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中金投集团

China Financial Services Holdings Ltd

China Financial Services Holdings Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 605)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

FINANCIAL HIGHLIGHTS

	Unaudited six months ended 30 June 2015 HK\$'000	Unaudited six months ended 30 June 2014 HK\$'000	Percentage changes
Interest, guarantee and financing consultancy services income	321,684	279,841	15.0%
Profit for the period attributable to equity shareholders of the Company	176,488	136,450	29.3%
Basic earnings per share	HK5.10 cents	HK4.19 cents	21.7%
Underlying net profit attributable to equity shareholders (excluding the effects of share based payment expenses and fair value change on convertible note)	181,943	162,600	11.9%

FINANCIAL RESULTS

The Board of Directors (the “Board”) of China Financial Services Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2015 (the “Reporting Period”) together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2015 – unaudited

		For the six months ended 30 June	
		2015	2014
	Note	HK\$'000	HK\$'000
Interest, guarantee and financing consultancy services income	4	321,684	279,841
Interest and handling expenses	4	(40,284)	(26,782)
Net interest income and service income	4	281,400	253,059
Other revenue	4	17,186	20,112
Other net income/(loss)	4	5,625	(4,894)
General and administrative expenses		(62,681)	(73,788)
Profit from operations		241,530	194,489
Share of loss of an associate		(16)	(4)
Profit before taxation	5	241,514	194,485
Income tax	6	(63,769)	(57,121)
Profit for the period		177,745	137,364
Profit for the period attributable to:			
Equity shareholders of the Company		176,488	136,450
Non-controlling interests		1,257	914
Profit for the period		177,745	137,364
Earnings per share (in HK cent)	8		
– Basic		HK5.10 cents	HK4.19 cents
– Diluted		HK5.08 cents	HK4.17 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2015 – unaudited

		For the six months ended 30 June	
		2015	2014
	Note	HK\$'000	HK\$'000
Profit for the period		177,745	137,364
Other comprehensive income/(loss) for the period:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries (net of nil income tax)			
		1,285	(17,640)
Available-for-sale investments: net movement in fair value reserve (net of nil income tax)			
	7	(3,189)	(3,985)
Other comprehensive loss for the period		(1,904)	(21,625)
Total comprehensive income for the period		175,841	115,739
Total comprehensive income for the period attributable to:			
Equity shareholders of the Company		174,612	115,319
Non-controlling interests		1,229	420
Total comprehensive income for the period		175,841	115,739

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2015 – unaudited

		At 30 June 2015 HK\$'000	At 31 December 2014 HK\$'000
	Note		
Non-current assets			
Property, plant and equipment		4,417	5,148
Goodwill		654,744	654,528
Interest in an associate		3,840	3,856
Available-for-sale investments		24,361	31,832
Loan receivables	10	11,058	–
		<u>698,420</u>	<u>695,364</u>
Current assets			
Accounts receivable	9	67,984	20,631
Loan receivables	10	2,647,653	2,162,264
Interest receivables	11	9,880	14,443
Other receivables, deposits and prepayments		17,830	7,892
Tax recoverable		151	151
Pledged bank and security deposits		82,004	146,383
Cash and cash equivalents		699,207	153,014
		<u>3,524,709</u>	<u>2,504,778</u>
Current liabilities			
Short-term borrowings		456,204	430,735
Bank borrowings		78,722	68,452
Convertible note	12	–	26,728
Amount due to an associate		19,021	3,549
Other payables, deposits received and accruals		19,163	15,388
Liabilities arising from loan guarantee contracts		706	639
Income received in advance		12,185	7,461
Financial derivatives		266	266
Tax payable		51,166	69,808
		<u>637,433</u>	<u>623,026</u>
Net current assets		<u>2,887,276</u>	<u>1,881,752</u>
Total assets less current liabilities		<u>3,585,696</u>	<u>2,577,116</u>

		At 30 June 2015 <i>HK\$'000</i>	At 31 December 2014 <i>HK\$'000</i>
	<i>Note</i>		
Non-current liabilities			
Senior bonds	13	367,089	–
Unsecured bond due 2018	14	32,511	–
Unsecured bond due 2022	15	84,167	–
Deferred tax liabilities		4,718	6,421
		<u>488,485</u>	<u>6,421</u>
NET ASSETS		<u>3,097,211</u>	<u>2,570,695</u>
CAPITAL AND RESERVES			
Share capital	17	1,745,776	1,420,378
Reserves		<u>1,223,703</u>	<u>1,125,257</u>
Total equity attributable to equity shareholders of the Company		2,969,479	2,545,635
Non-controlling interests		<u>127,732</u>	<u>25,060</u>
TOTAL EQUITY		<u>3,097,211</u>	<u>2,570,695</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2015 – unaudited

	Attributable to equity shareholders of the Company							Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Share-based compensation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Fair value reserve HK\$'000	Statutory surplus reserve HK\$'000	Retained earnings HK\$'000		
Balance at 1 January 2014	312,908	943,981	12,919	39,013	(1,453)	18,768	764,329	2,090,465	2,131,211
Changes in equity for the year ended 31 December 2014:									
Profit for the year	–	–	–	–	–	–	293,634	293,634	296,483
Other comprehensive income/(loss)	–	–	–	(4,564)	790	–	–	(3,774)	(3,836)
Total comprehensive income	–	–	–	(4,564)	790	–	293,634	289,860	292,647
Equity settled share-based transactions	–	–	20,316	–	–	–	–	20,316	20,316
Shares issued under share option scheme	575	–	(216)	–	–	–	–	359	359
Shares issued under Top-up placement	165,000	–	–	–	–	–	–	165,000	165,000
Share issue expenses in relation to Top-up placement	(2,086)	–	–	–	–	–	–	(2,086)	(2,086)
Transition to no-par value regime on 3 March 2014	943,981	(943,981)	–	–	–	–	–	–	–
Dividend paid	–	–	–	–	–	–	(34,291)	(34,291)	(34,291)
Acquisition of non-controlling interests in a subsidiary	–	–	–	–	–	–	16,012	16,012	(2,461)
Transfer to reserve	–	–	–	–	–	2,374	(2,374)	–	–
Balance at 31 December 2014 and 1 January 2015	1,420,378	–	33,019	34,449	(663)	21,142	1,037,310	2,545,635	2,570,695
Changes in equity for the six months ended 30 June 2015:									
Profit for the period	–	–	–	–	–	–	176,488	176,488	177,745
Other comprehensive income/(loss)	–	–	–	1,313	(3,189)	–	–	(1,876)	(1,904)
Total comprehensive income	–	–	–	1,313	(3,189)	–	176,488	174,612	175,841
Equity settled share-based transactions	–	–	5,455	–	–	–	–	5,455	5,455
Share issued under share option scheme	25,398	–	(5,785)	–	–	–	–	19,613	19,613
Share issued under subscription agreement	300,000	–	–	–	–	–	–	300,000	300,000
Capital contribution from non-controlling shareholders of a subsidiary	–	–	–	–	–	–	–	101,443	101,443
Dividend paid	–	–	–	–	–	–	(75,836)	(75,836)	(75,836)
Transfer to reserve	–	–	–	–	–	7,004	(7,004)	–	–
Balance at 30 June 2015	1,745,776	–	32,689	35,762	(3,852)	28,146	1,130,958	2,969,479	3,097,211
Balance at 1 January 2014	312,908	943,981	12,919	39,013	(1,453)	18,768	764,329	2,090,465	2,131,211
Changes in equity for the six months ended 30 June 2014:									
Profit for the period	–	–	–	–	–	–	136,450	136,450	137,364
Other comprehensive income/(loss)	–	–	–	(17,146)	(3,985)	–	–	(21,131)	(21,625)
Total comprehensive income	–	–	–	(17,146)	(3,985)	–	136,450	115,319	115,739
Share issue under Top-up placement	165,000	–	–	–	–	–	–	165,000	165,000
Share issuing expenses in relation to Top-up placement	(2,086)	–	–	–	–	–	–	(2,086)	(2,086)
Equity settled share-based transactions	–	–	20,316	–	–	–	–	20,316	20,316
Dividend paid	–	–	–	–	–	–	(34,291)	(34,291)	(34,291)
Transfer to reserve	–	–	–	–	–	1,196	(1,196)	–	–
Transition to no-par value regime on 3 March 2014	943,981	(943,981)	–	–	–	–	–	–	–
Balance at 30 June 2014	1,419,803	–	33,235	21,867	(5,438)	19,964	865,292	2,354,723	2,395,889

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The condensed consolidated financial information has been prepared in accordance with the same accounting policies adopted in the 2014 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2015 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of condensed consolidated financial information in conformity with HKAS 34 requires 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 Group’s condensed consolidated financial information is unaudited, but has been reviewed by the Company’s Audit Committee. The condensed consolidated financial information has also been reviewed by Crowe Horwath (HK) CPA Limited (“Crowe Horwath”) in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company:

- Annual Improvements to HKFRS 2010 – 2012 Cycle.
- Annual Improvements to HKFRS 2011 – 2013 Cycle.

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3. SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the condensed consolidated financial information, are identified from the financial information provided regularly to the Company's board of directors for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

a) Operating segment information

The Company's board of directors assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the operation of provision of financing services business. Therefore, the Company's board of directors considers there is only one operating segment under the requirements of HKFRS "Operating Segments". In this regard, no operating segment information is presented.

b) Geographic information

As over 90% of the Group's operations are in the People's Republic of China ("PRC"), no geographic information is presented.

4. NET INTEREST INCOME AND SERVICE INCOME, OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Interest, guarantee and financing consultancy services income		
Provision of financing services	42,067	8,239
Provision of financing consultancy services	279,543	269,507
Provision of financing guarantee services	74	2,095
	321,684	279,841
Interest and handling expenses arising from:		
– Bank loans wholly repayable within five years	(2,796)	(1,380)
– Short-term borrowings	(18,204)	(25,402)
– Senior bonds	(10,971)	–
– Unsecured bonds due 2018	(313)	–
– Unsecured bonds due 2022	(1,734)	–
– Handling charges	(6,266)	–
	(40,284)	(26,782)
Net interest income and service income	281,400	253,059

	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Other revenue		
Bank interest income	3,090	2,650
Dividend income from listed investments	294	333
Income from government subsidies	12,144	14,235
Sundry income	1,658	2,894
	<u>17,186</u>	<u>20,112</u>
Other net income/(loss)		
Net gain on disposal of available-for-sale investments	857	1,434
Loss on fair value change of convertible note	–	(5,834)
(Loss)/gain on redemption of convertible note	(1,192)	2,053
	(1,192)	(3,781)
Exchange gain/(loss), net	5,861	(2,614)
Others	99	67
	<u>5,625</u>	<u>(4,894)</u>

The total amount of interest income on financial assets not at fair value through profit or loss during the six months ended 30 June 2015 was HK\$324,700,000 (six months ended 30 June 2014: HK\$280,396,000).

5. PROFIT BEFORE TAXATION

The Group's profit before taxation is arrived at after charging:

	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
(a) Staff costs (including directors' emoluments):		
Salaries, allowances and other benefits	19,087	16,034
Equity-settled share-based payment expenses (see note (1) below)	1,669	4,236
Contributions to defined contribution retirement plans	2,524	960
	<u>23,280</u>	<u>21,230</u>
(b) Other items:		
Depreciation	1,258	2,451
Operating lease charges in respect of properties	3,702	3,608
Consultancy fee	6,889	7,628
Equity-settled share-based payment expenses	5,455	20,316

Note: (1) Equity-settled share-based payment expense included HK\$1,669,000 (six months ended 30 June 2014: HK\$4,236,000) is also included in the total amount disclosed in note 5(b) for staff costs.

6. INCOME TAX

	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Current Tax		
Hong Kong Profits Tax	–	–
PRC Enterprise Income Tax	<u>62,626</u>	<u>56,658</u>
	62,626	56,658
Deferred tax		
Origination and reversal of temporary differences	<u>1,143</u>	<u>463</u>
	<u><u>63,769</u></u>	<u><u>57,121</u></u>

(a) Hong Kong

No provision for Hong Kong Profits Tax has been made as the Group has no income assessable for profits tax arising in Hong Kong for the six months ended 30 June 2015 (six months ended 30 June 2014: nil).

(b) The PRC

The provision for the PRC Enterprise Income Tax of the subsidiaries established in the PRC is calculated at 25% (2014: 25%) of the estimated taxable profits for the reporting period.

According to the prevailing PRC Enterprise Income Tax (“EIT”) law and its relevant regulations, non-PRC-resident enterprises are levied withholding tax at 10%, unless reduced by tax treaties or similar arrangements, on dividends from their PRC-resident investees for earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax.

Under the Arrangement between the Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and its relevant regulations, dividends paid by a PRC resident enterprise to its direct holding company in Hong Kong will be subject to withholding tax at a reduced rate of 5% (if the Hong Kong investor is the “beneficial owner” and owns directly at least 25% of the equity interest of the PRC resident enterprise for the past twelve months before the dividends distribution).

The directors determined that the management of the Group can control the quantum and timing of distribution of profits of their PRC subsidiaries, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

7. OTHER COMPREHENSIVE INCOME

Available-for-sale investments

	For the six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Changes in fair value recognised during the period	(2,332)	(2,551)
Reclassification adjustments for amounts transferred to profit or loss:		
– net gain on disposal	<u>(857)</u>	<u>(1,434)</u>
Net movement in fair value reserve during the period recognised in other comprehensive income	<u>(3,189)</u>	<u>(3,985)</u>

8. EARNINGS PER SHARE

a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$176,488,000 (six months ended 30 June 2014: HK\$136,450,000) and the weighted average number of 3,456,555,949 ordinary shares (six months ended 30 June 2014: 3,253,395,728 ordinary shares) in issue during the interim period.

b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$176,488,000 (six months ended 30 June 2014: HK\$136,450,000) and the weighted average number of 3,473,574,979 ordinary shares (six months ended 30 June 2014: 3,269,709,720 ordinary shares).

9. ACCOUNTS RECEIVABLE

All of the Group's accounts receivable were arising from the PRC and are denominated in Renminbi ("RMB") and are expected to be recovered within one year.

a) Ageing analysis

As at the end of the reporting period, the ageing analysis of accounts receivable, based on the invoice date, is as follows:

	At 30 June 2015 <i>HK\$'000</i>	At 31 December 2014 <i>HK\$'000</i>
Within 30 days	21,449	8,067
31 – 90 days	14,618	7,401
Over 90 days	31,917	5,163
	67,984	20,631

Accounts receivable are due on the date of billing.

b) Accounts receivable that are not impaired

	At 30 June 2015 <i>HK\$'000</i>	At 31 December 2014 <i>HK\$'000</i>
Past due but not impaired	67,984	20,631

Accounts receivable that was past due but not impaired relates to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

10. LOAN RECEIVABLES

	At 30 June 2015 <i>HK\$'000</i>	At 31 December 2014 <i>HK\$'000</i>
Pawn loan receivables	290,799	302,724
Other loan receivables	2,372,894	1,863,350
	2,663,693	2,166,074
Allowance for doubtful debts – Collectively assessed	(4,982)	(3,810)
	2,658,711	2,162,264
Amount due within one year included under current assets	2,647,653	2,162,264
Amount due after one year included under non-current assets	11,058	–
	2,658,711	2,162,264

A typical loan generally has a term of 30 days to 10 years. At 30 June 2015, approximately HK\$2,485,927,000 (at 31 December 2014: HK\$2,086,075,000) of the Group's loan receivables were arising from the PRC and denominated in RMB. The amount of the Group's loan receivables expected to be recovered after more than one year is HK\$11,058,000 (at 31 December 2014: nil). All of the other loan receivables are expected to be recovered within one year.

a) Maturity profile

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

	At 30 June 2015			At 31 December 2014		
	Pawn loan receivables HK\$'000	Other loan receivables HK\$'000	Total HK\$'000	Pawn loan receivables HK\$'000	Other loan receivables HK\$'000	Total HK\$'000
Due within 1 month or on demand	20,615	52,448	73,063	15,009	60,729	75,738
Due after 1 month but within 3 months	46,728	557,849	604,577	13,437	403,923	417,360
Due after 3 months but within 6 months	112,945	495,110	608,055	39,322	354,173	393,495
Due after 6 months	110,511	1,267,487	1,377,998	234,956	1,044,525	1,279,481
Allowance for doubtful debts	(2,907)	(2,075)	(4,982)	(3,027)	(783)	(3,810)
	<u>287,892</u>	<u>2,370,819</u>	<u>2,658,711</u>	<u>299,697</u>	<u>1,862,567</u>	<u>2,162,264</u>

b) Analysed by credit quality

	At 30 June 2015			At 31 December 2014		
	Pawn loan receivables HK\$'000	Other loan receivables HK\$'000	Total HK\$'000	Pawn loan receivables HK\$'000	Other loan receivables HK\$'000	Total HK\$'000
Loan receivables that are not impaired						
– Neither past due nor impaired	–	2,142,317	2,142,317	–	1,777,638	1,777,638
– Past due but not impaired	–	23,098	23,098	–	7,372	7,372
	<u>–</u>	<u>2,165,415</u>	<u>2,165,415</u>	<u>–</u>	<u>1,785,010</u>	<u>1,785,010</u>
Loan receivables that are assessed for impairment collectively						
– Not past due	290,799	207,479	498,278	302,724	78,340	381,064
– Past due	–	–	–	–	–	–
Allowance for doubtful debts	(2,907)	(2,075)	(4,982)	(3,027)	(783)	(3,810)
	<u>287,892</u>	<u>205,404</u>	<u>493,296</u>	<u>299,697</u>	<u>77,557</u>	<u>377,254</u>
Total	<u>287,892</u>	<u>2,370,819</u>	<u>2,658,711</u>	<u>299,697</u>	<u>1,862,567</u>	<u>2,162,264</u>

Loan receivables that were neither past due nor impaired relate to recognised and creditworthy borrowers for whom there was no recent history of default.

Loan receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

11. INTEREST RECEIVABLES

Interest receivables are due on the date of billing (or maturity date of the loan receivables, if earlier).

At 30 June 2015, approximately HK\$7,801,000 (at 31 December 2014: HK\$13,706,000) of the Group's interest receivables were arising from the PRC and are denominated in RMB. All of the interest receivables are expected to be recovered within one year.

At 30 June 2015, included in interest receivables was approximately HK\$85,000 (at 31 December 2014: nil) and HK\$61,000 (at 31 December 2014: nil) due from 港瑞豐 and 中滙豐源 respectively.

At 30 June 2015, included in interest receivables was approximately HK\$6,110,000 (at 31 December 2014: HK\$11,503,000) due from 中金佳晟.

a) Maturity profile

As at the end of the reporting period, the maturity profile of interest receivables, based on invoice date (or maturity date of loan receivables, if earlier), is as follows:

	At 30 June 2015 <i>HK\$'000</i>	At 31 December 2014 <i>HK\$'000</i>
Due within 1 month or on demand	<u>9,880</u>	<u>14,443</u>

b) Interest receivables that are not impaired

	At 30 June 2015 <i>HK\$'000</i>	At 31 December 2014 <i>HK\$'000</i>
Neither past due nor impaired	2,404	2,060
Past due but not impaired	<u>7,476</u>	<u>12,383</u>
	<u>9,880</u>	<u>14,443</u>

Interest receivables that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Interest receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

12. CONVERTIBLE NOTE

During the six months ended 30 June 2014, the Company redeemed the convertible note in aggregate principal amount of US\$3,000,000 (equivalent to HK\$23,400,000) which was agreed between the Company and the holder of the convertible note, resulting in a gain of approximately HK\$2,053,000, which was included in "Other net income/(loss)"; and there were no conversion of the convertible note.

During the six months ended 30 June 2015, the Company redeemed all outstanding convertible note in aggregate principal amount of US\$3,000,000 (equivalent to HK\$23,400,000) together with unpaid accrued interest of US\$150,000 (equivalent to HK\$1,163,000) plus redemption return of US\$429,500 (equivalent to HK\$3,350,000), resulting in a loss of HK\$1,192,000, which was included in "Other net income/(loss)".

13. SENIOR BONDS

On 5 March 2015, the Group issued senior guaranteed bonds (“Senior Bonds”) at 99.33% in an aggregate nominal value of RMB300,000,000 which will mature on 5 March 2018. The bonds carry interest at the rate of 6.5% per annum. The interest is payable semi-annually in arrears on 5 March and 5 September each year.

The Senior Bonds are unconditionally and irrevocably guaranteed, jointly and severally, by the Company and China United SME Guarantee Corporation (“Sinoguarantee”), an independent third party.

Below collaterals were provided to Sinoguarantee:

- Mr. Cheung Siu Lam, the Company’s controlling shareholder, has entered into a share charge in favour of Sinoguarantee, pursuant to which Mr. Cheung Siu Lam has charged 750 million shares he owns in the Company to Sinoguarantee;
- the Company has entered into a share charge in favour of Sinoguarantee, pursuant to which it has charged all of its shares in Beijing Zhongjingang Asset Management Co., Ltd., a wholly-owned subsidiary of the Company, to Sinoguarantee; and
- Beijing Rongxinjia Asset Management Co., Ltd., Beijing Zhongjingang Asset Management Co., Ltd., Beijing Huifeng Rongjin Small Loan Co., Ltd. and Beijing Zhongjintou Pawnshop Co., Ltd., all of which are subsidiaries of the Company, have each entered into an agreement to pledge certain receivables to Sinoguarantee of approximately HK\$592,303,000 as at 30 June 2015.

The directors of the Company considered that no derivatives were embedded in the Senior Bonds and it is appropriate to use amortised cost method to record the Senior Bonds in the statement of financial position.

Movements in Senior Bonds is analysed as follows:

	Original currency RMB’000	Shown as HK\$’000
At 1 January 2015	–	–
Issue of bonds	297,990	372,041
Transaction costs	(12,935)	(16,149)
Interest charged during the period	8,815	10,971
Exchange realignment	–	226
At 30 June 2015	<u>293,870</u>	<u>367,089</u>

14. UNSECURED BONDS DUE 2018

During the six months ended 30 June 2015, the Company issued HK\$36,000,000 three-year-bonds, which are unsecured, carrying interest at the rate of 5.5% per annum and will mature in 2018. All of unsecured bonds due 2018 issued are measured at amortised cost. The interest is calculated on the actual number of days elapsed and on the basis of a 365-day year payable semi-annually in arrears on 30 June and 31 December each year. The bonds are subject to the fulfillment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the bonds would become payable on demand. The Group regularly monitors its compliance with these covenants. At 30 June 2015, none of the covenants relating to the unsecured bonds due 2018 had been breached.

Movements in the unsecured bonds due 2018 is analysed as follows:

	<i>HK\$'000</i>
At 1 January 2015	–
Issue of bonds	36,000
Transaction costs	(3,600)
Interest charged during the period	313
Interest payable during the period	(202)
At 30 June 2015	<u>32,511</u>

15. UNSECURED BONDS DUE 2022

During the six months ended 30 June 2015, the Company issued HK\$97,000,000 seven-year-bonds, which are unsecured, carrying interest at the rate of 7.0% per annum and will mature in 2022. All of unsecured bonds due 2022 issued are measured at amortised cost. The interest is calculated on the actual number of days elapsed and on the basis of a 365-day year payable semi-annually in arrears on 30 June and 31 December each year. Commencing from the first day of the third anniversary from the date of issue of the Bonds, the Company may at any time before the maturity date and from time to time by serving at least ten days' prior written notice on the bondholder with the total amount proposed to be redeemed from the bondholder specified therein, redeem bonds (in whole or in part) at 100% of the principal amount of such bonds. The bonds are subject to the fulfillment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the bonds would become payable on demand. The Group regularly monitors its compliance with these covenants. At 30 June 2015, none of the covenants relating to the unsecured bonds due 2022 had been breached.

Movements in the unsecured bonds due 2022 is analysed as follow:

	<i>HK\$'000</i>
At 1 January 2015	–
Issue of bonds	97,000
Transaction costs	(13,150)
Interest charged during the period	1,733
Interest payable during the period	(1,416)
At 30 June 2015	84,167

16. DIVIDENDS

- a) The directors of the Company recommend the payment of an interim dividend of HK1 cent per share for the interim period (2014: nil), totalling HK\$38,641,000 (2014: nil). The interim dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.
- b) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period:

	For the six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK2.2 cents per share (six months ended 30 June 2014: HK1 cent per share)	75,836	34,291

17. SHARE CAPITAL

	No. of shares	HK\$'000
Ordinary shares, issued and fully paid:		
At 1 January 2014	3,129,086,336	312,908
Shares issued under share option scheme	1,000,000	575
Transition to no-par value regime on 3 March 2014 (<i>note a</i>)	–	943,981
Shares issued under Top-up placement	300,000,000	162,914
At 31 December 2014 and 1 January 2015	3,430,086,336	1,420,378
Shares issued under share option scheme	32,000,000	25,398
Shares issued under subscription agreement (<i>note b</i>)	400,000,000	300,000
At 30 June 2015	<u>3,862,086,336</u>	<u>1,745,776</u>
At 1 January 2014	3,129,086,336	312,908
Shares issued under Top-up placement	300,000,000	162,914
Transition to no-par value regime on 3 March 2014 (<i>note a</i>)	–	943,981
At 30 June 2014	<u>3,429,086,336</u>	<u>1,419,803</u>

Note:

- a) The transition to the no-par value regime under the Hong Kong Companies Ordinance (Cap. 622) occurred automatically on 3 March 2014. On that date, the share premium account was subsumed into share capital in accordance with section 37 of Schedule 11 to the Ordinance. These changes did not impact on the number of shares in issue or the relative entitlement of any of the members. Since that date, all changes in share capital have been in accordance with the requirements of Parts 4 and 5 of the Ordinance.
- b) On 25 June 2015, the Company allotted and issued 400,000,000 new shares (the “Allotment of Shares”) at price of HK\$0.75 per subscription share to Sinoguarantee in accordance with the subscription agreement signed between the Company and Sinoguarantee.

18. COMPARATIVE FIGURES

During the period ended 30 June 2015, following a review of the presentation of the consolidated statement of profit or loss and consideration of the Group's fund raising activities including issue of Senior Bonds, unsecured bonds due 2018 and 2022, the Group re-categorises the presentation of revenue from the Group's principal activities and interest expenses in the consolidated statement of profit or loss. The new presentation categorises revenue from the Group's principal activities and interest expenses into "Net interest income and service income".

The directors of the Company consider that it is appropriate to change the presentation of the consolidated statement of profit or loss so as to provide information that is reliable and more relevant to users of the financial statements. The directors of the Company also consider that the revised structure is likely to continue, so that comparability is not impaired.

This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any of the periods presented. The comparative figures have been reclassified to conform to current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE CALENDAR

March 2015

Raised approximately RMB300,000,000 by issuing 3-year senior guaranteed bonds with China United SME Guarantee Corporation (Sinoguarantee) and the Company as joint guarantor, and J.P. Morgan as the Sole Global Coordinator, Sole Lead Manager and Sole Bookrunner;

March 2015

Cooperated with Phoenix Financial Service Platform for internet financing products;

April 2015

Raised approximately RMB300,000,000 by Asset Backed Securities (ABS);

May 2015

Raised approximately HK\$300,000,000 by targeted placement of 400,000,000 new shares to China United SME Guarantee Corporation (Sinoguarantee) with a lock-up period of 36 months, validating the determination for both parties to conduct thorough cooperation.

INDUSTRY REVIEW

With the on-going and intensifying government reform and continuous economic structural transformation, in the 1H2015, China's economic growth rate showed slowdown but stabilized with Gross Domestic Product (GDP) growth rate of 7%. To achieve a stable growth with sustainable long term development, the People's Bank of China ("PBOC") has announced various easing measures since 4Q2014, inclusive by far interest rate cuts on three occasions.

In addition, to further support real economic development and promote structural adjustment, in the first half of this year, PBOC also announced that if the loan ratio provided to “agriculture, rural areas and farmers” or Small and Micro Enterprises by large state-owned commercial banks, joint-stock commercial banks and foreign banks had reached a targeted level for reserve ratio reduction, the deposit reserve ratio of such financial institutions could be reduced by 0.5 percentage point and the deposit reserve ratio of finance companies could be reduced by 3 percentage points. The purpose was to release more credit to reflect government support to the real economic construction such as “New Urbanization” and “One Belt One Road”. Meanwhile, to further support the Small and Micro Enterprises, China Banking Regulatory Commission (“CBRC”) adjusted the “Two Minimum Thresholds” (which is the growth rate of extending loans to small-sized enterprises must not be lower than the average growth rates for all loans, the growth amount must not be less than the preceding year) targets of Small and Micro Enterprises financial services implemented for six years to “Three Minimum Thresholds”, striving to achieve the number of Small and Micro Enterprises and loan granting rate to them of are not less than those in the corresponding period of last year.

Interest rate cut, reserve requirement ratio reduction and other favorable government policies will all play active and positive roles in the financial banking industry, in which they will help to increase system liquidity while reducing bank financing costs and volatility. However, traditional credit easing measures have limited impact in facilitating banks to increase loans to enterprises. To promote banks to increase loans to enterprises, it is expected that PBOC will accelerate the application of directional measures in future and will more rely on new easing policies to stimulate economic activities. By the time the financial reform is at the stage of full speed acceleration, as an important component of the innovative financial services, the financing industry will maintain a stable development.

BUSINESS REVIEW

The Group is one of the leading Small and Medium Enterprise (SMEs) financial service providers in China and Hong Kong. Our mission is to provide SMEs with diversified financial solutions and products with flexibility through different licenses.

By relying on favorable policies and prosperous industry development, during the period under review, all business sectors of the Group continued to achieve promising and healthy growth. Short-term financing service has always been our cornerstone and continues to contribute stable income. The Group started its mortgage loan service at the end of last year with Hong Kong and Beijing as starting points. The mortgage loan service achieved fast and prosperous development during the period. In recent years, Hong Kong regulatory

bodies closely monitored the credit approval conditions of banks to financial institutions, which brought relatively greater impact on small and medium-sized financial institutions. Meanwhile, due to more stringent regulatory measures, it is relatively difficult for certain financial institutions to grant loans, which results increase in market demand and promotes the success of Hong Kong business with satisfactory results.

To optimize shareholder structure and enhance business development capacity, during the period under review, the Company introduced Sinoguarantee as its strategic shareholder. In May 2015, the Company raised a total of HK\$300,000,000 through the issuance of 400,000,000 shares to Sinoguarantee at HK\$0.75 per share, representing 10.42% of the enlarged share capital, and the proceeds will be used to develop internet financing business and also as general working capital. Meanwhile, the Group also reached preliminary intention with Sinoguarantee to establish a joint venture company to develop the short-term financing service of the Group in China. Such cooperation with Sinoguarantee can effectively enhance the Group's credit capability to further reduce its financing costs. Moreover, by leveraging on the various advantages of Sinoguarantee, such as quality SMEs business resources, corporate credit rating, professional team and risk control, not only will it enhance the Group's business and risk management capability, but also strengthen the capacity of the Group to expand into internet financing and other segments in the future. Apart from introducing Sinoguarantee, other institutional investors of the Company include China Orient Asset Management, M&G Investment, CCB International and so on, demonstrating the Group's strengths in investor structure.

In the first half of 2015, the Group adopted measures to optimize capital structure and expanded various financing channels with reduced cost. In February 2015, the Group successfully issued RMB300,000,000 with 6.5% coupon rate senior guaranteed bonds due in 2018, and the proceeds was used for the development of Hong Kong business and other general corporate purposes. In addition, the Group entered into placing agreements with Convoy Investment Services Limited in December 2014 and April 2015 respectively, procuring the placee to subscribe for the bonds with total principal amount up to HK\$350,000,000 during the placing periods. The proceeds were used to expand the financing service business to further enhance the liquidity of the Group. The placing is progressing smoothly up to this moment.

During the period under review, the Group also widened the range of financial products. The Group cooperated with Beijing Phoenix Li Li Ta Information Technology Co, Ltd. (北京鳳凰理理它信息技術有限公司) (“Phoenix Financial”) to jointly establish an integrated finance information service platform, “Li Li Cai”(理理財).

Furthermore, CFSH Urban Development (Beijing) Small Loan Co., Ltd. (北京中金城開小額貸款有限公司), jointly established by the Group and Beijing Urban Development Investment Fund (Limited Partnership) (北京市小城鎮發展基金(有限夥伴)), had successfully obtained the business license issued by Beijing Municipal Bureau of Financial Work in May 2015. It was grandly opened in Miyun County, Beijing with business operation commenced smoothly as scheduled.

FUTURE PROSPECTS

Looking into the future, the PRC economy is expected to grow in a stable manner. Urbanization development will propel the development for SMEs, which in turn stimulates the demand for SMEs financing. For monetary and fiscal policies, PBOC continues to emphasize on micro adjustment, guide the market interest rate through such policies like targeted reserve ratio reduction, and reduce social financing costs to solve the funding problems of the agriculture and small and micro enterprises. Through various easing policies, financing cost is expected to reduce continuously, which in turn stimulates the demand for financing.

The Group’s financing services and mortgage loan business will continue to develop steadily. To further step up its efforts in product improvement, the Group will continue to strengthen its short-term financing services in Beijing. China Financial Services Holdings Limited has always paid large attention to the strategic cooperation with other large-scale enterprises and expanded its business to broader customer base through more scalable and effective methods. Since the successive cooperation with Beijing Home Link Group, Weiye Wo Ai Wo Jia Group, Beijing Huichong International Information Company Limited, Zhaoyinzi (找銀子) platform, Phoenix Financial and Sinoguarantee, the Group will continue to identify suitable partners in the second half year.

In recent years, the SMEs in the first and second-tier cities in China have eager demand for financing. As such, in addition to those cities where our current business are operating, the Group will also actively develop its business to other cities in future, and progressively develop the Hong Kong business, with an objective to forge this market as the new drive of its profit growth in the years ahead. Furthermore, to satisfy different customer needs, China Financial Services Holdings Limited has always closely monitored market development opportunities and launch diversified products when appropriate. Along with the emerging internet technology, the financial industry is experiencing an epoch-making evolution, whilst the global financial industry is developing towards the new business patterns of on-line operation, the Group intends to develop internet finance such as housing loans, car loans and SMEs micro loans, and plans to acquire relevant internet platform companies. At the same time, the Group has also set up offices in Shanghai to tap into local mortgage loan business.

FINANCIAL REVIEW

The Group continued to deliver satisfactory growth for the six months ended 30 June 2015 (the “Reporting Period”). Our outstanding loans to customers at the end of the Reporting Period was about HK\$2,658,711,000, up 23.0% as compared to end of last year. As at 30 June 2015, the aggregate amount of loan guarantee provided by the Group was approximately HK\$31,385,000. Turnover for the Reporting Period amounted to HK\$321,684,000, up 15.0% as compared to the corresponding period last year. Profit attributable to equity shareholders in the Reporting Period was HK\$176,488,000, up 29.3% as compared to the corresponding period last year.

Interest, guarantee and financing consultancy services income

Interest, guarantee and financing consultancy services income including interest income for provision of financing service amounted to approximately HK\$42,067,000, financing consultancy services income amounted to approximately HK\$279,543,000 and financing guarantee service income amounted to approximately HK\$74,000.

Interest and handling expenses

Interest and handling expenses represents finance costs for the Reporting Period. The amount were approximately HK\$40,284,000, representing an increase of 50.4% over the corresponding period in 2014. The increase was attributable to the increase in gearing.

Administrative Expenses

General and administrative expenses for the Reporting Period were approximately HK\$62,681,000, decrease by 15.1%.

Financial Resources and Capital Structure

The assets of the Group were mainly comprised of loan receivables of approximately HK\$2,658,711,000, accounting for 63.0% of the total assets of the Group as of 30 June 2015. Other major assets include goodwill of about HK\$654,744,000, accounts and interest receivables of about HK\$77,864,000, pledged bank and security deposits of approximately HK\$82,004,000, other receivables, deposits and prepayments of approximately HK\$17,830,000, available-for-sale investments of approximately HK\$24,361,000 and cash and cash equivalents of approximately HK\$699,207,000.

Current liabilities mainly comprised short-term borrowings of approximately HK\$456,204,000, bank borrowings of approximately HK\$78,722,000, other payables, deposits received and accruals of approximately HK\$19,163,000, liabilities arising from loan guarantee contracts of about HK\$706,000, income received in advance of about HK\$12,185,000 and tax payable of about HK\$51,166,000. Non-current liabilities includes bonds of about HK\$483,767,000 and deferred tax liabilities of about HK\$4,718,000.

Employee and Remuneration Policies

As at 30 June 2015, the Group had approximately 153 employees in the PRC and Hong Kong. Competitive remuneration packages and performance-based bonuses are structured to commensurate with individual responsibilities, qualifications, experience and performance. The Group also set up a share option scheme for the purpose of providing incentives to eligible grantees. For the Reporting Period, total staff costs including employee share option expenses were about HK\$23,280,000.

Use of Proceeds

During the Reporting Period, the Group raise capital through issuance of several bonds and issuance of new share to Sinoguarantee.

The net proceeds were utilized in accordance with the purposes as set out below:

	Working capital and other general corporate purpose	PRC business development	HK business development
2018 RMB Senior Bonds	190,000,000		170,000,000
2018 HKD unsecured bonds		32,000,000	
2022 HKD unsecured bonds		84,000,000	
New share subscription	300,000,000		

APPROVAL OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of the Company on 25 August 2015.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

PLEDGE OF SHARES BY THE CONTROLLING SHAREHOLDER

Mr. Cheung Siu Lam, the Company's controlling shareholder, has entered into a share charge in favour of Sinoguarantee, pursuant to which Mr. Cheung Siu Lam has charged 750 million shares he owns in the Company to Sinoguarantee. The pledge of shares is part of collaterals provided to Sinoguarantee for Sinoguarantee to provide unconditional and irrevocable guarantee to Senior Bonds issued by Golden Bauhinia Investment Holdings Company Limited (the "Issuer"), a wholly-owned subsidiary of the Company. Details of the issuance of Senior Bonds were disclosed on Note 13 on page 19.

LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

Pursuant to terms and conditions of the Senior Bonds as stated above, at any time when the shareholding of the controlling shareholder beneficially own less than 50.1% of the issued share capital of the Company, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's Bonds at 101 per cent of their principal amount.

INTERIM DIVIDEND

The Board is pleased to declare an interim dividend of HK1 cent per ordinary share of the Company for the six months ended 30 June 2015 (six months ended 30 June 2014: Nil), to the shareholders of the Company whose names are on the register of members on Thursday, 17 September 2015. The payment of interim dividend will be made on or about 29 September 2015.

CLOSURE OF REGISTER OF MEMBER

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Tuesday, 15 September 2015 to Thursday, 17 September 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend as stated in the announcement, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 14 September 2015.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) throughout the Reporting Period, except for code provisions A.1.1, A.2.1 and A.6.1:

Code Provision A.1.1

Code provision A.1.1 of the CG Code stipulates that at least 4 regular Board meetings a year at approximately quarterly intervals with active participation of majority of directors, either in person or through other electronic means of communication.

The Company does not announce its quarterly results and hence not consider the holding of quarterly meetings as necessary.

Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Board considers that the chairman’s responsibilities are to manage the Board whereas the chief executive officer’s responsibilities are to manage the Company’s businesses. The responsibilities of the chairman and the chief executive officer respectively are clear and distinctive and hence written terms thereof are not necessary.

Code Provision A.6.1

Code provision A.6.1 of the CG Code stipulates that every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on appointment. Subsequently he should receive any briefing and professional development necessary to ensure that he has a proper understanding of the issuer’s operations and business and is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the issuer’s business and governance policies.

There is currently no arrangement in place for providing professional briefings and training programmes to directors. Nevertheless, the directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. The Company would consider to engage external legal and other professional advisers for providing professional briefings and training programmes to directors whenever necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Company Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Company Code throughout the six months ended 30 June 2015.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee"), which comprises three independent non-executive directors, has reviewed the interim results for six months ended 30 June 2015. The Audit Committee considered that the interim financial report for the Reporting Period is in compliance with the relevant financial reporting standards, requirement on Listing Rules and Laws of Hong Kong, and the Company has made appropriate disclosures thereof. The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the chief financial officer or external auditors of the Company before submission to the Board.

- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.
- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee provides supervision on the internal control system of the Group and reports to the Board on any material issues and makes recommendations to the Board.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

The results announcement is published on the websites of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and the Company at www.cfsh.com.hk.

The 2015 Interim Report will be despatched to shareholders and published on both websites in due course.

On behalf of the Board
Cheung Siu Lam
Chairman

Hong Kong, 25 August 2015

As at the date of this announcement, the directors of the Company are:

Executive Directors:

Mr Luo Rui (*Chief Executive Officer*)
 Madam Guan Xue Ling
 Mr Cheung Chai Hong

Non-executive Directors:

Mr Cheung Siu Lam (*Chairman*)
 Mr Chan Yuk Ming (*Vice-chairman*)
 Mr Tao Ye

Independent Non-executive Directors:

Mr Chan Chun Keung
 Mr Wang Jian Sheng
 Mr Tsang Kwok Wai