January 2019 (Audited)	5,201	68,493	2,720	76,414
Movement during the period	(1,089)	5,314	1,839	6,064
Exchange realignment	10	2	–	12
At 30 June 2019 (Unaudited)	4,122	73,809	4,559	82,490
At 31 December 2019 and 1 January 2020 (Audited)	6,819	300,186	4,438	311,443
Movement during the period	(3,084)	(300,165)	352,815	49,566
Exchange realignment	(61)	(21)	(72)	(154)
At 30 June 2020 (Unaudited)	3,674	–	357,181	360,855

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

18. BORROWINGS

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Bank borrowings (Note (i))		
– Repayable within one year	1,423,853	464,818
– Repayable after one year but within two years	1,826,410	777,756
– Repayable after two years but within five years	493,618	1,583,001
Bonds (Note (ii))		
– Repayable within one year	6,238,631	4,816,820
– Repayable after two years but within five years	3,938,691	3,973,523
– Repayable after five years	788,880	793,841
Other borrowings (Note (iii))		
– Repayable within one year	192,682	154,882
– Repayable after one year but within two years	116,255	–
	15,019,020	12,564,641
Analysed for reporting purpose as:		
Non-current liabilities	7,163,854	7,128,121
Current liabilities	7,855,166	5,436,520
	15,019,020	12,564,641

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

18. BORROWINGS (continued)

Notes:

(i) Bank borrowings

	At 30 June 2020		At 31 December 2019	
	HK\$'000 (Unaudited)	Effective interest rate % (Unaudited)	HK\$'000 (Audited)	Effective interest rate % (Audited)
Term loans				
– Variable rate	541,368	5.900-6.175	553,306	5.655-6.175
Unsecured loans				
– Variable rate (Note (a))	2,980,180	1.487-3.402	1,996,146	2.450-2.920
– Fixed rate (Note (a))	101,050	7.990	129,235	7.990
Secured loans				
– Fixed rate (Note (b))	121,283	5.220-8.300	146,888	6.500-8.500
	3,743,881		2,825,575	

Notes:

- (a) As at 30 June 2020, the unsecured loans included loans with carrying amounts of approximately HK\$2,980,180,000 (31 December 2019: HK\$1,996,146,000) that were guaranteed by Shandong Hi-Speed Group Co., Ltd. ("Shandong Hi-Speed Group") and approximately HK\$101,050,000 (31 December 2019: HK\$129,235,000) was guaranteed by the Company.
- (b) As at 30 June 2020, there are four secured loans, (i) a loan with carrying amount of approximately HK\$63,581,000 (31 December 2019: HK\$86,208,000) was guaranteed by the Company and secured by certain finance lease receivables with carrying amount of approximately HK\$71,966,000 (31 December 2019: HK\$100,701,000); (ii) a loan with carrying amount of approximately HK\$54,837,000 (31 December 2019: HK\$59,568,000) was guaranteed by a subsidiary of the Company and secured by certain finance lease receivables with carrying amount of approximately HK\$153,874,000 (31 December 2019: HK\$181,401,000); (iii) a loan with carrying amount of approximately HK\$820,000 (31 December 2019: HK\$1,112,000) was guaranteed by a director of a subsidiary of the Company; and (iv) a loan with carrying amount of approximately HK\$2,045,000 (31 December 2019: nil) was guaranteed by a director of a subsidiary of the Company.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

18. BORROWINGS (continued)

Notes: (continued)

(ii) Bonds

	Notes	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
US\$ denominated bonds			
5.95% bonds mature in 2020	(a)	–	4,806,638
3.80% bonds mature in 2021	(b)	6,217,680	–
3.95% bonds mature in 2022	(c)	3,938,691	3,963,252
4.30% bonds mature in 2029	(d)	788,880	793,841
HK\$ denominated bonds			
5.00% bonds mature in 2020		10,430	10,182
5.00% bonds mature in 2021		10,521	10,271
		10,966,202	9,584,184
Reconciliation of borrowings			
		30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
At beginning of the period/year		9,584,184	4,759,422
Net proceeds from issuance of bonds during the period/year		6,200,251	9,379,168
Repayment		(4,678,937)	(4,687,793)
Interest charged calculated at effective interest rate		121,393	379,075
Interest paid during the period/year		(230,663)	(234,343)
Exchange realignment		(30,026)	(11,345)
At end of the period/year		10,966,202	9,584,184

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

18. BORROWINGS (continued)

Notes: (continued)

(ii) Bonds (continued)

Notes:

- (a) On 15 January 2019, Coastal Emerald issued 5.95% guaranteed bonds with a principal amount of US\$550,000,000 (the "First 5.95% Guarantee Bonds") to independent third parties. On 20 February 2019, Coastal Emerald further issued an additional 5.95% guaranteed bonds with principal amount of US\$50,000,000 (the "Second 5.95% Guaranteed Bonds") to independent third parties. The Second 5.95% Guaranteed Bonds were consolidated to form a single series with the First 5.95% Guaranteed Bonds. The First 5.95% Guaranteed Bonds and the Second 5.95% Guaranteed Bonds (collectively referred to as the "5.95% Guaranteed Bonds") in aggregate amount of approximately HK\$4,678,937,000 will mature on 13 January 2020. The 5.95% Guaranteed Bonds are guaranteed by the Company and with the benefit of a keepwell deed by Shandong Hi-Speed Group. Under the keepwell deed, Shandong Hi-Speed Group undertakes that it shall cause each of Coastal Emerald and the Company to have sufficient liquidity to ensure timely payment by it of any amounts due and payable in respect of the 5.95% Guaranteed Bonds. If either Coastal Emerald or the Company at any time determines that it will have insufficient liquidity to meet any of its payment obligations under the Guaranteed Bonds, Shandong Hi-Speed Group will make available, or procure the availability to it before the due date of the relevant payment obligations, funds sufficient to enable it to pay such payment obligations in full as they fall due.

The 5.95% Guaranteed Bonds was fully repaid during the six months ended 30 June 2020.

Further details are set out in the announcements of the Company dated 8 January 2019, 15 January 2019 and 19 February 2019.

- (b) On 3 June 2020, Coastal Emerald issued 3.80% guaranteed bonds (the "3.80% Guaranteed Bonds") with a principal amount of US\$800,000,000 to independent third parties. The 3.80% Guaranteed Bonds will mature on 1 June 2021. The 3.80% Guaranteed Bonds are guaranteed by the Company with the benefit of a keepwell deed and a deed of equity interest purchase undertaking provided by Shandong Hi-Speed Group. Under the keepwell deed, Shandong Hi-Speed Group undertakes that it shall cause Coastal Emerald and the Company to have sufficient liquidity to ensure timely payment by it of any amounts due and payable in respect of the 3.80% Guaranteed Bonds. If either Coastal Emerald or the Company at any time determines that it will have insufficient liquidity to meet any of its payment obligations under the 3.80% Guaranteed Bonds, Shandong Hi-Speed Group will make available, or procure the availability to it before the due date of the relevant payment obligations, funds sufficient to enable it to pay such payment obligations in full as they fall due.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

18. BORROWINGS (continued)

Notes: (continued)

(ii) Bonds (continued)

Notes: (continued)

- (c) On 1 August 2019, Coastal Emerald issued 3.95% guaranteed bonds (the “3.95% Guaranteed Bonds”) with a principal amount of US\$500,000,000 to independent third parties. The 3.95% Guaranteed Bonds will mature on 1 August 2022. The 3.95% Guaranteed Bonds are guaranteed by the Company with the benefit of a keepwell deed and a deed of equity interest purchase undertaking provided by Shandong Hi-Speed Group. Under the keepwell deed, Shandong Hi-Speed Group undertakes that it shall cause each of Coastal Emerald and the Company to have sufficient liquidity to ensure timely payment by it of any amounts due and payable in respect of the 3.95% Guaranteed Bonds. If either Coastal Emerald or the Company at any time determines that it will have insufficient liquidity to meet any of its payment obligations under the 3.95% Guaranteed Bonds, Shandong Hi-Speed Group will make available, or procure the availability to it before the due date of the relevant payment obligations, funds sufficient to enable it to pay such payment obligations in full as they fall due. Further details are set out in the announcement of the Company dated 26 July 2019.
- (d) On 25 July 2019, Coastal Emerald issued 4.3% guaranteed bonds (the “4.3% Guaranteed Bonds”) with a principal amount of US\$100,000,000 to an independent third party. The 4.3% Guaranteed Bonds will mature on 31 July 2029 are guaranteed by Shandong Hi-Speed Group.

(iii) Other borrowings

As at 30 June 2020, the Group has three outstanding other borrowings, (a) a borrowing with an amount of approximately US\$19,861,000 (equivalent to approximately HK\$153,930,000) from a securities company, which is unsecured, bearing interest at 2.94% per annum and repayable in the year ended 31 December 2020; (b) a borrowing with an amount of approximately US\$15,000,000 (equivalent to approximately HK\$116,255,000) from a securities company, which is unsecured, bearing interest at 3.50% per annum and repayable on 28 June 2022; and (c) a borrowing with an amount of approximately US\$5,000,000 (equivalent to approximately HK\$38,752,000) from a securities company, which is unsecured, bearing interest at 3 months LIBOR+2.3% per annum and repayable on 29 June 2021.

As at 31 December 2019, the Group has a borrowing with an amount of approximately US\$19,861,000 (equivalent to approximately HK\$154,882,000) from a securities company, which is unsecured, bearing interest at 5.05% per annum and repayable in the year ended 31 December 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

19. ISSUED CAPITAL

Authorised and issued capital

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Authorised capital:		
2,000,000,000,000 (31 December 2019: 2,000,000,000,000) ordinary shares of HK\$0.00025 (31 December 2019: HK\$0.00025) each	500,000	500,000
Issued and fully paid		
24,452,450,002 (31 December 2019: 24,452,450,002) ordinary shares of HK\$0.00025 (31 December 2019: HK\$0.00025) each	6,113	6,113

20. PERPETUAL CAPITAL INSTRUMENT

On 1 August 2019, Coastal Emerald issued a total of US\$900,000,000 perpetual capital instrument. The instrument is perpetual, non-callable by Coastal Emerald in the first five years. The holders can receive distribution at a distribution rate of 4.3% per annum, payable semi-annually in arrears. Coastal Emerald may, at its sole discretion, elect to defer any distribution pursuant to the terms and conditions of the instrument if Coastal Emerald and the Company do not declare or pay dividends to their shareholders. The instrument is irrevocably guaranteed by Shandong Hi-Speed Group. The holders can receive step-up interest of 5% per annum upon occurrence of any of the following step-up events:

Change of Control

(i) The State-owned Assets Supervision and Administration Commission ("SASAC") of Shandong Provincial People's Government or its successor SASAC and any other person controlled by the central government of the PRC together cease to control Shandong Hi-Speed Group; (ii) Shandong Hi-Speed Group ceases to own not less than 40% of the issued share capital of the Company or ceases to be the single largest shareholder of the Company; (iii) the Company ceases to wholly own the issued share capital of Coastal Emerald.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

20. PERPETUAL CAPITAL INSTRUMENT (continued)

Breach of Covenant Event

Non-compliance or non-performance by Coastal Emerald or Shandong Hi-Speed Group of any one or more of its obligations and covenants and the deed of guarantee.

Relevant Indebtedness Default Event

Occurrence of one or more of the following events (and such event is continuing): (i) any indebtedness of Coastal Emerald, Shandong Hi-Speed Group or any of their respective subsidiaries is not paid when due or (as the case may be) within any originally applicable grace period, (ii) any such indebtedness becomes due and payable prior to its stated maturity otherwise than at the option of Coastal Emerald, Shandong Hi-Speed Group or (as the case may be) the relevant subsidiary or (provided that no event of default, howsoever described, has occurred) any person entitled to such indebtedness, or (iii) Coastal Emerald, Shandong Hi-Speed Group or any of their respective subsidiaries fails to pay when due any amount payable by it under any guarantee of any indebtedness; provided that the amount of indebtedness referred to in sub-paragraph (a) and/or sub-paragraph (b) above and/or the amount payable under any guarantee referred to in sub-paragraph (c) above individually or in the aggregate exceeds US\$30,000,000 (or its equivalent in any other currency or currencies).

Dividend Stopper Breach Event

Non-compliance or non-performance by Coastal Emerald or Shandong Hi-Speed Group of any of the restrictions in the case of deferral including (i) not to declare or pay any discretionary dividends or distributions or make any other discretionary payment, and shall procure that no discretionary dividend, distribution or other discretionary payment is made, in each case, on any parity securities or junior securities of Coastal Emerald or Shandong Hi-Speed Group; and (ii) not, at its discretion, redeem, reduce, cancel, buy-back or otherwise acquire for any consideration any parity securities or junior securities of Coastal Emerald or Shandong Hi-Speed Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

21. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the interim report, the Group had the following material transactions with related parties during the period.

(a) Transactions and balances with affiliates of Shandong Hi-Speed Group

As at 30 June 2020, the Company is 42.78% (31 December 2019: 42.78%) owned by Shandong Hi-Speed Group, a company established by the Shandong Provincial Government as a wholly state-owned enterprise. Save as disclosed to the condensed consolidated financial statements, The Group entered into the following material transactions with the affiliates of Shandong Hi-Speed Group:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Balances with affiliates of Shandong Hi-Speed Group		
With a bank, which is a subsidiary of Shandong Hi-Speed Group		
– bank deposits	105,083	443,390
– interest-bearing bank borrowings	541,368	553,306
Other payables and accruals		
– subsidiaries of Shandong Hi-Speed Group	87,048	–
For the six months ended		
	30 June 2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Transactions with affiliates of Shandong Hi-Speed Group		
With a bank, which is a subsidiary of Shandong Hi-Speed Group		
– bank interest income	777	30
– interest expenses on bank borrowings	16,628	16,805
Interest expenses on other borrowings to		
– a subsidiary of Shandong Hi-Speed Group	–	35,008
Guarantee fee paid to		
– subsidiaries of Shandong Hi-Speed Group (Note (i))	87,048	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

21. MATERIAL RELATED PARTY TRANSACTIONS (continued)

(a) Transactions and balances with affiliates of Shandong Hi-Speed Group (continued)

Note:

- (i) The guarantee fee is charged at 1% per annum based on the actual guaranteed amounts provided by Shandong Hi-Speed Group and payable quarterly in arrears.

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

During the six months ended 30 June 2020 and 2019, certain bank deposits, cash and cash equivalents and bank borrowings as of 30 June 2020 and 31 December 2019 and the relevant interest earned or paid during the period are transacted with banks and other financial institutions controlled by the PRC government. In the opinion of the directors of the Company, all such transactions were conducted in the ordinary course of business and on normal commercial terms.

(c) Transactions and balances with a company controlled by a former director of the Company

As at 30 June 2020, the Group has an amount due from China Hover Dragon, in which Mr. Ji Kewei, the former director of the Company, has interest in it, of approximately HK\$134,654,000 (31 December 2019: HK\$136,932,000).

(d) Balances with non-controlling interests

As at 30 June 2020, included in "Other payables and accruals" in the condensed consolidated statement of financial position was an aggregate amount due to the non-controlling interests of an amount of approximately HK\$55,000 (31 December 2019: HK\$57,000).

(e) Compensation of key management personnel of the Group:

	For the six months ended	
	30 June	
	2020	2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee benefits	1,591	6,720
Retirement benefit scheme contribution	14	39
	1,605	6,759

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

22. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS

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

In estimating the fair value of a financial asset or a financial liability, the Group uses market observable data to the extent it is available. When Level 1 inputs are not available, the Group engaged independent qualified external valuers to perform the valuation. The management of the Group works closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The management of the Group reports to executive directors of the Company semi-annually to explain the cause of fluctuations in the fair value of the financial assets.

(a) Fair value of financial assets that are measured at fair value

Some of the Group's financial assets are measured at fair value at the end of each reporting period for financial reporting purposes. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation model(s) and inputs used).

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
As at 30 June 2020 (Unaudited)				
Financial assets at fair value through other comprehensive income	132,353	4,150,830	525,970	4,809,153
Financial assets at fair value through profit or loss	4,149,433	2,236,549	23,256	6,409,238
	4,281,786	6,387,379	549,226	11,218,391
As at 31 December 2019 (Audited)				
Financial assets at fair value through other comprehensive income	–	1,850,611	2,305,907	4,156,518
Financial assets at fair value through profit or loss	788,389	1,756,353	312,687	2,857,429
	788,389	3,606,964	2,618,594	7,013,947

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

22. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(a) Fair value of financial assets that are measured at fair value (continued)

Items	Fair value as at		Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs
	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)			
Financial assets at fair value through other comprehensive income					
Unlisted equity investment					
- in elsewhere	289,407	-	Level 3	Market approach	Discount for lack of control: 10.0% (31 December 2019: N/A)
- in elsewhere	-	2,067,882	Level 3	Discounted cash flow	Growth rate: N/A (31 December 2019: 9.0%) Gross margin rate: N/A (31 December 2019: 71.5%) Discount rate: N/A (31 December 2019: 9.6%) Terminal growth rate: N/A (31 December 2019: 3.0%)
Listed equity investments					
- in Hong Kong	132,353	-	Level 1	Quoted price in active markets	N/A
Notes					
- in elsewhere	385,295	383,534	Level 2	Latest transaction price	N/A
Unlisted bonds					
- in Hong Kong	236,563	238,025	Level 3	Discounted cash flow	Discount rate: 8.0% (31 December 2019: 8.0%)
- in elsewhere	1,224,549	-	Level 2	Latest transaction price	N/A
Listed bonds					
- in Hong Kong	96,226	-	Level 2	Latest transaction price	N/A
- in the PRC	105,191	23,765	Level 2	Latest transaction price	N/A
- in elsewhere	1,924,226	1,443,312	Level 2	Latest transaction price	N/A
Investment funds					
- in elsewhere	415,343	-	Level 2	Latest transaction price	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

22. FAIR VALUE MEASUREMENT OF FINANCIAL ASSETS (continued)

(a) Fair value of financial assets that are measured at fair value (continued)

Items	Fair value as at		Fair value hierarchy	Valuation technique(s)	Significant unobservable inputs
	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)			
Financial assets at fair value through profit or loss					
Unlisted equity investments					
– in the PRC	–	–	Level 3	Net assets value	N/A
– in elsewhere	–	289,407	Level 3	Market approach	Discount for lack of control: N/A (31 December 2019: 10%)
Investment funds					
– in Hong Kong	547,369	543,697	Level 2	Latest transaction price	N/A
– in the PRC	3,256	3,280	Level 3	Discounted cash flow	Discount rate: 9.4% – 9.6% (31 December 2019: 9.4% – 9.6%)
– in elsewhere	–	508,684	Level 2	Latest transaction price	N/A
– in elsewhere	20,000	20,000	Level 3	Discounted cash flow	Discount rate: 1.8% (31 December 2019: 1.8%)
Club membership debenture					
– in Hong Kong	6,050	6,050	Level 2	Market comparison	N/A
Listed equity investments					
– in Hong Kong	3,692,322	710,408	Level 1	Quoted price in active markets	N/A
– in the PRC	133,551	–	Level 1	Quoted price in active markets	N/A
– in elsewhere	323,560	77,981	Level 1	Quoted price in active markets	N/A
Other investment funds					
– in the PRC	–	33,365	Level 2	Latest transaction price	N/A
– in elsewhere	962,029	664,557	Level 2	Latest transaction price	N/A
Listed bonds					
– in elsewhere	721,101	–	Level 2	Latest transaction price	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

(i) Share buy-back under supplemental deed

On 3 August 2020, the Company and Coastal Silk Limited (a subsidiary of the Company) entered into a supplemental deed (the "Supplemental Deed") to the share purchase agreement dated 29 December 2017 (the "Share Purchase Agreement") with Honesta Investment Limited ("Honesta Investment"), Mr. Hua Meng ("Mr. Hua") and Kun Peng International Limited ("Kun Peng International"), pursuant to which the Company will repurchase all the 363,065,565 consideration shares from Honesta Investment at nil consideration as per the repurchase right granted under the Share Purchase Agreement. The shares bought back were cancelled on 6 August 2020.

Details of the above are set out in the announcements of the Company dated 29 December 2017, 26 March 2018 and 3 August 2020.

(ii) Updates on finance lease receivables

As at 30 June 2020, the Group's finance lease receivables balances regarding three finance lease arrangements (the "Due Finance Lease Arrangements") with an aggregate carrying amount of approximately HK\$758,622,000 (31 December 2019: HK\$899,787,000) had been past due as at the end of the reporting period.

The Due Finance Lease Arrangements are as follows:

- (a) a finance lease arrangement dated 21 March 2018 entered into among (i) Shangao International Finance Leasing (Shenzhen) Co., Ltd.* (山高國際融資租賃(深圳)有限公司) (formerly known as Xianglong Finance Leasing (Shenzhen) Company Limited* (翔龍融資租賃(深圳)有限公司)) ("Shangao International Leasing") as lessor; (ii) China Tieniu Group Co., Ltd. (鐵牛集團有限公司) ("China Tieniu") as lessee; and (iii) Hangzhou ESSEN Auto Component Co., Ltd. (杭州易辰孚特汽車零部件有限公司) ("Hangzhou ESSEN"), Anhui Tongfeng Electronics Group Co., Ltd (安徽銅峰電子集團有限公司) ("Anhui Tongfeng"), Huangshan Jinma Group Company Limited* (黃山金馬集團有限公司) ("Huangshan Jinma"), Ms. Xu Meier* (徐美兒) ("Ms. Xu") and Mr. Ying Jianren* (應建仁) ("Mr. Ying") as guarantors. For details, please refer to the announcement of the Company dated 16 May 2018 and the circular of the Company dated 17 July 2018. As at 30 June 2020, the carrying amount of the finance lease receivables under this finance lease arrangement was approximately HK\$424,299,000 (31 December 2019: HK\$505,242,000).
- (b) a finance lease arrangement dated 29 March 2018 (as amended by a supplemental agreement dated 7 May 2018) entered into among (i) Shangao International Finance as lessor; (ii) Hangzhou ESSEN; (iii) China Tieniu, Anhui Tongfeng, Huangshan Jinma, Ms. Xu and Mr. Ying as guarantors. For details, please refer to the announcement of the Company dated 16 May 2018 and the circular of the Company dated 17 July 2018. As at 30 June 2020, the carrying amount of the finance lease receivables under this finance lease arrangement was approximately HK\$153,874,000 (31 December 2019: HK\$181,401,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

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

(ii) Updates on finance lease receivables (continued)

- (c) a finance lease arrangement dated 7 May 2019 entered into among (i) Shangao International Finance as lessor; (ii) Ruizhan (Tongling) Technology Co., Ltd.* (銳展(銅陵) 科技有限公司) as lessee; (iii) China Tieniu, Zhejiang Dehao Industries Co., Ltd.* (浙江德浩 實業有限公司), Zhejiang Zhuocheng Zhaoye Investment Development Co., Ltd.* (浙江卓 誠兆業投資開發有限公司) (“Zhuocheng Zhaoye”), Hangzhou ESSEN, Huangshan Jinma, Anhui Tongfeng, Mr. Ying and Ms. Xu as guarantors. As at 30 June 2020, the carrying amount of the finance lease receivables under this finance lease arrangement was approximately HK\$180,449,000 (31 December 2019: HK\$213,144,000).

According to an independent valuation as at 31 December 2019, the market value (valued under cost approach and market approach) of assets under each of the Due Finance Lease Arrangements is able to cover the respective finance lease receivables thereunder. However, in order to better protect the Group’s rights and interests under the Due Finance Lease Arrangements, in November 2019, the Group filed cases against the three lessees and all guarantors to recover the finance lease receivables under the Due Finance Lease Arrangements. While awaiting the court to hand down judgments, the Group noticed after the reporting period that (i) a bankruptcy liquidation (破產清算) application was filed against Anhui Tongfeng and was accepted by the Anhui Tongling Intermediate People’s Court; (ii) Zhuocheng Zhaoye’s application for pre-reorganisation (預重整)^{Note} was accepted by the Zhejiang Yongkang People’s Court; and (iii) China Tieniu’s application for pre-reorganisation was accepted by the Zhejiang Yongkang People’s Court.

The Group has engaged an independent professional valuer to assist the Group to assess the fair value of the assets as at 31 December 2019 and the expected credit loss on the Due Finance Lease Arrangements for the six months ended 30 June 2020. In view of the current status of the Due Finance Lease Arrangements, the Group has made impairment loss of approximately HK\$126,119,000 on finance lease receivables related to the Due Finance Lease Arrangements for the six months ended 30 June 2020.

Note:

Pre-reorganisation (預重整) means the pre-reorganisation plan for corporate reorganisation reached among creditors, debtors, investors, etc. prior to entering into the formal bankruptcy procedures, such that the plan can be executed quickly after entering into formal bankruptcy reorganisation procedures.

24. APPROVAL FOR THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements have been reviewed by the Audit Committee of the Company and were approved and authorised for publication by the board of directors on 26 August 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

During the six months ended 30 June 2020 (the “Reporting Period”), China Shandong Hi-Speed Financial Group Limited (the “Company”) and its subsidiaries (collectively the “Group”) recorded an increase in both revenue and profit as compared with the six months ended 30 June 2019 (the “Previous Period”). During the Reporting Period, the Group recorded revenue of approximately HK\$621,480,000, representing an increase of 88.34% year-over-year. Profit for the period amounted to approximately HK\$59,109,000, as compared with the loss for the period of approximately HK\$1,609,642,000 for the Previous Period. The turnaround was mainly attributable to (i) a significant improvement in fair value losses on financial assets at fair value through profit or loss and (ii) the significant increase in interest income from financial assets at fair value through other comprehensive income and interest income from money lending operations due to the significant enlargement in the investment scale in securities and operational scale in money lending segment, which resulted in the significant increase in the Group’s consolidated revenue. Basic loss per share attributable to owners of the Company amounted to HK\$0.27 cents, as compared with the basic loss per share of HK\$6.62 cents for the Previous Period.

As at 30 June 2020, the Group recorded total assets of approximately HK\$25,312,919,000 (31 December 2019: HK\$23,198,805,000) and total liabilities of approximately HK\$15,595,665,000 (31 December 2019: HK\$12,947,348,000), and therefore net assets of approximately HK\$9,717,254,000 (31 December 2019: HK\$10,251,457,000).

MARKET REVIEW

In the first half of 2020, affected by the COVID-19 pandemic, the global economy experienced a severe downturn while various countries suffered from the worst economic recession since the Great Depression. In the first quarter, the gross domestic product (GDP) of the world’s major economies all experienced declines and negative growth, while the inflation rates kept going down and merchandise trade exports faced varying degrees of slowdown. From late February to early March, the yields of long-term sovereign bonds of various countries have fallen due to the expected rate cuts by the Federal Reserve and increased market sentiment of risk aversion. Subsequently, rising fears drove investors’ selloffs of various assets and increased U.S. dollar asset holdings, leading to rising sovereign bond yields of various countries as well as strengthened U.S. dollar. In early April, the global central banks carried out accommodative monetary policies, and thus the sovereign bond yields of various countries fell. Meanwhile, with the COVID-19 pandemic tending to stabilise, global economic activities have been gradually recovering, while worldwide major stock markets and assets also saw a significant rebound.

MANAGEMENT DISCUSSION AND ANALYSIS

The global economy started to recover in the second quarter, but the pace varied among countries. According to the latest forecast of the International Monetary Fund (IMF) in June this year, the U.S. economy was expected to decline by 8% this year, Germany by 7.8%, France by 12.5%, the UK by 10.2%, Asian emerging countries by an average of 0.8%, and Latin America by 9.4%. Compared with other countries, China is the only major economy that maintains a positive growth of 1%. China has a solid economic foundation, strong resilience and growth advantages. Coupled with the first orderly resumption of work and production under the spread of the COVID-19 pandemic, the overall economy has maintained an orderly operation. Since March, China's economic data, including the Purchasing Managers' Index (PMI), industrial value added, and retail sales have all indicated that the economy has begun to rebound. At present, except for China, the PMI of the United States, Japan and European countries are all maintained below 50. Given that China's economy has basically returned to normal in many aspects, market participants are generally optimistic about the prospects of China's market.

In the context of continued turmoil in the financial market, the Group adhered to the development policy of "Prudence, Compliance, Stability and Development", and strengthened the implementation of the overall risk management framework, rules, and systems, so that our risk management capabilities have been further enhanced. At the same time, the Group grasped the good investment opportunities brought by the market, and adjusted its investment strategies of each business in accordance with market development. The Group actively increased the intensity and precision of effective investment, and achieved substantial growth in business revenue in the first half of the year.

BUSINESS REVIEW

The Group is an investment holding company and its subsidiaries were engaged in the following major operating segments during the Reporting Period:

a) Financial leasing

A large number of economic activities have been suspended due to the COVID-19 pandemic, which had a certain impact on the Group's financial leasing business. During the Reporting Period, the Group's financial leasing business recorded a loss of approximately HK\$188,818,000, an increase of 35.42% from the Previous Period. The loss was mainly due to the decline in market demand for financial leasing, and the increase in the impairment losses on finance lease receivables compared with the Previous Period. As China's economic activities gradually return to normal, market demand for financial leasing is expected to grow. In addition, the PRC government will further promote the transformation and upgrading of the economic structure. These factors are expected to create a huge market space for the development of the Group's financial leasing business.

MANAGEMENT DISCUSSION AND ANALYSIS

b) Investments in securities

In the first half of 2020, global stock markets fell sharply and some markets experienced historical declines. After a round of market turmoil, the valuation of the Hong Kong stock market was lower than that of the world's major developed and emerging markets, creating huge investment opportunities for value investors. With the recovery of economic and market valuations, the Group has made decisive decisions to make arrangements, seized favourable investment opportunities, and increased investment in high-quality blue chips, industry leaders and significant undervalued underlying equity assets. As the global stock market rebounded in the second quarter, the Group's securities investment business also achieved considerable returns. During the Reporting Period, the Group's securities portfolio recorded unrealised fair value losses and realised gains on financial assets at fair value through profit or loss of approximately HK\$27,919,000 (for six months ended 30 June 2019: losses of HK\$1,385,385,000) and HK\$16,057,000 (for six months ended 30 June 2019: HK\$3,101,000), representing an improvement in unrealised fair value losses for 97.98% and increase in realised gains for 417.80% as compared to the Previous Period, respectively. The unrealised fair value changes had no impact on the Group's cash flow as they were non-cash items.

c) Money lending

In the first quarter and the beginning of the second quarter, due to the impact of the COVID-19 pandemic, the Group's business team was unable to conduct on-site due diligence on customers and projects, and restricted the development of the money lending business accordingly. Subsequently, as the COVID-19 pandemic situation stabilised, the Group increased its investment in the money lending business, which significantly expanded the scale of the money lending business. During the Reporting Period, the money lending business recorded a profit of approximately HK\$28,153,000, an increase of 154.66% from approximately HK\$11,055,000 for the Previous Period. With its strong financial strength, huge channel network and experienced professional team, the Group's money lending business will continue to develop steadily.

d) Financial technology

During the Reporting Period, the financial technology business recorded a profit of approximately HK\$30,371,000, an increase of 70.62% from approximately HK\$17,800,000 in the Previous Period. The increase in profit was mainly attributable to the expansion of business, driving an increase in the revenue. In the future, the financial technology segment will continue to create synergies with other businesses of the Group, bringing favourable conditions for the Group's development.

Save for the aforesaid operating segment businesses, during the Reporting Period, the Group also carried out the businesses of asset trading platform operation, securities brokerage and commercial factoring.

Asset Trading Platform

At the end of 2019, the Group entered into a cooperation agreement with Shenzhen Qianhai Financial Leasing Financial Trading Center Co., Ltd.* (深圳市前海融資租賃金融交易中心有限公司) (now known as “Shenzhen Guangjin United Investment Co., Ltd.*”) (深圳廣金聯合投資有限公司) (“GJFAX”), and transferred GJFAX’s existing businesses which were the same and similar to Shenzhen Asia-Pacific Leasing Assets Exchange Center Co., Ltd.* (深圳亞太租賃資產交易中心有限公司) (“LAECAP”, a subsidiary of the Company), related staff and customer relationship to LAECAP. During the Reporting Period, LAECAP has effectively completed the business integration, which has increased the overall business income of LAECAP. With the gradual resumption of work in various industries, the business of LAECAP has made steady progress. Continued to uphold the development concept of “Legal Compliance, Prudent Management”, LAECAP will set out again with a new aspect, continuously improve its system construction, advance its business development, comply with the laws and regulations, and forge ahead in an innovative spirit, in a bid to maximise the value and to create a national first-class and the world’s leading integrated assets exchange.

FUTURE PROSPECTS

After the spread of the COVID-19 pandemic, governments have spared no effort to formulate and implement a series of fiscal and monetary policies to support economic operations. The global economy has begun to rebound rapidly, and it is expected that global monetary policies will continue to be loose. However, the easing policies may gradually weaken from the ultra-loose state during the crisis to the normal mode of “general moderate” during the economic recovery, and thus the global economic growth may slow down compared with the first half of the year. As the economy recovers, the second wave of COVID-19 has emerged in certain countries and may intensify in the autumn or winter. In addition, factors such as rising international trade tensions and geopolitics also pose uncertainties for economic development, slowing the pace of global economic recovery and increasing risks of capital market adjustment.

In terms of economic development in China, the economic recovery has strongly underpinned by the COVID-19 pandemic brought under control and the steady progress of resumption of work and production at home. According to the National Bureau of Statistics, China’s GDP in the second quarter grew by 3.2% year on year, representing the growth rate turning from negative to positive from a decline of 6.8% in the first quarter and better than the market expectations. The data also indicates improvement has also made in the national statistics of industry, fixed asset investment and retail. As most of the economic activities have returned to normal, the domestic economy is expected to continue its gradual recovery in the second half of the year.

As the second half of the year is a period of opportunities and challenges coexisting, the Group will firmly seize the new development opportunities brought about by market changes through following the tendency. The Group will continually consolidate its management foundation in an all-round way, further clarify its development strategy and implementation approach, and grasp the overall tone of “Prudence, Compliance, Stability and Development”, so as to promote the Group marching towards a new stage featuring with healthy, sustainable and high-quality development.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group will steadily promote all aspects of work and emphasise both quality and efficiency to empower its sustainable performance growth on an ongoing basis. The Group will further clarify its development strategy and implementation approach in line with the corporate strategic development plans formulated. While developing the business of Hong Kong headquarters, the Group will vigorously expand the domestic and overseas markets, and cooperate with domestic and overseas subsidiaries to achieve cross-border linkage and resource sharing in areas such as business and investment project development, transaction structure design, due diligence, risk control and legal compliance, so as to jointly improve the decision-making quality of projects. In addition, the Group will further strengthen research on macroeconomic situation and analysis of industrial segments, focus and deploy resources on advantageous industries that the Group is familiar with, dynamically optimise and adjust the existing asset portfolio to improve asset quality and comprehensive return rate. The Group will also put efforts to make a breakthrough in the third-party asset management business and strive to gradually establish a self-owned asset management business brand in the market.

As the exclusive overseas investment and financing platform of Shandong Hi-Speed Group Co., Ltd* (山東高速集團有限公司) (“Shandong Hi-Speed Group”), the Group will continue to strengthen the internal synergy with Shandong Hi-Speed Group. The Group will fully tap the resource advantages of Shandong Hi-Speed Group to achieve a win-win cooperation for both parties. The Group will also fully leverage its advantages of professional teams, strengthen its synergy with Shandong Hi-Speed Group as an overseas listed company, and properly carry out ancillary businesses such as asset securitisation and overseas investment and financing of international business. At the same time, the Group will also seek in-depth cooperation with other state-owned enterprises in Shandong Province and leverage the advantages of each other to achieve mutual development.

The Group will continue to seek potential acquisition targets that will create synergy with the Group and enhance its profitability. As at the date of this report, the Group does not have any specific acquisition targets.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed in note 23 to the condensed consolidated financial statements, there were no other significant events after the end of the Reporting Period.

FUNDRAISING ACTIVITIES

On 3 June 2020, the Group issued US\$800,000,000 3.80% guaranteed bonds due 2021. The issuance of bonds is a significant step of the Company in gaining recognition in the international financial market and would provide the Company with an additional source of funding for its business development.

DIVIDENDS

The Directors do not recommend the payment of any dividend for the Reporting Period (30 June 2019: Nil).

* For identification purpose only

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group adopts a prudent approach to cash and financial management to properly manage risks and reduce capital costs. As at 30 June 2020, the Group recorded total cash and cash equivalents of approximately HK\$3,727,388,000 (31 December 2019: HK\$8,214,075,000), total assets of approximately HK\$25,312,919,000 (31 December 2019: HK\$23,198,805,000) and total borrowings of approximately HK\$15,019,020,000 (31 December 2019: HK\$12,564,641,000).

As at 30 June 2020, the borrowings of the Group were comprised of bank borrowings, bonds and other borrowings which were approximately HK\$3,743,881,000 (31 December 2019: HK\$2,825,575,000), HK\$10,966,202,000 (31 December 2019: HK\$9,584,184,000) and HK\$308,937,000 (31 December 2019: HK\$154,882,000), respectively. Details of the outstanding bank borrowings and other borrowings of the Group are disclosed in note 18 to the condensed consolidated financial statements. As at 30 June 2020, the outstanding bonds of the Group included a secured bond of approximately HK\$6,217,680,000 with a coupon rate of 3.80% per annum, a secured bond of approximately HK\$3,938,691,000 with a coupon rate of 3.95% per annum, a secured bond of approximately HK\$788,880,000 with a coupon rate of 4.30% per annum and two unsecured bonds for a term of seven years of approximately HK\$20,951,000 with a coupon rate of 5% per annum. Although the above-stated bonds and other borrowings were denominated in US dollars, the exchange rate was relatively stable and the unsecured bonds were denominated in Hong Kong dollars, thus the Company was not subject to the risks in relation to exchange rate fluctuations.

As at 30 June 2020, the Company had total 24,452,450,002 issued shares with a par value of HK\$0.00025 each, and the total equity attributable to the owners of the Company was approximately HK\$2,452,297,000, representing a decrease of 17.14% as compared with HK\$2,959,705,000 as at 31 December 2019.

As at 30 June 2020, the gearing ratio (total outstanding borrowings divided by total assets) of the Group was approximately 59.33% (31 December 2019: approximately 54.16%), the increase of gearing ratio was mainly due to the increase in the Company's borrowings during the Reporting Period.

PLEDGE OF ASSETS

As at 30 June 2020, the Group's finance lease receivables with carrying amount of approximately HK\$225,840,000 have been pledged to secure for bank borrowings.

CURRENCY RISK MANAGEMENT

The Group's monetary assets, liabilities and transactions are mainly denominated in Renminbi, Hong Kong dollars and US dollars. The Group is mainly exposed to foreign exchange risk with respect to Renminbi which may affect the Group's performance. The management is aware of the possible exchange rate exposure due to the continuing fluctuation of Renminbi and will closely monitor its impact on the performance of the Group and will consider adopting appropriate hedging measures in the future when necessary. In addition, the Group also pays close attention to the impact of the U.S. interest rate fluctuations on its U.S. dollar-denominated assets, and takes appropriate response measures.

During the Reporting Period, the Group has neither held any financial instruments for hedging purposes, nor any currency borrowings or other hedging instruments to hedge its net foreign currency investments.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

The Group did not have any significant contingent liabilities and capital commitment during the Reporting Period.

SIGNIFICANT INVESTMENTS OR CAPITAL ASSETS

Save as financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss disclosed in notes 13 and 14 to the condensed consolidated financial statements, the Group did not have any other significant investments during the Reporting Period. As at 30 June 2020, the Group held financial assets at fair value through other comprehensive income of the aggregate amount of approximately HK\$4,809,153,000 (31 December 2019: HK\$4,156,518,000) and financial assets at fair value through profit and loss of the aggregate amount of approximately HK\$6,409,238,000 (31 December 2019: HK\$2,857,429,000). For further details, please refer to notes 13 and 14 to the condensed consolidated financial statements.

As at 30 June 2020, the Group did not have any individual significant investment with a fair value of 5% or more of the Group's total assets.

Save as disclosed in the section headed "FUTURE PROSPECTS" on pages 63 to 64 in this report, the Group did not have any specific plans for significant investment or capital assets acquisition during the Reporting Period.

MATERIAL ACQUISITIONS OR DISPOSALS

Save as disclosed in note 12 to the condensed consolidated financial statements, the Group did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

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

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

After the Reporting Period, the Company bought back 363,065,565 Shares on 3 August 2020 which were subsequently cancelled on 6 August 2020. Details of the share buyback are disclosed in note 23(i) to the condensed consolidated financial statements.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities after the Reporting Period and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES, REMUNERATION POLICY AND RETIREMENT BENEFITS SCHEME

As at 30 June 2020, the Group had a workforce, including the directors of the Group and its subsidiaries, of 546 employees (31 December 2019: 562 employees), of which 454, 84 and 8 were based in the PRC, Hong Kong and Singapore, respectively. Staff costs incurred and credited to profit or loss for the Reporting Period, including Directors' remuneration, were approximately HK\$92,507,000, representing an increase of 21.90% from the Previous Period, mainly due to business expansion, organisational restructuring, manpower deployment and increase in salaries.

The Group actively attracts outstanding talents to build a strong team and maintain the overall business growth of the Group. In order to retain and motivate employees, the Group has formulated an internal remuneration policy. The Group selects and promotes staff based on their qualification, experience and suitability for the position offered. Performance of staff is appraised annually to provide a basis for the review of the remuneration package. Meanwhile, competitive remuneration packages are offered to employees by reference to the prevailing market rate and individual merits.

In addition, the Group also provides employees with a series of welfare policies to enhance their sense of belonging and work enthusiasm, and jointly promote the sustainable development of the enterprise. In order to motivate employees to work hard, the Group will distribute bonuses and rewards to outstanding employees. The Group determines the working hours of employees in accordance with relevant laws and regulations, and provides transportation reimbursement and compensatory leave for employees who work overtime. In addition, the Group provides employees with social insurance, staff quarters, housing provident fund and mandatory provident fund and other benefits. In addition to statutory holidays and fixed paid annual leave, employees are also entitled to additional leave benefits such as sick leave, marriage leave, maternity leave, paternity leave and compassionate leave.

Employees are the essential driving force to the sustainable development of the Group. Adhering to the people-oriented talent management model, the Group continues to allocate resources in order to attract and retain talents. Employees are provided with competitive remuneration and benefit packages and equal opportunities, as well as a wide range of training and development opportunities. The Group optimises its human resources management system continuously with a view to providing employees with a friendly and healthy workplace and ensuring that employees may utilise their strengths and realise their potentials.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

As a group providing integrated financial services, the Group's emissions and resource consumption during business operations mainly come from office premises. Although there are no material impacts caused by its business activities on the environment and natural resources, the Group is committed to introducing green elements into our business operations and makes every effort to support the sustainable development and minimise the potential impacts of our operations on the environment.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group actively promotes a green office policy and adheres to low-carbon travel without hindering the efficient operations of the Group. Employees shall strictly comply with the Company's specifications of travel allowance claim under the daily expense standards and choose means of transportation based on the principles of efficiency and conservation. The Group encourages our employees to use video conferencing facilities whenever possible to avoid unnecessary business trips. The Group requires employees to take public transport and avoid using private cars to reduce both carbon emissions and vehicle exhausts.

The Group is concerned about global climate change, and commits to reducing carbon emissions in business operations by implementing various measures. The Group has installed more energy efficient LED lights to replace traditional light tubes in the office and encourages our employees to reduce the use of lights when natural light is abundant. Energy-saving labels are posted in easily-visible places in office to enhance employees' awareness of energy conservation. Besides, the Group uses sockets with independent switches and turns off electrical appliances, such as lights, computers and air conditioners in the office after normal office hours. The Group has installed solar film on windows to lower indoor temperature, and maintained a reasonable temperature level of the air-conditioners by controlling the central air-conditioning system to minimise energy consumption related to the air-conditioners. For office equipment procurement, models with better energy efficiency are prioritised in order to further reduce energy consumption in the office.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Reporting Period, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws or regulations by the Group that has a material adverse impact on the business and operations of the Group.

RELATIONSHIPS WITH STAKEHOLDERS

The Group believes that the people-oriented talent management model is crucial to the long-term development of the Group. The Group attaches great importance to team building and talent introduction, and has always adhered to the principles of openness, equality, competition and selection to hire excellent talents. The Group's employee management focuses on recruiting and developing talents. Staff performance is measured on a regular and structured basis to provide employees with appropriate feedback and to ensure their alignment with the Group's corporate strategy. The Group also understands that maintaining a good long-term relationship with business partners is one of its primary objectives. Accordingly, the management has used its best endeavours to maintain good communications, promptly exchange ideas and share business updates with them when appropriate. During the Reporting Period, there was no material or significant dispute between the Group and its business partners.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this report, the Group does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

SHARE OPTION SCHEME

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

Details of the share option movements during the six months ended 30 June 2020 under the Share Option Scheme are as follows:

Category/ Name of participants	Date of grant	Number of share options					Outstanding as at 30.06.2020	Vesting period	Validity period	Exercise price of share options per share (HK\$)
		Outstanding as at 01.01.2020	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period				
Employee Mr. Yau Wai Lung	05.12.2014	169,400,000	-	-	-	-	169,400,000	-	05.12.2014 to 04.12.2024	0.42
Total		169,400,000	-	-	-	-	169,400,000			

No share option has been granted under the Share Option Scheme during the six months ended 30 June 2020.

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

As at 30 June 2020, none of the Directors and chief executive of the Company was interested in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and the chief executive of the Company were taken or deemed to have under such provisions of the SFO); or (ii) entered in the register kept by the Company pursuant to section 352 of Part XV of the SFO; or (iii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in the Listing Rules.

OTHER INFORMATION

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

As at 30 June 2020, according to the register of interests required to be kept by the Company under Section 336 of the SFO, the following persons, other than the Directors and chief executive of the Company, had interests or short positions in the shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Long positions in shares

Substantial Shareholders	Capacity	Interests in underlying shares/ equity derivatives	Total number of shares interested	Percentage of the total number of issued shares as at 30 June 2020 (Note 4)
Shandong Hi-Speed Group Co., Ltd.* (山東高速集團有限公司) (Note 1)	Corporate interest	–	10,459,648,350	42.78%
JS High Speed Limited (Note 2)	Corporate interest	–	6,846,686,000	28.00%
Tai Fung Bank Limited (Note 3)	Security interest	–	6,846,686,000	28.00%

Notes:

1. Shandong Hi-Speed Group Co., Ltd.* (山東高速集團有限公司) was deemed to be interested in the 10,459,648,350 shares pursuant to the SFO, by virtue of its interests in (i) 5,000,000,000 shares held by Shandong International (Hong Kong) Limited; and (ii) 5,459,648,350 shares held by Shandong Hi-Speed (Hong Kong) International Capital Limited, each of which was an indirect wholly-owned subsidiary of Shandong Hi-Speed Group Co., Ltd.* (山東高速集團有限公司).
2. The entire issued share capital of JS High Speed Limited was owned by Harvest Alternative Investment Opportunities SPC for and on behalf of Harvest High Speed Fund SP.
3. Tai Fung Bank Limited as chargee had security interest in those 6,846,686,000 shares under a share charge with JS High Speed Limited as chargor.
4. The percentage of shareholding was calculated on the basis of the Company's issued share capital of 24,452,450,002 shares as at 30 June 2020.
5. The total issued number of shares of the Company was 24,089,384,437 shares after the cancellation of 363,065,565 shares on 6 August 2020. As at 6 August 2020, the shareholding ratios of Shandong Hi-Speed Group Co., Ltd.* (山東高速集團有限公司), JS High Speed Limited and Tai Fung Bank Limited were 43.42%, 28.42% and 28.42%, respectively.

* The English translation of terms or names in Chinese which are marked with "*" is for identification purpose only.

Save as disclosed above, the Company had not been notified of any other corporation or individual (other than a Director or the chief executive of the Company) which/who had 5% or more interests (whether directly or indirectly) or short positions in the shares or underlying shares as recorded in the register kept by the Company pursuant to Section 336 of the SFO as at 30 June 2020.

CORPORATE GOVERNANCE

Throughout the six months ended 30 June 2020, the Company has complied with the code provisions as set out in the Corporate Governance Code (the “Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”), other than those set out below:

Code Provision C.1.2 which requires the management to provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company’s performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties. During the six months ended 30 June 2020, all the executive Directors were involved in the daily operations of the Group and were fully aware of the performance, position and prospects of the Company, and the management has provided to all Directors (including non-executive Directors and independent non-executive Directors) half-yearly updates giving a balanced and understandable assessment of the Company’s performance, position and prospects in sufficient detail prior to the regular Board meetings. In addition, the management has provided all members of the Board, in a timely manner, updates on any material changes to the performance, position and prospects of the Company and sufficient background or explanatory information for matters brought before the Board. Therefore, the Company considers that all members of the Board have been given a balanced and understandable assessment of the Company’s performance, position and prospects in sufficient detail.

Pursuant to Code Provision A.2.1, the roles of the Chairman and the Chief Executive Officer (the “CEO”) should be separate and should not be performed by the same individual. During the Reporting Period, the Company had complied with Code Provision A.2.1 until Mr. Mei Weiyi’s resignation as the CEO on 14 January 2020. The Company has been seeking suitable candidate to fill the vacancy of the CEO. Nevertheless, due to the Chinese New Year holidays and the current development of the COVID-19 pandemic, the Company has yet identified a suitable candidate. The Company will make announcement in relation to the appointment of new CEO as and when appropriate.

DIRECTORS’ SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code for securities transactions by Directors. Following specific enquiry by the Company, the Directors have confirmed that they have complied with the required standard set out in the Model Code during the six months ended 30 June 2020.

OTHER INFORMATION

AUDIT COMMITTEE

The audit committee of the Company was established in accordance with the requirements of the Code for the purposes of, among others, reviewing and providing supervision over the Group's financial reporting processes and internal controls. The audit committee comprises three independent non-executive Directors and two non-executive Directors. The Group's unaudited interim condensed consolidated financial statements for the six months ended 30 June 2020 have been reviewed by the audit committee of the Company.

CHANGES IN INFORMATION OF DIRECTORS

The changes in information of Directors since the publication of 2019 Annual Report or circular regarding the re-election of directors of the Company are as follows:

Name of Director(s)	Details of change(s)
Guan Huanfei	<p>Resigned as independent non-executive director of HongDa Financial Holding Limited, whose shares were listed on the Main Board of the Stock Exchange with stock code 1822 with effect from 15 May 2020.</p> <p>Appointed as executive director and chairman of the board of Enterprise Development Holdings Limited, whose shares were listed on the Main Board of the Stock Exchange with stock code: 1808 with effect from 2 June 2020.</p>

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

By Order of the Board
China Shandong Hi-Speed Financial Group Limited
Wang Xiaodong
Chairman

Hong Kong, 26 August 2020

* *For identification purposes only*