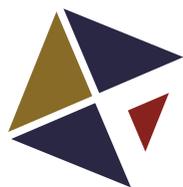




Interim Report  
2016



**中國置業投資控股有限公司\***

CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock Code: 736

\* For identification purposes only

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

*Executive Directors*

Xu Dong (*Chairman*)

Au Tat On

*Non-Executive Director*

Yu Wai Fong (Resigned on 5 December 2016)

Han Wei (Appointed on 5 December 2016)

*Independent Non-Executive Directors*

Lai Wai Yin, Wilson

Cao Jie Min

Tse Kwong Wah

### COMPANY SECRETARY

Yip Yuk Sing

### AUTHORISED REPRESENTATIVES

Yu Wai Fong (Resigned on 5 December 2016)

Au Tat On (Appointed on 5 December 2016)

Yip Yuk Sing

### AUDITOR

Crowe Horwath (HK) CPA Limited

### LEGAL ADVISER

Li, Wong, Lam & W.I. Cheung

### REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Room 4303, 43/F

China Resources Building,

26 Harbour Road, Wanchai

Hong Kong

### HONG KONG SHARE REGISTRAR

Tricor Secretaries Limited

Level 22, Hopewell Centre,

183 Queen's Road East,

Hong Kong

### WEBSITE

736.com.hk

### STOCK CODE

736

### PRINCIPAL BANKERS

ICBC (Asia)

Wing Lung Bank

## CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED

The board (the “board”) of directors (the “directors”) of China Properties Investment Holdings Limited (the “company”) hereby announces the unaudited condensed consolidated interim results of the company and its subsidiaries (together the “group”) for the six months ended 30 September 2016, together with the comparative figures of the corresponding period last year as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Notes	Six months ended 30 September 2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Revenue	6	23,441	13,486
Cost of sales		<u>(6,418)</u>	<u>(5,315)</u>
Gross profit		17,023	8,171
Valuation gains/(loss) on investment properties		687	(4,907)
Other revenue	7(a)	527	698
Other net income	7(b)	10,698	20,237
Administrative expenses		(39,010)	(23,913)
Exploration and development expenses of mine		–	(100)
Other operating expenses	8(d)	<u>–</u>	<u>(45,399)</u>
<b>Loss from operations</b>		<b>(10,075)</b>	<b>(45,213)</b>
Finance costs	8(a)	(3,704)	(5,016)
Share of (loss)/profit of an associate		(7)	346
Loss on disposal of an associate		<u>(16)</u>	<u>–</u>
<b>Loss before taxation</b>	8	<b>(13,802)</b>	<b>(49,883)</b>
Income tax	9(a)	<u>394</u>	<u>1,664</u>
<b>Loss for the period</b>		<b><u>(13,408)</u></b>	<b><u>(48,219)</u></b>
<b>Attributable to:</b>			
Owners of the company		(13,428)	(46,463)
Non-controlling interests		<u>20</u>	<u>(1,756)</u>
<b>Loss for the period</b>		<b><u>(13,408)</u></b>	<b><u>(48,219)</u></b>
		RMB	RMB
<b>Loss per share</b>	11		
– Basic		<u>(1 cent)</u>	<u>(1 cent)</u>
– Diluted		<u>(1 cent)</u>	<u>(1 cent)</u>

The notes on pages 8 to 53 form part of this condensed consolidated financial statements.

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

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Six months ended 30 September	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
<b>Loss for the period</b>	<b>(13,408)</b>	(48,219)
<b>Other comprehensive income/(loss) for the period</b>		
Available-for-sale investments		
– Changes in fair value	<b>21,758</b>	20,547
Exchange differences on translation of:		
– financial statements of group entities	<b>(1,991)</b>	(8,464)
<b>Total other comprehensive income/(loss) for the period</b>	<b>19,767</b>	12,083
<b>Total comprehensive income/(loss) for the period</b>	<b>6,359</b>	(36,136)
<b>Attributable to:</b>		
Owners of the company	<b>6,339</b>	(34,380)
Non-controlling interests	<b>20</b>	(1,756)
<b>Total comprehensive income/(loss) for the period</b>	<b>6,359</b>	(36,136)

The notes on pages 8 to 53 form part of this condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2016

	Notes	30/9/2016 (Unaudited) RMB'000	31/3/2016 (Audited) RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	12	8,918	7,063
Investment properties	13	190,883	190,196
Intangible assets	14	12,806	11,674
Goodwill		10,907	17,676
Deposit for acquisition of subsidiaries		–	1,297
Interest in an associate	15	–	7,564
Available-for-sale investments		335,577	313,819
Contingent consideration receivable	16	–	2,649
Loan receivables	18	34,400	–
		<u>593,491</u>	<u>551,938</u>
<b>Current assets</b>			
Property under development		15,620	15,011
Trade and other receivables	17	20,429	21,846
Loan receivables	18	266,596	99,768
Trading securities		126	106
Tax recoverable		206	149
Contingent consideration receivable	16	2,122	–
Consideration receivable		–	17,958
Fixed deposits		13,193	13,921
Cash and bank balances – trust accounts		2,067	–
Cash and cash equivalents	19	283,895	38,514
		<u>604,254</u>	<u>207,273</u>
Assets of disposed group classified as held for sale	24	22,400	–
		<u>626,654</u>	<u>207,273</u>
<b>Current liabilities</b>			
Trade and other payables		24,217	20,884
Interest-bearing bank borrowings		18,000	18,000
Tax payable		1	1
Warrants	20	–	61
		<u>42,218</u>	<u>38,946</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION***(continued)*

AS AT 30 SEPTEMBER 2016

	Notes	<b>30/9/2016</b> <b>(Unaudited)</b> <b>RMB'000</b>	31/3/2016 (Audited) RMB'000
Liabilities of disposed group classified as held for sale	24	<u>1,545</u>	<u>–</u>
		<u>43,763</u>	<u>38,946</u>
<b>Net current assets</b>		<u>582,891</u>	<u>168,327</u>
<b>Total assets less current liabilities</b>		<u>1,176,382</u>	<u>720,265</u>
<b>Non-current liabilities</b>			
Interest-bearing bank borrowings		–	9,000
Deferred tax liabilities	9(b)	<u>11,326</u>	10,991
Unconvertible bonds	21	<u>17,200</u>	16,628
		<u>28,526</u>	<u>36,619</u>
<b>NET ASSETS</b>		<u>1,147,856</u>	<u>683,646</u>
<b>Equity</b>			
<b>Equity attributable to owners of the company</b>			
Share capital	22	<u>41,049</u>	7,745
Reserves		<u>1,105,449</u>	674,563
		<u>1,146,498</u>	682,308
Non-controlling interests		<u>1,358</u>	1,338
<b>TOTAL EQUITY</b>		<u>1,147,856</u>	<u>683,646</u>

The notes on pages 8 to 53 form part of this condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Attributable to owners of the company										
	Share Capital	Share Premium	Special reserve	Contributed surplus	Employee share-based compensation reserve	Exchange fluctuation reserve	Investment revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2015	36,260	1,044,209	(56,225)	-	4,191	30,926	-	(674,048)	385,313	8,367	393,680
Placing and subscription of new shares	58,905	137,445	-	-	-	-	-	-	196,350	-	196,350
Exercise of share option	578	8,257	-	-	(4,191)	-	-	-	4,644	-	4,644
Exercise of bonus warrant	472	37,333	-	-	-	-	-	-	37,805	-	37,805
Share issues expenses	-	(1,964)	-	-	-	-	-	-	(1,964)	-	(1,964)
Total comprehensive loss for the period	-	-	-	-	-	(8,464)	20,547	(46,463)	(34,380)	(1,756)	(36,136)
At 30 September 2015 (Unaudited)	<u>96,215</u>	<u>1,225,280</u>	<u>(56,225)</u>	<u>-</u>	<u>-</u>	<u>22,462</u>	<u>20,547</u>	<u>(720,511)</u>	<u>587,768</u>	<u>6,611</u>	<u>594,379</u>
At 1 April 2016	7,745	1,330,464	(9,988)	108,429	-	33,892	36,724	(824,958)	682,308	1,338	683,646
Right issue	33,304	436,287	-	-	-	-	-	-	469,591	-	469,591
Share issues expenses	-	(11,740)	-	-	-	-	-	-	(11,740)	-	(11,740)
Total comprehensive loss for the period	-	-	-	-	-	(1,991)	21,758	(13,428)	6,339	20	6,359
At 30 September 2016	<u>41,049</u>	<u>1,755,011</u>	<u>(9,988)</u>	<u>108,429</u>	<u>-</u>	<u>31,901</u>	<u>58,482</u>	<u>(838,386)</u>	<u>1,146,498</u>	<u>1,358</u>	<u>1,147,856</u>

The notes on pages 8 to 53 form part of this condensed consolidated financial statements.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

	Notes	Six months ended 30 September	
		2016 RMB'000	2015 RMB'000
Net cash used in operating activities		<b>(215,565)</b>	(3,411)
Net cash generated from/(used in) investing activities		<b>11,483</b>	(285,165)
Net cash generated from financing activities		<b>448,232</b>	293,216
Net increase in cash and cash equivalents		<b>244,150</b>	4,640
Cash and cash equivalents at beginning of period		<b>38,514</b>	27,204
Effect of foreign exchange rate changes, net		<b>1,262</b>	1,010
Cash and cash equivalents at end of period		<b>283,926</b>	32,854
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER</b>			
Cash and bank balances	19	<b>283,895</b>	32,854
Cash and bank balances included in assets of disposal group classified as held for sale		<b>31</b>	–
		<b>283,926</b>	32,854

The notes on pages 8 to 53 form part of this condensed consolidated financial statements.

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2016

**1. CORPORATE INFORMATION**

The company was incorporated in Bermuda with limited liability under the Companies Act (1981) of Bermuda and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The company is an investment holding company. The principal activities of its subsidiaries are investment holding, property investment, investing in mining activities and provision of educational support services, money lending business and financial services.

**2. BASIS OF PREPARATION OF FINANCIAL INFORMATION**

The unaudited condensed consolidated financial statements for the six months ended 30 September 2016 have been prepared in accordance with the applicable disclosure provision of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The preparation of the unaudited condensed consolidated financial statements is in conformity with HKAS 34 requiring management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 31 March 2016, except for the adoption of the new Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards as disclosed in note 3 below. The unaudited condensed consolidated financial statements do not include all the information and disclosures required for an annual financial statements, and should be read in conjunction with the financial statements of the group for the year ended 31 March 2016.

Items included in the unaudited condensed consolidated financial statements of each entity in the group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These condensed consolidated financial statements are presented in Renminbi ("RMB"), rounded to the nearest thousand except where otherwise indicated.

**2. BASIS OF PREPARATION OF FINANCIAL INFORMATION** *(continued)*

The measurement basis used in the preparation of the financial statement is the historical cost basis except that the following assets are stated at their fair value:

- investment properties
- trading securities
- warrants
- available-for-sale investments
- contingent consideration receivables

The unaudited condensed consolidated interim financial information for the period ended 30 September 2016 comprise the company and its subsidiaries.

**3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRS”)**

In the current interim period, the group has applied, for the first time, the following new and revised HKFRSs issued by the HKICPA:

Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle
Amendments to HKAS 1	Presentation of financial statements: Disclosure initiative

There have been no significant changes to the accounting policy applied in these financial statements for the periods as a result of the developments.

The group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

**4. SEGMENT REPORTING**

Operating segments are identified on the basis of internal reports which provides information about components of the group. These information are reported to and reviewed by the board of directors, chief operating decision maker (“CODM”) for the purposes of resource allocation and performance assessment.

The CODM considers the business from both geographic and each service type perspectives. Geographically, management considers the performance of the segments in Hong Kong and mainland China. The group has presented the following five reportable segments. These segments are managed separately. The properties investment segment, the investing in mining activities segment and the educational support services segment, money lending business segment and financial service segment offer very different products and services.

**4. SEGMENT REPORTING** *(continued)*

**i) Properties investment**

The properties investment reportable operating segment derives its revenue primarily from leasing of investment properties.

**ii) Investing in mining activities**

The investing in mining activities reportable segment derives its revenue from the cooperation of the exploitation of copper and molybdenum mines with a third party.

**iii) Educational support services**

The educational support services reportable segment derives its revenue from the provision of students referral services to overseas schools, overseas education counseling and schools enrolling services of students, trading of educational software and hardware and provision of education, skill training and education consultation.

**iv) Money lending business**

The money lending business reportable segment derives its revenue primarily from lending out loans and receive interest

**v) Financial services**

The financial services reportable segment derives its revenue from providing securities trading and asset management.

**a) Segment results, assets and liabilities**

For the purposes of assessing segment performance and allocating resources between segments, the group's CODM monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

The accounting policies of the reportable segments are the same as the group's accounting policies. Segment profit/(loss) represents the profit earned by/(loss) from each segment without allocation of central administration costs such as directors' salaries, investment income and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The revenue from external parties reported to the CODM is measured in a manner consistent with that in the statement of profit or loss.

All assets are allocated to reportable segments other than trading securities and corporate assets. All liabilities are allocated to reportable segments other than current tax liabilities and corporate liabilities.

4. SEGMENT REPORTING (continued)

a) Segment results, assets and liabilities (continued)

Information regarding the group's reportable segments as provided to the group's CODM for the purposes of resources allocation and assessment of segment performance for the period ended 30 September 2016 and 2015 is set out below.

	Six months ended 30 September 2016 (Unaudited)						Six months ended 30 September 2015 (Unaudited)			
	Properties investment	Investing in mining activities	Educational support services	Money lending business	Financial services	Total	Properties investment	Investing in mining activities	Educational support services	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	<u>4,492</u>	<u>-</u>	<u>8,040</u>	<u>10,763</u>	<u>146</u>	<u>23,441</u>	<u>4,458</u>	<u>-</u>	<u>9,028</u>	<u>13,486</u>
Reportable segment revenue	<u>4,492</u>	<u>-</u>	<u>8,040</u>	<u>10,763</u>	<u>146</u>	<u>23,441</u>	<u>4,458</u>	<u>-</u>	<u>9,028</u>	<u>13,486</u>
Reportable segment profit/(loss) before taxation	171	-	(282)	10,150	(2,655)	7,384	(4,913)	(19,229)	(966)	(25,108)
Interest income on bank deposits	6	-	-	-	2	8	1	-	-	1
Depreciation	(203)	-	(124)	-	(44)	(371)	(352)	(295)	(87)	(734)
Income tax credit/ (expense)	(172)	-	566	-	-	394	1,227	-	437	1,664
Finance costs	(620)	-	-	-	-	(620)	(1,250)	(11)	-	(1,261)
Exploration and development expenses of mine	-	-	-	-	-	-	-	(100)	-	(100)
Loss on disposal on Property, Plant and Equipment	(8)	-	-	-	(21)	(29)	-	-	-	-
Valuation gain/(loss) on investment properties	687	-	-	-	-	687	(4,907)	-	-	(4,907)
Amortisation of intangible assets	-	-	(3,428)	-	-	(3,428)	-	(2,650)	-	(2,650)
Impairment loss of intangible assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(18,000)</u>	<u>-</u>	<u>(18,000)</u>

## CHINA PROPERTIES INVESTMENT HOLDINGS LIMITED

### 4. SEGMENT REPORTING (continued)

#### a) Segment results, assets and liabilities (continued)

	As at 30 September 2016 (Unaudited)					As at 31 March 2016 (Audited)			
	Properties investment	Money lending business	Educational support services	Financial services	Total	Properties investment	Money lending business	Educational support services	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Reportable segment assets	<u>206,353</u>	<u>302,654</u>	<u>22,360</u>	<u>198,297</u>	<u>729,664</u>	<u>200,959</u>	<u>103,198</u>	<u>36,952</u>	<u>341,109</u>
Additions to non-current assets during the period/year	<u>2,561</u>	<u>-</u>	<u>-</u>	<u>15,974</u>	<u>18,535</u>	<u>12</u>	<u>-</u>	<u>371</u>	<u>383</u>
Reportable segment liabilities	<u>21,116</u>	<u>-</u>	<u>107</u>	<u>3,534</u>	<u>24,757</u>	<u>31,818</u>	<u>-</u>	<u>1,884</u>	<u>33,702</u>
Current taxation	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities	<u>9,278</u>	<u>-</u>	<u>467</u>	<u>1,564</u>	<u>11,309</u>	<u>9,106</u>	<u>-</u>	<u>1,949</u>	<u>11,055</u>
Total liabilities	<u>30,394</u>	<u>1</u>	<u>574</u>	<u>5,098</u>	<u>36,067</u>	<u>40,924</u>	<u>-</u>	<u>3,833</u>	<u>44,757</u>

## 4. SEGMENT REPORTING (continued)

## b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities, and other items

	Six months ended 30 September	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
<b>(i) Revenue</b>		
Total reportable segment revenue	23,441	13,486
Elimination of inter-segment revenue	-	-
Consolidated turnover	<u>23,441</u>	<u>13,486</u>
<b>(ii) Loss before taxation</b>		
Total reportable segment profit/(loss)	7,384	(25,108)
Share of (loss)/profit of an associate	(7)	346
Unallocated corporate income	10,731	20,237
Depreciation	(862)	(743)
Interest income	55	648
Finance costs	(3,084)	(3,755)
Unallocated corporate expenses	(28,019)	(41,508)
Consolidated loss before taxation	<u>(13,802)</u>	<u>(49,883)</u>
	As at 30 September 2016 (Unaudited) RMB'000	As at 31 March 2016 (Audited) RMB'000
<b>(iii) Assets</b>		
Total reportable segment assets	729,664	341,109
Unallocated corporate assets	490,481	418,102
Consolidated total assets	<u>1,220,145</u>	<u>759,211</u>
<b>(iv) Liabilities</b>		
Total reportable segment liabilities	(24,757)	(33,702)
Current taxation	(1)	(1)
Unallocated corporate liabilities	(47,531)	(41,862)
Consolidated total liabilities	<u>(72,289)</u>	<u>(75,565)</u>

4. SEGMENT REPORTING (continued)

b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities, and other items (continued)

(v) Other items

	Six months ended 30 September 2016 (Unaudited)						Total RMB'000
	Properties investment	Investing in mining activities	Educational support services	Money lending business	Financial Services	Unallocated	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Interest income							
– promissory notes	-	-	-	-	-	-	-
– bank deposits	6	-	-	-	2	55	63
Depreciation	(203)	-	(124)	-	(44)	(864)	(1,235)
Finance costs	(620)	-	-	-	-	(3,084)	(3,704)
Income tax expenses	(171)	-	565	-	-	-	394

	Six months ended 30 September 2015 (Unaudited)					Total RMB'000
	Properties investment	Investing in mining activities	Educational support services	Unallocated		
	RMB'000	RMB'000	RMB'000	RMB'000		
Interest income						
– promissory notes	-	-	-	602		602
– bank deposits	1	-	-	46		47
Depreciation	(352)	(295)	(87)	(743)		(1,477)
Finance costs	(1,250)	(11)	-	(3,755)		(5,016)
Income tax credit	1,227	-	437	-		1,664

c) Revenue from major services

The following is an analysis of the group's revenue from its major services:

	Six months ended 30 September	
	2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Properties investment	4,492	4,458
Educational support services	8,040	9,028
Money lending business	10,763	-
Financial services	146	-
	<b>23,441</b>	<b>13,486</b>

## 4. SEGMENT REPORTING (continued)

## d) Geographic information

The following is an analysis of geographical location of (i) the group's revenue from external customers and (ii) the group's non-current assets. The geographical location of customers refers to the location at which the services were provided or the goods delivered. The group's non-current assets include property, plant and equipment, investment properties, intangible assets, goodwill, and interest in an associate. The geographic location of property, plant and equipment and investment properties are based on the physical location of the asset. In the case of intangible assets and goodwill, it is based on the location of operation to which these intangible are allocated. In the case of interest in an associate, it is the location of operations of such associates.

	Revenue from external customers		Non-current assets	
	Six months ended	Six months ended	As at	As at
	30 September 2016	30 September 2015	30 September 2016	31 March 2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
	RMB'000	RMB'000	RMB'000	RMB'000
Hong Kong (place of domicile)	18,949	9,028	26,408	43,302
PRC	4,492	4,458	193,877	190,853
Others	—	—	3,229	1,315
	<u>23,441</u>	<u>13,486</u>	<u>223,514</u>	<u>235,470</u>

## 5. SEASONALITY OF OPERATIONS

The group's business in properties leasing, investing in mining activities, educational support services, money lending business and financial services had no specific seasonality factor.

6. REVENUE

The principal activities of the group are properties investment, provision of educational support services, money lending and financial services.

Revenue represents rental income from investment properties, commission income from educational support services, sales of educational products, educational services income, loan interest income, brokerage income and management fee income from financial services. The amount of each significant category of revenue recognised in revenue during the period is as follows:

	<b>Six months ended 30 September</b>	
	<b>2016 (Unaudited) RMB'000</b>	2015 (Unaudited) RMB'000
Rental income from investment properties	4,492	4,458
Commission income from educational support services	796	–
Sales of educational products	6,306	9,028
Loan interest income	10,763	–
Educational service income	938	–
Brokerage income and management fee income from financial services	146	–
	<u>23,441</u>	<u>13,486</u>

7. OTHER REVENUE AND OTHER NET INCOME

	<b>Six months ended 30 September</b>	
	<b>2016 (Unaudited) RMB'000</b>	2015 (Unaudited) RMB'000
<b>a) Other revenue</b>		
Interest income on promissory notes	–	602
Interest income on bank deposits	63	47
	<u>63</u>	<u>649</u>
Total interest income on financial assets not at fair value through profit or loss	63	649
Handing fee received	64	–
Written off of other payable	170	–
Sundry income	230	49
	<u>527</u>	<u>698</u>
<b>b) Other net income</b>		
Exchange gain	10,606	20,237
Fair value loss of trading securities	(25)	–
Fair value gain on warrants	61	–
Loss on disposal of plant and equipment	56	–
	<u>10,698</u>	<u>20,237</u>

**8. LOSS BEFORE TAXATION**

Loss before taxation is arrived at after charging/(crediting) the followings:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	2015
	<b>(Unaudited)</b>	(Unaudited)
	<b>RMB'000</b>	RMB'000
<b>a) Finance costs</b>		
Interest expenses on bank borrowings not wholly repayable within five years	620	1,250
Interest expense on other borrowings	–	11
Interest on promissory notes	2,658	3,356
Interest on unconvertible bonds	426	399
	<u>3,704</u>	<u>5,016</u>
<b>b) Staff costs (including directors' remuneration)</b>		
Salaries, wages and other benefits	18,312	8,364
Contribution to defined contribution retirement plans	438	374
	<u>18,750</u>	<u>8,738</u>
<b>c) Other items</b>		
Auditor's remuneration – other services	341	893
Operating lease charges: minimum lease payments	3,977	2,744
Depreciation	1,235	1,477
Gross rental income from investment properties less direct outgoings of RMB580,000 (2015: RMB580,000)	(3,912)	(3,878)
Exploration and development expenses of mine	–	100
	<u>–</u>	<u>–</u>
<b>d) Other operating expenses</b>		
Amortisation of intangible assets	–	2,650
Fair value loss of trading securities	–	33
Fair value change for contingent consideration receivable	–	1,774
Fair value loss on warrants	–	22,312
Impairment loss of intangible assets	–	18,000
Impairment loss on interest in associate	–	630
	<u>–</u>	<u>45,399</u>

9. INCOME TAX

a) Income tax in the condensed consolidated income statement represents:

	Six months ended	
	30 September	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current tax		
Hong Kong profits tax	-	-
Overseas tax calculated at rates prevailing in relevant jurisdiction	-	-
	-	-
Deferred tax		
Origination and reversal of temporary differences	<b>(394)</b>	(1,664)
Income tax credit	<b>(394)</b>	(1,664)

Note:

- i) For the period ended 30 September 2016 and 2015, no Hong Kong Profits Tax has been provided in the financial statements as the group has no assessable profit for the period.
- ii) The PRC enterprise income tax ("EIT") for the period ended 30 September 2016 is 25% (2015: 25%). The EIT has not been provided for as the group has incurred losses in PRC for the period.

**9. INCOME TAX** (continued)

- b) Movements of deferred tax liabilities in the condensed consolidated statement of financial position are as follows:

	Revaluation of investment properties RMB'000	Intangible assets RMB'000	Depreciation allowances in excess of related depreciation RMB'000	Total RMB'000
Deferred tax liabilities arising from:				
At 1 April 2015	13,206	2,887	60	16,153
Deferred tax charged/ (credited) to the profit or loss	(4,100)	(1,081)	15	(5,166)
Exchange alignment	–	–	4	4
	<u>9,106</u>	<u>1,806</u>	<u>79</u>	<u>10,991</u>
At 31 March 2016	<u>9,106</u>	<u>1,806</u>	<u>79</u>	<u>10,991</u>
At 1 April 2016	<b>9,106</b>	<b>1,806</b>	<b>79</b>	<b>10,991</b>
Acquisition of subsidiaries	–	<b>1,564</b>	–	<b>1,564</b>
Reclassification as held for sale	–	<b>(726)</b>	<b>(81)</b>	<b>(807)</b>
Deferred tax charged/ (credited) to the profit or loss	<b>172</b>	<b>(566)</b>	–	<b>(394)</b>
Exchange realignment	–	<b>(15)</b>	<b>2</b>	<b>(13)</b>
	<u>–</u>	<u>(594)</u>	<u>2</u>	<u>(397)</u>
At 30 September 2016	<u><b>9,278</b></u>	<u><b>2,063</b></u>	<u><b>–</b></u>	<u><b>11,341</b></u>

**10. DIVIDENDS**

The directors of the company do not recommend the payment of any interim dividend for the six months ended 30 September 2016 (2015: Nil).

11. LOSS PER SHARE

a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to owners of the company of RMB13,428,000 (2015: RMB46,463,000) and on the weighted average number of 2,230,532,000 ordinary shares in issue during the period (2015: 3,344,584,000 ordinary shares).

Weighted average number of ordinary shares:

	<b>2016</b>	2015
	<b>Weighted average number of ordinary shares '000</b>	Weighted average number of ordinary shares '000 (Restated)
Issued ordinary shares at 1 April	<b>998,883</b>	1,546,451
Effect on right issue	<b>1,231,649</b>	–
Effect on issuance of new shares in placement	–	1,769,799
Effect of issue of new shares upon exercise of share options	–	15,861
Effect of issue of new shares upon exercise of bonus warrants	–	12,473
	<u><b>2,230,532</b></u>	<u>3,344,584</u>
Weighted average number of ordinary shares at the end of the period		

\* *The number of ordinary shares for the period ended 30 September 2016 has been adjusted to take into account the retrospective adjustment to the number of shares outstanding before the rights issue which was completed on 4 August 2016 to reflect the bonus element inherent in the rights issue.*

*The number of ordinary shares for the period ended 30 September 2015 has been adjusted to take into account the retrospective adjustment to the number of shares outstanding before the rights issue which was completed on 4 August 2016 to reflect the bonus element inherent in the rights issue.*

b) Diluted loss per share

Diluted loss per share equals to basic loss per share because the outstanding warrants had an anti-dilutive effect on the basis loss per share for the periods ended 30 September 2016 and 2015.

**12. PROPERTY, PLANT AND EQUIPMENT**

During the six months ended 30 September 2016, the group acquired property, plant and equipment at a cost of approximately RMB3,727,000 (31 March 2016: approximately RMB6,814,000).

**13. INVESTMENT PROPERTIES**

RMB'000

**Valuation:**

At 1 April 2015	206,597
Loss on revaluation	<u>(16,401)</u>
At 31 March 2016	<u>190,196</u>
At 1 April 2016	<b>190,196</b>
Gain on revaluation	<u>687</u>
At 30 September 2016	<b><u>190,883</u></b>

All of the group's investment properties are held in the PRC under medium-term leases.

All of the group's investment properties were revalued on 30 September 2016 and 31 March 2016 by Castores Magi (Hong Kong) Limited, an independent professional valuer, who has a recognised and relevant professional qualification and recent experience in the location and category of properties which had been revalued based on the combination of investment approach and market approach. The investment properties are leased to third parties under operating leases.

As at 30 September 2016, the group's investment properties with a value of approximately RMB130,188,000 (31 March 2016: approximately RMB127,957,000) were pledged to secure the general banking facilities granted to the group.

**Fair value measurement of properties****(i) Fair value hierarchy**

The following table presents the fair value of the group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

13. INVESTMENT PROPERTIES (continued)

Fair value measurement of properties (continued)

(i) Fair value hierarchy (continued)

- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Fair value as at 30 September 2016 (Unaudited) RMB	Fair value measurements as at 30 September 2016 categorized into		
	Level 1 RMB	Level 2 RMB	Level 3 RMB

Group

Recurring fair value  
measurement

Investment properties

– Commercial – PRC

190,883

–

–

190,883

Fair value

as at

31 March

2016

(Audited)

RMB

Fair value measurements

as at 31 March 2016

categorized into

Level 1

RMB

Level 2

RMB

Level 3

RMB

Group

Recurring fair value  
measurement

Investment properties

– Commercial – PRC

190,196

–

–

190,196

During the period ended 30 September 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

## 13. INVESTMENT PROPERTIES (continued)

## Fair value measurement of properties (continued)

## (ii) Information about Level 3 fair value measurements

	Valuation techniques	Unobservable inputs	Range
Investment properties I Commercial – the PRC	Income capitalisation approach	Estimated rental value (per square metre and per month)	RMB136 – RMB284 (31 March 2016: RMB135 – RMB280)
		Rental growth rate	1% (31 March 2016: 1%)
		Market yield	6% (31 March 2016: 6%)
Investment properties II Commercial – the PRC	Income capitalisation approach	Estimated rental value (per square metre and per month)	RMB143 – RMB171 (31 March 2016: RMB126 – RMB190)
		Rental growth rate	1% (31 March 2016: 1%)
		Market yield	6% (31 March 2016: 6%)

A significant increase/(decrease) in the gross unit rate per square metre, estimated rental value (per square metre and per month) and rental growth rate in isolation would result in a significant increase/(decrease) in the fair value of the investment properties. A significant increase/(decrease) in the market yield in isolation would result in a significant decrease/(increase) in the fair value of the investment properties.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	RMB'000
Investment properties – Commercial – PRC	
At 1 April 2015	206,597
Valuation loss on investment properties	(16,401)
At 31 March 2016 and 1 April 2016	190,196
Valuation gain on investment properties	687
At 30 September 2016	190,883

All the gains recognised in profit or loss for the period arise from the properties held at the end of the reporting period.

**14. INTANGIBLE ASSETS**

During the report period, the Group incurred RMB3,400,000 (31 March 2016: RMB6,600,000) capital expenditure on intangible asset and transferred RMB5,487,000 (31 March 2016: Nil) intangible assets to assets held for sale.

**15. INTEREST IN AN ASSOCIATE**

	<b>At 30 September 2016 (Unaudited) RMB'000</b>	<b>At 31 March 2016 (Audited) RMB'000</b>
Unlisted shares	-	7,564

The following list contains only the particulars of material associate, which is unlisted corporate entity whose quoted market price is not available. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of issued and paid up capital	Proportion of ownership interest			Principal activity
			Group's effective interest	Held by the Company	Held by subsidiaries	
Edknowledge Group Limited	Hong Kong	3,382 ordinary shares	- (31 March 2016: 32.39%)	- (31 March 2016: 32.39%)	-	Educational services (Note 2)

Note 1: During the year ended 31 March 2016, the directors of the company are in the opinion that no impairment is necessary.

Note 2: The investment in Edknowledge Group Limited, an educational services corporation in Hong Kong, enables the group to have a prime opportunity to enter the educational services business in Hong Kong and diversify the revenue stream of the group.

Note 3: On 27 May 2016, the company entered into a sales and purchase agreement with an independent third party in relation to disposal of 32.39% of entire issued paid-up capital of Edknowledge Group Limited, at a consideration of HK\$9,500,000 (equivalent to RMB8,050,000). The disposal of associate was completed on 3 June 2016. This transaction has resulted in the Group recognising a loss of HK\$27,000 (approximately RMB23,000) in condensed consolidated statement of profit or loss.

The above associate is accounted for using the equity method in the condensed consolidated financial statements.

**15. INTEREST IN AN ASSOCIATE** (continued)

Summarised financial information of the associate, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	<b>Edknowledge Group Limited</b>	
	<b>At</b>	At
	<b>30 September</b>	31 March
	<b>2016</b>	2016
	<b>(Unaudited)</b>	(Audited)
	<b>RMB'000</b>	RMB'000
Gross amounts of the associate's		
Current assets	–	1,403
Current liabilities	–	(11)
Equity	–	1,392
Revenue	–	2,679
Loss from operations	<b>(20)</b>	(423)
Other comprehensive income	–	184
Total comprehensive income	<b>(20)</b>	(239)
Dividend received from the associate	–	–
Reconciled to the group's interests in the associate:		
Net assets of the associate	–	1,392
Proportion of the group's interest in the associate	<b>0%</b>	32.39%
Share of net asset	–	450
Goodwill	–	6,235
Brand name	–	2,296
Impairment loss	–	(1,417)
	<u>–</u>	<u>(1,417)</u>
Carrying amount of the group's interest in the associate	<u>–</u>	<u>7,564</u>

16. CONTINGENT CONSIDERATION RECEIVABLE

	At 30 September 2016 (Unaudited) RMB'000	At 31 March 2016 (Audited) RMB'000
At 1 April	(2,649)	916
Fair value loss on contingent consideration	–	3,067
Early redemption of promissory note	–	(8,224)
Interest charged at effective interest rate	2,658	5,862
Interest payables	(2,070)	(4,416)
Exchange alignment	(61)	146
	<u>(2,122)</u>	<u>(2,649)</u>
At 30 September/31 March	<u>(2,122)</u>	<u>(2,649)</u>

Financial assets and liabilities subject to offsetting, enforceable netting agreements:

	At 30 September 2016 (Unaudited)		
	Gross amounts of recognised financial assets/ liabilities	Gross amounts of recognised financial assets/ liabilities RMB'000	Net amount of contingent consideration receivable presented in the consolidated statement of financial position RMB'000
Financial assets/liabilities subject to offsetting			
Promissory note		51,024	–
Contingent consideration receivable		(53,146)	(2,122)
		<u>51,024</u>	<u>(2,122)</u>
Contingent consideration receivable		(2,122)	(2,122)
		<u>–</u>	<u>(2,122)</u>

## 16. CONTINGENT CONSIDERATION RECEIVABLE (continued)

At 31 March 2016 (Audited)			
		Gross amounts of recognised financial assets/ liabilities	Net amount of contingent consideration receivable
	Gross amounts of recognised financial assets/ liabilities RMB'000	set off in the consolidated statement of financial position RMB'000	presented in the consolidated statement of financial position RMB'000
Financial assets/liabilities subject to offsetting			
Promissory note	48,731	(48,731)	–
Contingent consideration receivable	(51,380)	48,731	(2,649)
Contingent consideration receivable	<u>(2,649)</u>	<u>–</u>	<u>(2,649)</u>

Contingent consideration receivable of RMB2,122,000 (31 March 2016: RMB2,649,000) represented the setting off of promissory note ("PN II") of RMB51,024,000 (31 March 2016: RMB48,731,000) and contingent consideration receivable of RMB53,146,000 (31 March 2016: RMB51,380,000) arising from the business combination of Liqun Investments Limited and its subsidiaries, Kotech Educational Limited from a third party, the vendor, pursuant to sale and purchase agreement ("Agreement").

The PN II and the contingent consideration receivable are subject to legally enforceable right to set off.

**(a) Promissory note**

The fair value of the PN II at the date of issuance on 21 November 2014 was HK\$66,727,000 (equivalent to approximately RMB52,801,000), which was determined by independent valuer, Roma Appraisals Limited ("Roma"). Roma has experience in valuation of the promissory notes. The effective interest rates used in the calculation of the fair value was 10.7%.

**16. CONTINGENT CONSIDERATION RECEIVABLE** *(continued)*

**(a) Promissory note** *(continued)*

As at 30 September 2016, accrued interest of RMB7,678,000 (31 March 2016: RMB5,422,000) was included in other payables and accruals. The PN II bears interest of 8% per annum on the outstanding aggregate principal amount. The interest is payable in arrears on the day falling on the first and second anniversary of the issue date and any unpaid interest shall be paid on the maturity date on 21 May 2017.

The company could early redeem on 30 September 2015, 31 March 2016, 30 September 2016 and 31 March 2017 and the amount to be redeemed are calculated based on Kotech Educational's net profit on the respective dates. The holder of PN II may not redeem prior to the maturity date.

During the year ended 31 March 2016, Kotech has achieved the Guaranteed Profit (as defined below) for the period ended 30 September 2015. The company has served notice to the holder of PN II for the early and partial redemption of PN II in an aggregate principal amount of HK\$10,000,000 (equivalent to approximately RMB8,224,000) together with the accrued interest thereon.

**(b) Contingent consideration receivable**

Pursuant to the Agreement and consent letter, each of the vendor and the guarantors, who are the shareholders of the vendor, guarantees to the company that Kotech Educational Limited shall attain certain performance targets (the "Guaranteed Profit") for the six months or year ending 30 September 2015, 31 March 2016, 30 September 2016 and 31 March 2017 respectively.

If the Guaranteed Profit could not be met, the vendor shall pay to the company by setting off with the outstanding PN II. If the amount exceeds the PN II outstanding, the vendor shall pay the remaining portion in cash to the company.

On the date of acquisition, the fair value of the contingent consideration receivable was estimated to be approximately RMB51,881,000, representing profit guarantee made by the vendor in accordance with the terms of sale and purchase agreement. The fair value was arrived at based on discounted cash flow of Kotech Educational's forecast financial budgets used to capture the present value of the expected future economic benefits that will flow into the group by applying probability-weighted average of achieving the required benchmark, using discount rate ranged from 10.4% to 10.9%. The valuation was performed by Roma Appraisals Limited, an independent qualified professional valuer not connected to the group. The chief financial officer discussed with Roma on the valuation assumptions and valuation results.

The potential undiscounted amount of the contingent consideration receivable that the vendor could be required to pay to the group is between zero (if the Guaranteed Profit is attained) to HK\$100,000,000 (equivalent to approximately RMB79,130,000) (if Kotech Educational makes an audited net loss after tax for the aggregate of the two financial years ending 31 March 2017).

**17. TRADE AND OTHER RECEIVABLES**

An aged analysis of the rental receivables and commission receivables as at the end of the reporting period, based on invoice date and net of allowance for doubtful debts, is as follows:

	<b>At 30 September 2016 (Unaudited) RMB'000</b>	At 31 March 2016 (Audited) RMB'000
Within 1 month	<b>1,319</b>	2,042
1 to 3 months	<b>1,612</b>	3,380
3 to 6 months	<b>1,075</b>	1,925
Over 6 months	<b>6,357</b>	4,607
Trade receivables	<b>10,363</b>	11,954
Within 1 month	<b>1,662</b>	1,407
Interest receivables from money lending business	<b>1,662</b>	1,407
Other loan and interest receivables ( <i>note 2</i> )	<b>38,818</b>	37,528
Less: impairment	<b>(38,818)</b>	(37,528)
Other loan and interest receivables (net)	–	–
Other receivables	<b>2,265</b>	978
Loans and receivables	<b>14,290</b>	14,339
Prepayments and deposits	<b>6,139</b>	7,507
	<b>20,429</b>	21,846

Note:

- 1) Trade receivables are due within 0-30 days from the date of billing. Interest receivables are due immediately from the date of billing.

**17. TRADE AND OTHER RECEIVABLES** *(continued)*

- 2) On 27 July 2011, the company entered into a participation deed with the Simsen Capital Finance Limited ("Simsen") and the sub-participation agreement with Power Alliance International Limited respectively in relation to the participation of the advancement of the first participation amount of HK\$42,000,000 and second participation amount of HK\$8,000,000 (together the "Participation Loans"). The interest rate for Participation Loans was 18% per annum. The Participation Loans are in association with a loan agreement (the "Loan Agreement") between Simsen and Make Success Limited ("Borrower"). The Borrower has assigned a promissory note of HK\$300,000,000 (the "PN") and a convertible note of HK\$90,000,000 (the "CN") as security to Simsen under the Loan Agreement. The PN and CN were issued by Mayer Holdings Limited ("Mayer") to the Borrower.

The repayment date of the loan is the date falling three months from the date of drawdown which may be extended for further three months if so agreed by the parties thereto. The Loan had been drawn down by the borrower on 7 June 2011, and the repayment date of the Loan was 6 September 2011. On 7 September 2011, both parties agreed to extend the Loan for further three months to 5 December 2011. The Borrower had defaulted the first and second payments during the year ended 31 March 2012.

Following a litigation between Mayer and the Borrower, Simsen disposed of the PN on 10 February 2012 for an amount of HK\$10,000,000 with the consent of the company. During the year ended 31 March 2015, the company received HK\$4,862,000 (equivalent to RMB3,853,000) from the disposal of the PN after the payment of other loan participant of Simsen, all cost and expenses in connection with the disposal.

## 18. LOAN RECEIVABLES

	At 30 September 2016 (Unaudited) RMB'000	At 31 March 2016 (Audited) RMB'000
Loan receivables arising from:		
– Money lending business	<u>300,996</u>	<u>99,768</u>
Amounts due within one year included under current assets	<b>266,596</b>	99,768
Amounts due after one year included under non-current assets	<u>34,400</u>	–
	<u><b>300,996</b></u>	<u>99,768</u>

## Notes:

During the period ended 30 September 2016, the group lent total amount of HK\$350,000,000 (equivalent to RMB300,996,000) to independent third parties. These loan receivables had 6 to 12 month loan periods and bore interest at 18% per annum, and the corresponding interest were expected to be repaid on monthly or 3 months period basis. These loan receivables were secured by Hong Kong listed securities. The loan receivables with a carrying amount of RMB300,996,000 are secured by listed securities and the fair value of such pledged securities was approximately RMB1,011,745,000 at 30 September 2016. The fair value of pledged marketable securities is higher than the corresponding outstanding loans.

As at the end of the reporting period, the maturity profile of loan receivables, based on maturity date, is as follows:

	At 30 September 2016 RMB'000	At 31 March 2016 RMB'000
Within 1 month or on demand	–	–
Within 1-3 months	<b>60,198</b>	22,448
Within 3-6 months	<b>34,400</b>	33,256
Within 6-12 months	<b>171,998</b>	44,064
After 12 months	<u>34,400</u>	–
	<u><b>300,996</b></u>	<u>99,768</u>

The loan receivables were neither past due nor impaired at the end of the reporting period. The directors of the company are of the opinion that no provision for impairment is necessary in respect of these loan receivables as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

## 19. CASH AND CASH EQUIVALENTS

	At 30 September 2016 (Unaudited) RMB'000	At 31 March 2016 (Audited) RMB'000
Cash at bank and on hand	299,155	52,435
Less: Fixed deposit with original maturity of more than 3 months	(13,193)	(13,921)
Less: Cash and bank balances – trust accounts	<u>(2,067)</u>	<u>–</u>
Cash and cash equivalents in the condensed consolidated statement of financial position and condensed consolidated statement of cash flows	<u>283,895</u>	<u>38,514</u>

## 20. WARRANTS

On 19 June 2014, the company issued convertible bonds in an aggregate principal amount of HK\$135,000,000 with an interest rate at 1% per annum due in two years from the date of issue. As at 30 September 2014, accrued interest of RMB128,000 was included in other payables and accruals. The company is entitled to redeem the convertible bonds in whole or in part at 103% of the face value of the convertible bonds prior to the maturity date and at 100% of the face value of the convertible bonds on the maturity date. The holders of the convertible bonds (the "Bondholders") has option to convert the convertible bonds into fully paid 900,000,000 conversion shares of the company at the conversion price of HK\$0.15 per share at any time prior to the maturity date. The conversion shares rank pari passu with all the existing shares of the company. In addition, 225,000,000 bonus warrants in an aggregate principal amount of HK\$67,500,000 will be issued to the registered holders of the convertible bonds on the basis of one bonus warrant for every four conversion shares upon the exercise of the conversion rights attaching to the convertible bonds. The subscription price per warrant share is HK\$0.3 at any time within 24 months commencing from the date of exercise of the conversion right attaching to the convertible bonds.

Convertible bonds of the company consisted of the debt instrument and embedded derivatives. Upon initial recognition, the convertible bonds are designated as financial liabilities at fair value through profit or loss. The fair value of the convertible bonds is measured at each conversion date and at the end of each reporting period. Any gains or losses arising from changes in fair value are recognised in the profit or loss.

**20. WARRANTS** (continued)**Movements of the convertible bonds and warrants**

For the year ended 31 March 2015, the convertible bonds in the principal amount of HK\$135,000,000 was converted into approximately 900,000,000 shares of the company. For the year ended 31 March 2015 approximately 225,000,000 warrants was issued to Bondholders, among which, approximately 20,000,000 warrants were exercised in June 2015. As at 11 January 2016, the company announced resolution of capital reorganization has been passed and became effective on 11 January 2016. Subscription price of warrants changed from HK\$0.3 to HK\$1.5 and number of New Shares to be allotted and issued upon exercising of the Warrants changed from 190,833,332 to 38,166,666. As at 31 March 2016, warrants with fair value of HK\$73,000 at the exercise price of HK\$1.5 per share representing approximately 38,166,666 ordinary shares of the company were not yet exercised. In current period, all of the outstanding warrants are expired and the fair value of warrants is credited to profit or loss account.

The movements of the convertible bonds and warrants were as follows:

	<b>Convertible bonds</b>	<b>Contingent issuable warrants</b>	<b>Warrants</b>	<b>Total</b>
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 April 2015	–	–	13,764	13,764
Realised fair value loss, to profit or loss	–	–	32,916	32,916
Unrealised fair value gain, to profit or loss	–	–	(12,826)	(12,826)
Total losses recognised in profit or loss included in other gains and losses	–	–	20,090	20,090
Exercise of warrants	–	–	(33,085)	(33,085)
Exchange alignment	–	–	(708)	(708)
	<u>–</u>	<u>–</u>	<u>61</u>	<u>61</u>
At 31 March 2016	–	–	61	61
	<u>–</u>	<u>–</u>	<u>61</u>	<u>61</u>
At 1 April 2016	–	–	61	61
Expiry of warrants	–	–	(61)	(61)
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
At 30 September 2016	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

20. **WARRANTS** (continued)

**Inputs and assumptions of fair value estimate**

The fair value of convertible bonds, contingent warrants and warrants was estimated based on Binomial Option Pricing Model. The valuation was performed by Roma Appraisals Limited, who is an independent qualified professional valuer and with appropriate qualification and experience in the valuation of similar instruments. The chief financial officer discussed with the valuer on the valuation assumptions and valuation results. The major inputs and assumptions at the initial recognition are as follows:

	<b>Convertible bonds</b>	<b>Contingent warrants and warrants</b>
Share prices at the valuation date	HK\$0.51	HK\$0.40 – HK\$0.52
Exercise price (before share consolidation)	HK\$0.15	HK\$0.30
Discount rate	12.18% – 12.45%	N/A
Risk free rate	0.40%	0.31% – 0.40%
Expected bonds/warrants period	2 years	2 years
Expected volatility	82.78%	82.78%
Expected dividend yield	–	–

21. **UNCONVERTIBLE BONDS**

	<b>At 30 September 2016 (Unaudited) RMB'000</b>	<b>At 31 March 2016 (Audited) RMB'000</b>
Unconvertible bonds	<b>17,200</b>	<b>16,628</b>

The amount represented two unconvertible bonds of total HK\$20,000,000 (equivalent to approximately RMB17,200,000) (31 March 2016: HK\$20,000,000 (equivalent to approximately RMB16,628,000)) with HK\$10,000,000 each. As at 30 September 2016, accrued interest of RMB426,000 (31 March 2016: RMB195,000) was included in other payables and accruals. The unconvertible bonds bear interest at 5% per annum on the outstanding aggregate principal amount. The interest is payable in arrears annually on the anniversary of issue date or redemption date. The company may redeem principal amounts of outstanding bonds in whole or in part at any time before the maturity date. The maturity date of the unconvertible bonds are 7 years from their issue date i.e. 7 February 2020 and 4 December 2020 respectively.

## 22. SHARE CAPITAL

	Number of ordinary shares of HK\$0.03 each '000	Number of ordinary shares of HK\$0.15 each '000	Number of ordinary shares of HK\$0.01 each '000	HK\$'000
At 1 April 2015	10,000,000	-	-	300,000
Share consolidation (note v)	(10,000,000)	2,000,000	-	-
Share subdivision (note v)	-	(2,000,000)	30,000,000	-
<b>At 31 March 2016 and 30 September 2016</b>	<b>-</b>	<b>-</b>	<b>30,000,000</b>	<b>300,000</b>
				RMB\$'000
<b>Issued and fully paid:</b>				
At 1 April 2015	1,504,082	-	-	36,260
Placing of new shares I (note i)	2,500,000	-	-	58,905
Placing of new shares II (note ii)	809,000	-	-	19,959
Exercise of share options (note iii)	24,500	-	-	578
Exercise of warrants (note iv)	20,000	-	-	472
Share consolidation (note v)	(4,857,582)	971,516	-	-
Capital reduction (note v)	-	(971,516)	971,516	(108,429)
At 31 March 2016	-	-	971,516	7,745
At 1 April 2016	-	-	971,516	7,745
Right issue (note vi)	-	-	3,886,066	33,304
<b>At 30 September 2016</b>	<b>-</b>	<b>-</b>	<b>4,857,582</b>	<b>41,049</b>

22. SHARE CAPITAL (continued)

i) **Placing of new shares I**

On 10 March 2015, the company and Tanrich Securities Company Limited, entered into a placing agreement pursuant to which the placing agent agreed to place up to 2,500,000,000 new shares at the price of HK\$0.1 per placing share. The placing of shares were completed on 28 May 2015. The total proceeds of the share placement, before deduction of the relevant expenses was approximately HK\$250,000,000 (equivalent to approximately RMB196,350,000).

ii) **Placing of new shares II**

On 27 October 2015, the company and Gransing Securities Co., Limited, entered into a placing agreement pursuant to which the placing agent agreed to place up to 809,000,000 new shares at the price of HK\$0.19 per placing share. The placing of shares were completed on 13 November 2015. The total proceeds of the share placement, before deduction of the relevant expenses was approximately HK\$153,710,000 (equivalent to approximately RMB126,407,000).

iii) **Exercise of share options**

On 17 March 2015, the company has granted 24,500,000 share options (the "Options") under the share option scheme adopted by the company on 16 December 2011. All 24,500,000 share options were exercised at a price of HK\$0.243 into 24,500,000 ordinary shares during the year ended 31 March 2016. An amount equivalent to the par value of the shares issued of approximately HK\$735,000 (equivalent to approximately RMB578,000) was recognised as share capital and the premium paid on the exercise of the share options of approximately HK\$5,219,000 (equivalent to approximately RMB4,066,000) was credited to share premium for the year ended 31 March 2016. RMB4,191,000 has been transferred from employee share-based compensation reserve to share premium account. As at 30 September 2016, the company has no share option outstanding.

**22. SHARE CAPITAL** *(continued)***iv) Exercise of warrants**

Warrants were exercised at a price of HK\$0.3 into 20,000,000 ordinary shares during the year ended 31 March 2016. An amount equivalent to the par value of the share issued of approximately HK\$600,000 (equivalent to approximately RMB472,000) was recognised as share capital and the premium paid on the exercise of the warrants of approximately HK\$5,400,000 (equivalent to approximately RMB4,248,000) was credited to share premium for the year ended 31 March 2016. Fair value of warrants of RMB33,085,000 has been transferred to share premium account.

**v) Capital Reorganisation**

On 12 January 2016, the company completed capital reorganisation which comprised of i) share consolidation; ii) the capital reduction; and iii) the share subdivision (collectively known as the “capital reorganisation”). Every five shares of par value of HK\$0.03 each in issued and unissued of the company be consolidated into one share of par value of HK\$0.15 each (the “consolidated share”). The par value, HK\$0.15, of each of the consolidated share is reduced to HK\$0.01 each by the cancellation of HK\$0.14 on each of the issued consolidated share.

Pursuant to special resolution passed on 11 January 2016, each of the company’s authorised but unissued consolidated shares of par value of HK\$0.15 each were subdivided into fifteen subdivided shares of par value of HK\$0.01 each (the “share subdivision”). The share subdivision was effective on 12 January 2016, the authorised share capital of the company was divided into 30,000,000,000 shares of HK\$0.01 each.

**vi) Right issue**

On 24 May 2016, the company proposed to issue 3,886,065,724 right shares at the subscription price of HK\$0.141 per right share on the basis of four right shares for every one existing issued share. 3,886,065,724 shares were fully issued when the right issue was completed on 2 August 2016 and approximately HK\$547,935,000 (equivalent to approximately RMB469,591,000) was raised, before deduction of relevant expenses.

## 23. RELATED PARTY TRANSACTIONS

The group had the following transactions with related parties during the six months ended 30 September 2016.

## a) Key management personnel emoluments

Emoluments for key management personnel, including amounts paid to the company's directors and certain of the highest paid employees during the six months ended 30 September 2016 was as follows:

	<b>Six months ended 30 September 2016 (Unaudited) RMB'000</b>	Six months ended 30 September 2015 (Unaudited) RMB'000
Short-term employee benefits	<b>12,062</b>	3,819
Post-employment benefits	<b>59</b>	62
	<b><u>12,121</u></b>	<b><u>3,881</u></b>

Total emoluments is included in "staff cost" (see note 8(b)).

## b) Outstanding balances with related parties

	<b>At 30 September 2016 (Unaudited) RMB'000</b>	At 31 March 2016 (Audited) RMB'000
Amounts due to directors (note a)	<b>900</b>	420
Amounts due to related parties (note a)	<b><u>303</u></b>	<b><u>229</u></b>

- a) The amount due to related parties represented the advance from directors of a subsidiary. The balances with these related parties and the amounts due to directors are unsecured, interest-free and repayable on demand.

**24. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE**

In August 2016, the group's management negotiated with a third party ("Purchaser") for the disposal of 100% equity interest of Liqun Investments Limited and its 90% owned subsidiary Kotech Educational Limited (collectively called "Liqun Group"). The assets and liabilities attributable to the Liqun Group is classified as a disposal group held for sale. The sale was completed in 10 November 2016.

On 22 August 2016, the Company and the Purchaser entered into sale and purchase pursuant to which the Company has conditionally agreed to sell and the Purchaser to purchase the entire issued share capital of Liqun Investments Limited. The directors of the Company expect that the fair value less costs to sell will be higher than that the aggregate carrying amount of the related assets and liabilities. Therefore, no impairment loss was recognised on reclassification of the assets and liabilities as held for sale nor as at 30 September 2016.

At 30 September 2016, the disposal group comprised the following assets and liabilities:

	<b>30 September 2016 RMB'000</b>
Property, plant and equipment	821
Intangible assets	5,487
Goodwill	13,053
Trade and other receivables	3,008
Cash and bank balances	31
<b>Total Assets of the disposal group classified as held for sale</b>	<b>22,400</b>
Trade and other payables	738
Deferred tax liabilities	807
Amounts due to group entities	28
<b>Total Liabilities of disposal group classified as held for sale</b>	<b>1,573</b>
Less: Amounts due to group entities	(28)
<b>Liabilities of disposal group classified as held for sale</b>	<b>1,545</b>
<b>Net Asset of disposal group classified as held for sale</b>	<b>20,855</b>

**Cumulative income or expenses included in other comprehensive income**

There are no cumulative income or expenses included in other comprehensive income relating to the disposal group.

25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT

i) Fair value measurement

a) *Financial assets and liabilities measured at fair value*

Fair value hierarchy

The following table presents the fair value of the group's financial instruments measured at the end of the reporting period on a recurring basis, categorized into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

The group has a team headed by the chief financial officer performing valuations for the financial instruments, including warrants, available-for-sale investments and contingent consideration receivable which are categorised into Level 3 of the fair value hierarchy. The team reports directly to the directors and the audit committee. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the directors. Discussion of the valuation process and results with the directors and the audit committee is held twice a year, to coincide with the reporting dates.

## 25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT (continued)

## i) Fair value measurement (continued)

	Fair value measurements as at 30 September 2016 categorised into				Fair value measurements as at 31 March 2016 categorised into			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Fair value at 30 September 2016 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Fair value at 31 March 2016 RMB'000
<b>Recurring fair value measurements assets:</b>								
Available-for-sale investments (note 1 & 2)	-	82,841	252,736	335,577	-	147,539	166,280	313,819
Trading securities	126	-	-	126	106	-	-	106
Contingent consideration receivable (note 4)	-	-	53,146	53,146	-	-	51,380	51,380
	<u>-</u>	<u>-</u>	<u>53,146</u>	<u>53,146</u>	<u>-</u>	<u>-</u>	<u>51,380</u>	<u>51,380</u>
<b>Liabilities:</b>								
Warrants (note 3)	-	-	-	-	-	-	61	61
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61</u>	<u>61</u>

During the period ended 30 September 2016 and year ended 31 March 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

## Note:

- The valuation techniques and key inputs used of available-for-sale investments for level 2 fair value measurement are as follows:

The fair value of available-for-sale investments is assessed to approximate the net asset values indicated on the net asset value statements issued by investment fund managers, which take into consideration the fair value of the assets held under the investments.

## 25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT (continued)

## i) Fair value measurement (continued)

Note: (continued)

- 2 The valuation techniques and key inputs used of available-for-sale investments for level 3 fair value measurement at the end of the reporting period are as follows:

	Valuation techniques	Significant unobservable inputs	Percentage of discount
Available-for-sale investments	Market comparable companies	Discount for lack of marketability	25%

The fair value of unlisted available-for-sale equity investment is assessed to approximate the net asset values indicated on the net asset value statements issued by investment fund managers, which take into consideration the fair value of the assets held under the investments. Where appropriate, a discount is applied to take into consideration of the unlisted securities held under the investment. The fair value measurement is negatively correlated to the discount for lack of marketability. No sensitivity analysis is disclosed for the impact of changes in the discount for the lack of marketability as the management considers that the exposure is insignificant to the group.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	At 30 September 2016 RMB	At 31 March 2016 RMB
Available-for-sale investments:		
At the beginning of the period/year	166,280	–
Additions	–	166,280
Gain on fair value change	<u>86,456</u>	<u>–</u>
At the end of the period/year	<u>252,736</u>	<u>166,280</u>

## 25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT (continued)

## i) Fair value measurement (continued)

Note: (continued)

- 3 The valuation techniques and key inputs used of warrants for the level 3 fair value measurement at the end of reporting period are as follows:

	Valuation techniques	Significant unobservable input	Range
Warrants (note 20)	Binomial option pricing model	Risk free rate	N/A (31 March 2016: 0.06%-0.10%)
		Expected volatility	N/A (31 March 2016: 131.36%-144.14%)

The increase in risk free rate would result in decrease in fair value measurement of warrants while and increase in expected volatility would result in increase in fair value measurement of warrants, and vice versa.

No sensitivity analysis is disclosed for the impact of changes in the risk free rate as the exposure is insignificant to the group.

For the year ended 31 March 2016, a 5% increase or decrease in the expected volatility used while holding all other variables constant would increase or decrease the carrying amount of the warrants by RMB27,000 or RMB19,000 respectively.

- 4 The valuation techniques and key inputs used of contingent consideration receivable for the level 3 fair value measurement at the end of reporting period are as follows:

	Valuation techniques	Significant unobservable input	Range
Contingent consideration receivable (note 16)	Discounted cash flow analysis	Probability – weighted profit/(loss)	Profit of RMB1,858,000- profit of RMB11,809,000 (31 March 2016: Profit of RMB1,858,000 – profit of RMB11,809,000)
		Discount rate	7.8%-8.1% (31 March 2016: 7.8%-8.1%)

## 25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT (continued)

## i) Fair value measurement (continued)

Note: (continued)

The increase in probability-weighted profit and discount rate used would result in decrease in fair value measurement of contingent consideration receivable while the increase in loss used would result in increase in fair value measurement of contingent consideration receivable, and vice versa.

A 5% increase or decrease in the probability-weighted profit used while holding all other variables constant would decrease or increase the carrying amount of the contingent consideration receivable by RMB1,054,000 or RMB1,055,000 respectively (31 March 2016: increase or decrease the carrying amount of contingent consideration receivable by RMB1,054,000 or RMB1,055,000 respectively).

A 5% increase or decrease in the discount rate used while holding all other variables constant would increase/decrease the carrying amount of the contingent consideration receivable by RMB22,000 or RMB22,000 respectively (31 March 2016: increase or decrease the carrying amount of contingent consideration receivable by RMB22,000 or RMB22,000 respectively).

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	At 30 September 2016 RMB'000	At 31 March 2016 RMB'000
<b>Contingent consideration receivables:</b>		
At the beginning of the period/year	51,380	51,651
Change in unrealised losses included in other gain or loss <sup>a</sup>	–	(3,067)
Exchange alignment	1,766	2,796
	<u>53,146</u>	<u>51,380</u>
At the end of the period/year	<u>53,146</u>	<u>51,380</u>

**25. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENT** (continued)**i) Fair value measurement** (continued)

Note: (continued)

	At 30 September 2016 RMB'000	At 31 March 2016 RMB'000
# Total loss included in profit or loss that is attributable to the change in unrealised losses relating to those assets held at the end of the reporting period (included in other gains and losses)	—	(3,067)

**b) Fair value of financial assets and liabilities carried at other than fair value**

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values. The fair value is estimated at the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

**26. COMMITMENTS****a) Capital commitments**

Capital commitments outstanding at 30 September 2016 authorised and not provided for in the financial statements were as follows:

	At 30 September 2016 RMB'000	At 31 March 2016 RMB'000
Contracted for, but not provided for: office renovation Project	—	761

## 26. COMMITMENTS (continued)

## b) Operating lease commitments

## i) The group as lessor:

The group leases its investment properties under operating lease arrangements to tenants, with leases negotiated for terms ranging from eight to twelve years. The terms of the leases generally require the tenants to pay security deposits. At the end of the reporting period, the group had total future minimum lease payments receivable under non-cancellable operating leases from its tenants falling due as follows:

	At 30 September 2016 (Unaudited) RMB'000	At 31 March 2016 (Audited) RMB'000
Within one year	9,108	9,377
In the second to fifth year, inclusive	26,227	34,881
Over five years	<u>40,590</u>	<u>36,223</u>
	<u><u>75,925</u></u>	<u><u>80,481</u></u>

## ii) The group as lessee:

The group leases certain office premises and director's quarters under operating leases, leases for these properties are negotiated for terms ranging from two to five years.

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

	At 30 September 2016 (Unaudited) RMB'000	At 31 March 2016 (Audited) RMB'000
Within one year	4,882	5,926
In the second to fifth year, inclusive	5,359	3,389
Over five years	<u>-</u>	<u>3,234</u>
	<u><u>10,241</u></u>	<u><u>12,549</u></u>

**27. LITIGATION**

In 1998, the company brought up legal proceedings against ASG Capital Limited and ASG Brokerage Limited (the "Defendants") for breach of the placing and underwriting agreement dated 9 December 1997 in that the Defendants failed to fulfill their underwriting obligations thereunder and for the recovery of RMB40 million being the economic loss suffered by the company together with interest and legal costs. The proceedings are now in pre-trial stage of discovery of documents of the parties and the date of the trial has not been fixed. The last action of the parties to the proceedings took place in middle of 2005 when solicitors acting for the company in the legal proceedings served a notice to inspect documents to those acting for the Defendants.

**28. BUSINESS COMBINATION**

- a) On 24 May 2016, a wholly-owned subsidiary entered into a sale and purchase agreement with Lee Siu Kuen, an independent third party, for the acquisition of the 100% equity interests in Hong Kong Financial Management Limited ("HKFM"), for a consideration of HK\$6,717,417 (equivalent to approximately RMB5,776,000) of which entire amount was settled by cash. HKFM is principally engaged in regulated activities under SFC Type 9 License. The group takes the view that entering in a new business segment would diversify revenue stream of the group, in turn, would increase the shareholders' value and benefit the company and the shareholders as a whole. The acquisition was completed on 14 September 2016.

The following summarises the acquisition date fair value of the total consideration transferred:

	RMB'000
Cash	5,776
Total consideration	5,776

28. BUSINESS COMBINATION (continued)

a) (continued)

Assets acquired and liabilities recognised at the date of acquisition:

	<b>Fair value recognised on acquisition</b>
	RMB'000
Intangible assets	3,564
Trade and other receivables	66
Cash and cash equivalents	531
Trade and other payables	(62)
Deferred Tax liabilities	(588)
	<hr/>
Total identifiable net assets at fair value	3,511
Goodwill arising on acquisition	2,265
	<hr/>
Consideration, satisfied in cash	5,776
	<hr/>
Cash and cash equivalent balances acquired	(531)
	<hr/>
Net cash outflow	5,245
	<hr/> <hr/>

The goodwill of approximately RMB2,265,000 arising from the acquisition is attributable to the synergies expected to arise from combining the operations of the group and HKFM. None of the goodwill recognised is expected to be deductible for income tax purposes.

Included in the condensed consolidated statement of profit or loss, HKFM contributed revenue and profit of RMB7,000 and RMB83,000 respectively to the revenue and loss of the group for the period ended 30 September 2016.

Had the business combination been effected on 1 April 2016, the revenue of the group and loss for the period would have been approximately RMB23,570,000 and RMB13,475,000 respectively. The pro forma information is for illustrative purposes only and is not necessary an indication of the revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on 1 April 2016, nor is it intended to be a projection of future results.

Acquisition related costs amounting to approximately RMB660,000 have been excluded from the consideration transferred and have been recognised as an expenses in the current year, within the "Administrative expenses" line item in the condensed consolidated statement of profit or loss.

**28. BUSINESS COMBINATION** *(continued)*

- b) On 20 November 2015 and 31 March 2016, a wholly-owned subsidiary of the group and the vendors (“vendors”) entered into a sale and purchase agreement and a supplemental sale and purchase agreement, respectively, to acquire 100% of issued paid-up share capital of C.P. Securities International Limited (formally known as J.A.F Brokerage Limited) for a total consideration of HK\$12,612,000 (equivalent to approximately RMB10,502,000) of which entire amount was settled by cash. C.P. Securities International Limited is principally engaged in regulated activities under SFC Type 1 License. The group takes the view that entering into securities brokerage business would diversify revenue stream of the group, in turn, would increase the shareholders’ value and benefit the company and the shareholders as a whole. The acquisition was completed on 11 April 2016.

The following summarises the acquisition date fair value of the total consideration transferred:

	RMB’000
Cash	10,502
Total consideration	10,502

28. BUSINESS COMBINATION (continued)

b) (continued)

Assets acquired and liabilities recognised at the date of acquisition:

	<b>Fair value recognised on acquisition</b>
	RMB'000
Property, plant and equipment	23
Intangible assets	5,828
Trade and other receivables	1,107
Cash and cash equivalents	3,716
Available for sale securities	371
Other investment	39
Trade and other payables	(1,075)
Deferred Tax liabilities	(962)
	<hr/>
Total identifiable net assets at fair value	9,047
Goodwill arising on acquisition	1,455
	<hr/>
Consideration, satisfied in cash	10,502
	<hr/>
Cash and cash equivalent balances acquired	(3,716)
	<hr/>
Net cash outflow	6,786
	<hr/>

The goodwill of approximately RMB1,455,000 arising from the acquisition is attributable to acquired customer base expected from combining the operations of the group and C.P. Securities International Limited. None of the goodwill recognised is expected to be deductible for income tax purposes.

Included in the condensed consolidated statement of profit or loss, C.P. Securities International Limited contributed revenue and loss of RMB350,000 and RMB2,528,000 respectively to the revenue and loss of the group for the period ended 30 September 2016.

Had the business combination been effected on 1 April 2016, the revenue of the Group and loss for the period would have been approximately RMB23,748,000 and RMB13,627,000 respectively. The pro forma information is for illustrative purposes only and is not necessary an indication of the revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on 1 April 2016, nor is it intended to be a projection of future results.

**28. BUSINESS COMBINATION** (continued)

## b) (continued)

Acquisition related costs amounting to approximately RMB765,000 have been excluded from the consideration transferred and have been recognised as an expenses in the current year, within the “Administrative expenses” line item in the condensed consolidated statement of profit or loss.

- c) On 23 September 2016, the company entered into a sale and purchase agreement with Lee Siu Kuen, an independent third party, for the acquisition of the 100% equity interests in GR Global Limited (“GR Global”), and its wholly-owned subsidiaries, HKFM Global Fund SPC (“HKFM SPC”) and HKFM Investment Management Limited (“HKFM Investment”), (collectively the “GR Global Group”) for a consideration of HK\$965,000 (equivalent to approximately RMB830,000) of which entire amount was settled by cash. HKFM SPC is principally engaged in setting up, managing and marketing of segregated fund portfolios. HKFM Investment is principally engaged in providing investment management, advisory and related services. The group takes the view that the acquisition would diversify group’s business, enhance long-term growth of group and create synergy with other businesses, in turn, would increase the shareholders’ value and benefit the company and the shareholders as a whole. The acquisition was completed on 26 September 2016.

The following summarises the acquisition date fair value of the total consideration transferred:

	RMB'000
Cash	830
Total consideration	830

28. BUSINESS COMBINATION (continued)

c) (continued)

Assets acquired and liabilities recognised at the date of acquisition:

	<b>Fair value recognised on acquisition</b>
	RMB'000
Trade and other receivables	324
Cash and cash equivalents	163,486
Trade and other payables	<u>(164,853)</u>
Total identifiable net liabilities at fair value	(1,043)
Goodwill arising on acquisition	<u>1,873</u>
Consideration, satisfied in cash	830
Cash and cash equivalent balances acquired	<u>(163,486)</u>
Net cash inflow	<u><u>(162,656)</u></u>

The goodwill of approximately RMB1,873,000 arising from the acquisition is attributable to the future growth and synergies in relation to the provision of financial services to clients. None of the goodwill recognised is expected to be deductible for income tax purposes.

Included in the condensed consolidated statement of profit or loss, GR Global Group did not contribute revenue and loss to the revenue and loss of the group for the period ended 30 September 2016.

Had the business combination been effected on 1 April 2016, the revenue of the group and loss for the period would have been approximately RMB23,557,000 and RMB14,824,000 respectively. The pro forma information is for illustrative purposes only and is not necessary an indication of the revenue and results of operations of the group that actually would have been achieved had the acquisition been completed on 1 April 2016, nor is it intended to be a projection of future results.

Acquisition related costs amounting to approximately RMB127,000 have been excluded from the consideration transferred and have been recognised as an expenses in the current year, within the "Administrative expenses" line item in the condensed consolidated statement of profit or loss.

**29. EVENTS AFTER THE REPORTING PERIOD****i) Investment in investment fund**

On 31 October 2016, the company entered into a subscription agreement with Avant Capital SPC (subscriber), pursuant to which the company agreed to subscribe for an aggregate amount of HK\$70 million (equivalent to RMB61 million) of the portfolio Shares.

**ii) Disposal of subsidiaries**

On 22 August 2016, the company entered into sales and purchase agreements with Wan Cheng Investments Limited in relation to disposal of 100% equity interest of Liqun Investments Limited and its 90% owned subsidiary, Kotech Educational Limited, at a consideration of HK\$100,000,000 (equivalent to RMB87,592,000). The disposal was completed on 10 November 2016.

**iii) Disposal of subsidiaries**

On 11 November 2016, the company entered into sales and purchase agreements with an independent third party in relation to disposal of 90% equity interest of Able Up Investment Limited and its wholly-owned subsidiaries, Global Education Group Limited and Plus Yield Investment Limited, at a consideration of HK\$8,000,000 (equivalent to RMB7,058,000). The disposal was completed on 14 November 2016.

**30. APPROVAL OF INTERIM FINANCIAL REPORT**

The interim financial report was approved and authorised for issue by the board on 29 November 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS

### **Business Review**

During the period under review, the principal business activities of the group included the properties investment, money lending, financial services and provision of educational support services.

### ***Properties Investment***

As at 30 September 2016, the aggregate gross floor area of the investment properties being held by the group was approximately 7,004 square meters, approximately 100% of which was leased to third parties under operating leases with lease terms ranging up to twelve years.

### ***Financial Services***

During the period under review, the group has acquired the entire issued share capital of C.P. Securities International Limited (formerly known as J.A.F. Brokerage Limited), which is a licensed corporation to carry out Type 1 (dealing in securities) regulated activity under the Securities and Futures Ordinance ("SFO") and is principally engaged in the business of securities brokerage, and such acquisition was completed in April 2016. The group has also acquired the entire issued share capital of Hong Kong Financial Management Limited, which is licensed under the SFO to carry on Type 9 (asset management) regulated activity and such acquisition was completed in September 2016.

The above acquisitions enable the group to enter into securities brokerage business and assets management business. The group is expected to be benefited from the synergy arising from these new business segments. The company intends to invest approximately HK\$200 million to develop the financial services business, including the provision of securities trading, margin financing, underwriting and assets management which will help diversifying the businesses of the group for maximizing returns to the Shareholders. The company also expects that the margin financing business and the money lending business of the group will be able to complement each other and realise synergic effect to enhance efficiency and performance to these businesses.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### **Business Review** *(continued)*

#### **Financial services** *(continued)*

During the period under review, the group has also acquired two companies, namely HKFM Global Fund SPC (“HKFM SPC”) and HKFM Investment Management Limited (“HKFM Investment”). HKFM SPC is an exempted company incorporated in the Cayman Islands and has created a segregated portfolio which focuses on companies which are related to the Greater China region and the United States of America, in particular companies listed in Hong Kong or the United States of America (the “Segregated Portfolio”). HKFM Investment is a company incorporated in the Cayman Islands with limited liability and had been appointed as an investment manager to the Segregated Portfolio. The company has subscribed for the non-voting participating shares of the Segregated Portfolio for a total amount of HK\$190 million (the “Subscription”) during the period. The said amount will serve as a seed money to build up the Segregated Portfolio and it is the ultimate goal of the company to attract other investors to participate in and subscribe for the non-voting participating shares of the Segregated Portfolio. Hong Kong Financial Management Limited had also been appointed as an investment advisor to HKFM Investment in relation to the management of assets of the Segregated Portfolio. The investment in the Segregated Portfolio represents a milestone on the development of the group’s asset management business.

#### **Money Lending**

The group has been proactively expanding the money lending business in Hong Kong during the period. For the period ended 30 September 2016, the group had a loan portfolio amounted to HK\$350 million with the terms ranging from 7 months to 15 months (the “Existing Loan Portfolio”) with the average interest rate of 18%. The interest income generated from the Existing Loan Portfolio was approximately HK\$12.6 million for the period ended 30 September 2016. For the sake of the recoverability and the quality of the money lending portfolio, the company has adopted prudence approach that all the loans must be secured by proper collaterals. In view of the substantial demand for money lending in Hong Kong, the company believes that there is growth potential in the group’s money-lending business and is able to provide steady interest income in the future.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### **Business Review** *(continued)*

#### **Educational Support Services**

For the educational support services segment, the group recorded a revenue of approximately RMB8.04 million for the six months ended 30 September 2016, which is mainly attributable to services provided by the group in sales of course materials, training courses support, student referral and overseas education counselling.

During the period under review, the company, as vendor, entered into the sale and purchase agreement (“SPA”) with the Wan Cheng Investments Limited (“Purchaser”), pursuant to which the company has conditionally agreed to sell and the Purchaser has conditionally agreed to acquire the entire share capital of the Liquan Investments Limited, which in turn hold 90% of Kotech Educational Limited (“Kotech Education”), at the consideration of HK\$100 million (“Disposal”).

The group has relied on the management of Kotech Education to maintain its operation. However, during the process of merging the operation of Kotech Education into the group, there were disagreements between the company and the management of the Kotech Education, on the business model of Kotech Education for the shift of focus from provision of educational support services to the local schools in application of the Quality Education Fund in Hong Kong to the sales of education course materials and provision of educational support services in the PRC, and non-cooperation of the management of Kotech Education in carrying out the group’s policies (the “Disputes”). During the said process, the company and Kotech Education had held several rounds of negotiation to try to resolve the Disputes but failed to reach any consensus. Despite Kotech Education was profit-making for the year ended 31 March 2016, having taken into account (i) the Disputes and the inability of the company and the management of Kotech Education to resolve the Disputes despite the company’s efforts; and (ii) the potential operational risk imposed on the company resulting from the non-cooperation of the management of Kotech Education should it remain as a subsidiary of the company, the Directors consider that the Disposal represents a good opportunity for the group to exit its investment from a dispute situation at the same price. As such the company and the Purchaser resolved the disputes by entering into the SPA. The Disposal was completed in November 2016.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### Financial Review

For the period under review, the group's turnover was approximately RMB23.44 million (2015: approximately RMB13.49 million), representing an increase of approximately 74% compared with the same period last year. The increase in turnover was mainly due to the contribution from the money lending business and educational support services of the group. The unaudited net loss for the period under review was approximately RMB13.41 million (2015: approximately RMB48.22 million) and the basic loss per share for was RMB1 cent (2015: RMB1 cent). The decrease in the net loss was mainly attributable to (a) the gain on the increase in fair value of the investment property of the group in the People's Republic of China; (b) the increase in the revenue of the group which was contributed by the money lending business of the group; (c) the impairment loss of the intangible assets of the mining rights of the group in the last year did not occur in the current year; and (d) the loss on decrease in fair value of the company's warrants in the last year did not occur in the current year.

The administrative expenses of the group for the period amounted to approximately RMB39.01 million, representing an increase of approximately 63% compared with the same period last year. The increase in the administrative expenses was mainly attributable to the launch of new business segment in financial services during the period. The finance cost of the group amounted to approximately RMB3.70 million which was mainly incurred for the bank loan under the security of investment properties in Shanghai and the unconvertible bonds and promissory notes issued by the company.

### Liquidity and Financial Resources

As at 30 September 2016, the group's net current assets were approximately RMB582.89 million (at 31 March 2016: approximately RMB168.33 million), including cash and bank balance of approximately RMB299.16 million (at 31 March 2016: approximately RMB52.44 million).

The group had bank borrowings of RMB18 million as at 30 September 2016 (at 31 March 2016: RMB27 million) of which 100% were due within one year from balance sheet date. The gearing ratio, defined as the percentage of debts to the total equity of the company, was 1.57% (at 31 March 2016: 3.95%).

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### **Investment Position**

For the six months ended 30 September 2016, the company has the following significant investments.

#### ***Avant Capital Dragon Fund SP***

The company held approximately 257,985 participating shares of the Avant Capital Dragon Fund SP (the “Dragon Fund”), a segregated portfolio of Avant Capital SPC, an exempted segregated portfolio company incorporated under the laws of the Cayman Islands.

The investment strategy of the Dragon Fund is to generate return via capturing inefficiencies in the financial markets with flexibility in its approach to investing and taking calculated risks when appropriate opportunities arise. The investment manager of the Dragon Fund will generally invest in global equities and equity-based securities (including OTC CFDs, convertible bonds, equity options and stock index options and futures types if investment), foreign exchange, commodities, fixed income, futures or derivatives on any asset classes, any securities or derivatives issued by publicly listed companies and secondary market activities including share lending and monetization of the AC Fund, as part of the AC Fund’s risk management process to minimize downside risk and generate additional income for the AC Fund. The investment manager of the AC Fund may also invest in non-listed assets including but not limited to pre-IPO companies.

As at 30 September 2016, the fair value of the AC fund was approximately USD37.87 million (equivalent to approximately HK\$293.88 million).

#### ***Tiger High Yield Fund***

The company held approximately 193,476 participating shares of Tiger High Yield Fund Segregated Portfolio (the “Tiger Fund”), a segregated portfolio of Tiger Super Fund SPC, an exempted segregated portfolio company incorporated under the laws of the Cayman Islands.

Investment strategy of the Tiger Fund is to invest in both short and long term Hong Kong listed securities, including IPO securities. In general, the fund will invest in high yield but medium to high risk securities.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### **Investment Position** *(continued)*

#### **Tiger High Yield Fund** *(continued)*

As at 30 September 2016, the fair value of the Tiger Fund was approximately USD12.41 million (equivalent to approximately HK\$96.33 million).

Save as disclosed above, the group did not have any other significant investment position in stocks, bonds and other financial derivatives as at 30 September 2016.

### **Foreign Exchange Exposure**

As most of the group's assets and liabilities are denominated in Renminbi and the liabilities of the group are well covered by its assets, the group does not have any significant exposure to foreign exchange fluctuation. During the period under review, the group did not use any financial instruments for hedging purposes.

### **Shares Capital and Capital Structure**

On 4 August 2016, the Company issued 3,886,065,724 new shares under the rights issue exercise on the basis of four rights shares for one existing in issue at the subscription price of HK\$0.141 per rights share.

Save as disclosed above, there was no other change in the share capital and capital structure of the company for the six months ended 30 September 2016.

### **Charges on the Group's Assets**

As at 30 September 2016, the group's investment properties with a value of approximately RMB130.19 million were pledged to secure general banking facilities granted to Shanghai Xiang Chen Hang Place The Industry Co. Limited, a wholly-owned subsidiary of the company.

### **Contingent Liabilities**

As at 30 September 2016, the group did not have any material contingent liability (2015: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### Acquisition and Disposal of Subsidiaries

On 20 November 2015, a wholly-owned subsidiary (the “Purchaser”) of the Company and an independent third party (the “Vendor I”), entered into a sales and purchase agreement (“Agreement I”), pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor I have conditionally agreed to sell the entire issued share capital of J.A.F. Brokerage Limited (subsequently renamed as C.P. Securities International Limited), a company which is principally engaged in the business of securities brokerage and is a licensed corporation to carry out Type 1 (Dealing in Securities) regulated activity under the SFO, at the initial consideration of HK\$13,077,000 which will be satisfied by cash in accordance with the terms and conditions of the Agreement I (“Acquisition I”). The Acquisition I was completed on 11 April 2016.

On 26 May 2016, a wholly-owned subsidiary (the “Purchaser”) of the Company and an independent third party (the “Vendor II”), entered into a sales and purchase agreement (the “Agreement II”), pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor II have conditionally agreed to sell the entire issued share capital of Hong Kong Financial Management Limited, which is licensed under the SFO to carry on Type 9 (asset management) regulated activity, at the initial consideration of HK\$6,717,417 which will be satisfied by cash in accordance with the terms and conditions of the Agreement II (“Acquisition II”). The Acquisition II was completed on 14 September 2016.

On 27 May 2016, the company, as vendor, and an independent third party (the “Purchaser I”) entered into a sales and purchase agreement (the “Agreement III”), pursuant to which the company has conditionally agreed to sell and the Purchaser I has conditionally agreed to acquire approximately 32.39% of Edknowledge Group Limited (the “Edknowledge”) at the consideration of HK\$9,500,000 payable by the Purchaser I in accordance with the terms and conditions of the Agreement III (“Disposal”). Upon completion of the Disposal on 3 June 2016, the company ceased to hold any equity interest of the Edknowledge and it has ceased to be an associate of the company.

## MANAGEMENT DISCUSSION AND ANALYSIS *(continued)*

### Acquisition and Disposal of Subsidiaries *(continued)*

On 23 September 2016, the company, as purchaser, and an independent third party (the "Vendor III"), entered into a sales and purchase agreement (the "Agreement IV"), pursuant to which the company has conditionally agreed to acquire and the Vendor III have conditionally agreed to sell the entire issued share capital of GR Global Limited ("GR Global"), which is a company incorporated in the British Virgin Islands with limited liability, at the consideration of HK\$965,000 payable by the company in accordance with the terms and conditions of the Agreement IV ("Acquisition III"). GR Global holds two wholly owned subsidiaries, namely HKFM Global Fund SPC ("HKFM SPC") and HKFM Investment Management Limited ("HKFM Investment"). Upon completion of the Acquisition III on 26 September 2016, GR Global, HKFM SPC and HKFM Investment became the wholly owned subsidiaries of the company.

Save as disclosed above, there was no other acquisition and disposal of subsidiaries of the group during the six months ended 30 September 2016.

### Employees

As at 30 September 2016, the group has 56 employees. The remuneration was determined with reference to statutory minimum wages, market terms as well as the performance, qualification and experience of individual employees. The group provides contributory provident fund and insurance scheme to the employees. Share option schemes and incentive schemes are adopted to encourage personal commitment of employees.

### Outlook

Going forward, the group will review its business segments from time to time and will consider to divest those non-core business so as to enable the group to re-allocate its resources in its other business segments with growth potential and other higher return potential investment to enhance the value of the company and the shareholders as a whole.

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

There was no purchase, redemption or sale of any of the company's listed securities by the company or any of the company's subsidiaries during the six months ended 30 September 2016.

## DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 September 2016, the interests and short positions of the directors in the shares of the company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the company pursuant to Section 352 of the SFO, or as otherwise notified to the company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules, were as follows:

### Long positions in shares of the company

Name of director	Capacity of shares held	No. of shares held	Percentage of issued shares
Xu Dong	Beneficial owner	2,000,000	0.04%
Yu Wai Fong	Beneficial owner	423,774	0.01%

Save as disclosed above, as at 30 September 2016, none of directors had registered any interest or short position in the shares of the company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTION SCHEME

The company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants for their contribution to the group.

The company's existing share option scheme was adopted on 16 December 2011 and is effective for a period of ten years commencing on the adoption date.

No share option had been granted under the company's existing option scheme during the six months ended 30 September 2016 and no option was outstanding at 30 September 2016.

## **SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES**

As at 30 September 2016, so far as known to the Directors, there was no person who had an interest or short position in the shares of the company and underlying shares which would require disclosure to the company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, beneficially interested in 5% or more of the issued share capital of the Company.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The company has adopted the Model Code as its own code of conduct regarding securities transactions by the directors. The company had also made specific enquiry of the directors and the company was not aware of any non-compliance with the required standard as set out in the Model Code.

## **CORPORATE GOVERNANCE**

The company has complied with the code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") in Appendix 14 of the Listing Rules throughout the six months ended 30 September 2016, except for the deviation from the requirement of code provision A.2.1 and E.1.2 of the CG Code explained as follows.

Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. The chairman of the company also acted as chief executive officer of the company during the period under review, deviating from the requirement of the code provision A.2.1. The board considered that this structure was conducive with strong and consistent leadership, enabling the company to respond promptly and efficiently to business opportunities and issues.

Provision E.1.2 of the CG Code stipulates that the chairman of the board should attend annual general meetings. The chairman was unable to attend the company's annual general meeting held on 30 August 2016 due to his other work commitments.

## **AUDIT COMMITTEE**

During the period under review, the audit committee of the company (the "Audit Committee") comprises three independent non-executive directors, namely Mr. Lai Wai Yin Wilson, Ms. Cao Jie Min and Mr. Tse Kwong Wah. The written terms of reference which describe the authority and duties of the Audit Committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the Hong Kong Institute of Certified Public Accountants. The principal duties of the Audit Committee include the review and supervision of the group's financial reporting process and internal controls.

The Audit Committee has regularly reviewed with the management the accounting principles and policies adopted by the group. The results of the group for the six months ended 30 September 2016 was reviewed by the Audit Committee which is of the opinion that such statements comply with the applicable accounting standards and that adequate disclosures have been made.

By order of the board  
**China Properties Investment Holdings Limited**  
**Xu Dong**  
*Chairman*

Hong Kong, 29 November 2016