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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)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2015	2014	Percentage change
	HK$'000	*HK$'000*	*%*
Interest and services income	**725,490**	560,496	29.4
After-tax operating profit attributable to equity shareholders (excluding effect on fair value change on convertible note and share-based payment expenses)	**359,964**	313,842	14.7
ROE (After tax operating profit attributable to equity shareholders/(Total equity attributable to equity shareholders-Goodwill))	**15.4%**	16.6%	(7.0)
Profit for the year attributable to equity shareholders of the Company	**345,815**	293,634	17.8
Basic earnings per share (HK cents)	**9.443**	8.785	7.5

The board of directors (the "Board") of China Financial Services Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015, together with the comparative audited consolidated figures for the previous year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

	Note	**2015** **HK$'000**	2014 HK$'000
Interest, guarantee and financing consultancy services income	3	**725,490**	560,496
Interest and handling expenses	3	**(105,677)**	(41,399)
Net interest income and service income	3	**619,813**	519,097
Other income	4	**37,562**	35,496
General and administrative expenses		**(164,013)**	(143,176)
Share of loss of an associate		**(2)**	(4)
Profit before taxation	5	**493,360**	411,413
Income tax	6	**(140,308)**	(114,930)
Profit for the year		**353,052**	296,483
Attributable to:			
Equity shareholders of the Company		**345,815**	293,634
Non-controlling interests		**7,237**	2,849
Profit for the year		**353,052**	296,483
Earnings per share	9	***HK cents***	*HK cents*
– Basic		**9.443**	8.785
– Diluted		**9.409**	8.529

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Profit for the year		**353,052**	296,483
Other comprehensive loss for the year, net of nil income tax	*8*		
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation into presentation currency		**(171,339)**	(4,626)
Available-for-sale investments: net movement in the fair value reserve		**809**	790
Other comprehensive loss for the year, net of nil income tax		**(170,530)**	(3,836)
Total comprehensive income for the year		**182,522**	292,647
Attributable to:			
Equity shareholders of the Company		**183,024**	289,860
Non-controlling interests		**(502)**	2,787
Total comprehensive income for the year		**182,522**	292,647

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	2015 HK$'000	2014 HK$'000
Non-current assets			
Property, plant and equipment		**5,265**	5,148
Goodwill		**616,316**	654,528
Interest in an associate		**3,705**	3,856
Available-for-sale investments		**42,067**	31,832
Loans receivable	*10*	**22,699**	–
		690,052	695,364
Current assets			
Financial assets at fair value through profit or loss		**15,291**	–
Loans receivable	*10*	**3,294,178**	2,162,264
Accounts receivable	*11(a)*	**51,409**	20,631
Interests receivable	*11(b)*	**33,246**	14,443
Other receivables, deposits and prepayments		**30,194**	7,892
Tax recoverable		**–**	151
Pledged bank and security deposits paid		**53,224**	146,383
Cash and cash equivalents		**668,603**	153,014
		4,146,145	2,504,778
Current liabilities			
Short-term borrowings		**917,789**	430,735
Bank loans		**75,745**	68,452
Convertible note		**–**	26,728
Security deposits received		**5,722**	–
Amount due to an associate		**3,151**	3,549
Other payables, deposits received and accruals		**44,389**	15,388
Liabilities arising from loan guarantee contracts		**59**	639
Income received in advance		**8,534**	7,461
Financial derivatives		**493**	266
Tax payable		**96,145**	69,808
		1,152,027	623,026
Net current assets		**2,994,118**	1,881,752
Total assets less current liabilities		**3,684,170**	2,577,116

	2015	2014
	HK$'000	*HK$'000*
Non-current liabilities		
Senior bonds	**355,233**	–
Unsecured bonds due 2018	**53,112**	–
Unsecured bonds due 2022	**194,645**	–
Deferred tax liabilities	**6,770**	6,421
	609,760	6,421
NET ASSETS	**3,074,410**	2,570,695
EQUITY		
Share capital	**1,746,674**	1,420,378
Reserves	**1,201,735**	1,125,257
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	**2,948,409**	2,545,635
Non-controlling interests	**126,001**	25,060
TOTAL EQUITY	**3,074,410**	2,570,695

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

		Attributable to equity shareholders of the Company									
	Note	**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$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total equity** *HK$'000*
Balance at 1 January 2014		312,908	943,981	12,919	39,013	(1,453)	18,768	764,329	2,090,465	40,746	2,131,211
Changes in equity in 2014:											
Profit for the year		–	–	–	–	–	–	293,634	293,634	2,849	296,483
Other comprehensive loss	8	–	–	–	(4,564)	790	–	–	(3,774)	(62)	(3,836)
Total comprehensive income		–	–	–	(4,564)	790	–	293,634	289,860	2,787	292,647
Transition to no-par value regime on 3 March 2014		943,981	(943,981)	–	–	–	–	–	–	–	–
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)
Dividend paid		–	–	–	–	–	–	(34,291)	(34,291)	–	(34,291)
Acquisition of non-controlling interests in a subsidiary		–	–	–	–	–	–	16,012	16,012	(18,473)	(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	25,060	2,570,695
Changes in equity in 2015:											
Profit for the year		–	–	–	–	–	–	345,815	345,815	7,237	353,052
Other comprehensive loss	8	–	–	–	(163,600)	809	–	–	(162,791)	(7,739)	(170,530)
Total comprehensive income		–	–	–	(163,600)	809	–	345,815	183,024	(502)	182,522
Equity settled share-based transactions		–	–	14,149	–	–	–	–	14,149	–	14,149
Shares issued under share option scheme		26,549	–	(6,218)	–	–	–	–	20,331	–	20,331
Shares issued under subscription agreement		300,000	–	–	–	–	–	–	300,000	–	300,000
Share issue expenses in relation to subscription agreement		(253)	–	–	–	–	–	–	(253)	–	(253)
Capital contribution from non-controlling shareholders of a subsidiary		–	–	–	–	–	–	–	–	101,443	101,443
Dividend paid		–	–	–	–	–	–	(114,477)	(114,477)	–	(114,477)
Transfer to reserve		–	–	–	–	–	7,691	(7,691)	–	–	–
Balance at 31 December 2015		**1,746,674**	**–**	**40,950**	**(129,151)**	**146**	**28,833**	**1,260,957**	**2,948,409**	**126,001**	**3,074,410**

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2015 and 2014 included in this preliminary announcement of annual results 2015 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2015 to the Registrar of Companies in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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:

- Amendments to HKAS 19 *"Employee Benefits": Defined benefit plans: Employee contributions*
- Annual Improvements to *HKFRSs 2010-2012 Cycle*
- Annual Improvements to *HKFRSs 2011-2013 Cycle*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendments to HKAS 19 "Employee Benefits": Defined benefit plans: Employee contributions

The amendments introduce a relief to reduce the complexity of accounting for certain contributions from employees or third parties under defined benefit plans. When the contributions are eligible for the practical expedient provided by the amendments, a company is allowed to recognise the contributions as a reduction of the service cost in the period in which the related service is rendered, instead of including them in calculating the defined benefit obligation. The amendments do not have an impact on these financial statements as the Group did not have any defined benefit plans for its employees.

Annual Improvements to HKFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24 "Related Party Disclosures" has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

3. REVENUE AND SEGMENT REPORTING

a) Revenue

The amount of each significant category of revenue during the year is as follows:

	2015	2014
	HK$'000	*HK$'000*
Interest, guarantee and financing consultancy services income		
Pawn loans, loans receivable from micro-lending and money-lending	**155,036**	71,453
Designated loans receivable	**17,996**	–
Other loans receivable	**552,385**	485,846
Financing guarantees	**73**	3,197
	725,490	560,496
Interest and handling expenses arising from:		
Bank loans	**(11,192)**	(2,155)
Short-term borrowings	**(50,508)**	(39,244)
Senior bonds	**(28,097)**	–
Unsecured bonds due 2018	**(2,589)**	–
Unsecured bonds due 2022	**(10,033)**	–
Other finance costs	**(3,258)**	–
	(105,677)	(41,399)
Net interest income and service income	**619,813**	519,097

For the year ended 31 December 2015, the total amount of interest income on financial assets not at fair value through profit or loss, including bank interest income (note 4), was HK$730,736,000 (2014: HK$562,598,000).

b) Segmental Information

(i) Operating segment information

For the years ended 31 December 2015 and 2014, the directors of the Company have determined that the Group has only one component/reportable segment as the Group is principally engaged in providing financing service which is the basis to allocate resources and assess performance of the Group.

(ii) Geographical information

The geographical location of customers is based on the location at which the services are rendered. Substantially over 90% of the Group's revenue from external customers, non-current assets and capital expenditure are located in the People's Republic of China ("PRC"), no analysis on revenue from external customers and non-current assets by location are presented.

(iii) Information about major customers

The Group's customer base is diversified, thus no single customer of the Group contributed 10% or more of the Group's revenue for the years ended 31 December 2015 and 2014.

4. OTHER INCOME

	2015	2014
	HK$'000	*HK$'000*
Bank interest income	**5,319**	5,299
Dividend income from available-for-sale investments	**917**	1,302
Income from government subsidies	**18,883**	19,535
Available-for-sale investments: reclassified from equity		
– Gain on disposal *(note 8)*	**503**	4,902
Gain on fair value change of financial assets at FVTPL	**2,724**	–
Gain on disposal of property, plant and equipment	**115**	–
Gain on fair value change on convertible note	**–**	108
(Loss)/gain on redemption of convertible note	**(1,192)**	2,053
Loss on translation of convertible note at FVTPL denominated in a foreign currency into the functional currency	**–**	(170)
	(1,192)	1,991
(Loss)/gain on fair value change of financial derivatives in respect of accumulator/decumulator contracts	**(227)**	734
Gain on disposal of forfeited collateral held for sales	**1**	4
Exchange gain/(loss), net	**8,013**	(817)
Others	**2,506**	2,546
	37,562	35,496

5. PROFIT BEFORE TAXATION

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

		2015	2014
		HK$'000	*HK$'000*
(a)	**Staff costs (including directors' emoluments):**		
	Salaries, allowances and other benefits	**35,098**	28,285
	Equity-settled share-based payment expenses	**3,338**	4,236
	Contributions to defined contribution retirement plans	**3,775**	4,477
		42,211	36,998
(b)	**Other items:**		
	Depreciation	**2,455**	4,940
	Operating lease charges in respect of properties	**9,998**	6,487
	Auditors' remuneration	**1,942**	1,538
	Reversal of undue liability provision and guarantee compensation provision	**(564)**	(3,150)
	Impairment losses		
	– loans receivable	**9,141**	1,269
	– available-for-sale investments *(note 8)*	**17,039**	5,936
	Equity-settled share-based payment expenses *(see note (i) below)*	**14,149**	20,316

Note:

(i) Equity-settled share-based payment expenses include HK$3,338,000 (2014: HK$4,236,000) relating to staff costs which amount is also included in the total amount disclosed in note 5(a) for staff costs.

6. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	2015	2014
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**1,403**	–
Current tax – PRC Enterprise Income Tax		
Provision for the year	**137,719**	113,360
Under-provision in respect of prior years	**434**	492
Deferred tax		
Origination of temporary differences	**752**	1,078
	140,308	114,930

(i) The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operates.

(ii) The provision for the Hong Kong Profits Tax of the subsidiaries established in HK and the Company are calculated at 16.5% (2014: 16.5%) of the estimated taxable profit for the year.

(iii) Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI.

(iv) 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 year.

7. DIVIDEND

The directors recommend the payment of a final dividend of HK1.36 cents per share for the year ended 31 December 2015 (2014: HK2.2 cents per share). The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

8. OTHER COMPREHENSIVE LOSS

Components of other comprehensive loss, including re-classification adjustments, are as follows:

	2015	2014
	HK$'000	*HK$'000*
Exchange differences on translation into presentation currency	**(171,339)**	(4,626)
Available-for-sale investments:		
Changes in fair value recognised during the year	**(15,727)**	(244)
Reclassification adjustments for amounts transferred to profit or loss:		
– gain on disposal *(note 4)*	**(503)**	(4,902)
– impairment losses *(note 5(b))*	**17,039**	5,936
Net movement in fair value reserve during the year recognised in other comprehensive income	**809**	790
	(170,530)	(3,836)

9. 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$345,815,000 (2014: HK$293,634,000) and the weighted average number of 3,662,195,925 ordinary shares (2014: 3,342,447,980 ordinary shares) in issue during the year, calculated as follows:

(i) Profit attributable to equity shareholders of the Company

	2015	2014
	HK$'000	*HK$'000*
Profit attributable to equity shareholders	**345,815**	293,634

(ii) Weighted average number of ordinary shares (basic)

	2015	2014
	Number of Shares	*Number of Shares*
Issued ordinary shares at 1 January	**3,430,086,336**	3,129,086,336
Effect of shares issued under subscription agreement	**211,506,849**	–
Effect of share options exercised	**20,602,740**	484,932
Effect of Top-up placement	**–**	212,876,712
Weighted average number of ordinary shares at 31 December	**3,662,195,925**	3,342,447,980

(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$345,815,000 (2014: HK$291,643,000) and the weighted average number of ordinary shares of 3,675,386,648 shares (2014: 3,419,494,030 shares), calculated as follows:

(i) Profit attributable to equity shareholders of the Company (diluted)

	2015	2014
	HK$'000	*HK$'000*
Profit attributable to equity shareholders	**345,815**	293,634
Effect of gain recognised on convertible note*	**–**	(1,991)
Profit attributable to equity shareholders (diluted)	**345,815**	291,643

(ii) Weighted average number of ordinary shares (diluted)

	2015 *Number of Shares*	2014 *Number of Shares*
Weighted average number of ordinary shares (basic) at 31 December	**3,662,195,925**	3,342,447,980
Effect of deemed issue of shares under the Company's share option scheme	**13,190,723**	13,417,398
Effect of conversion of convertible note*	**–**	63,628,652
Weighted average number of ordinary shares (diluted) at 31 December	**3,675,386,648**	3,419,494,030

* *For the year ended 31 December 2015, the computation of diluted earnings per share did not assume the exercise of the Company's outstanding convertible note since the conversion would result in an increase in diluted earnings per share.*

10. LOANS RECEIVABLE

	2015 *HK$'000*	2014 *HK$'000*
Pawn loans receivable	**260,276**	302,724
Loans receivable arising from:		
– Micro-lending	**448,220**	78,340
– Money-lending	**223,560**	76,188
Designated loan receivable	**596,815**	–
Other loans receivable	**1,800,591**	1,708,822
	3,329,462	2,166,074
Allowance for doubtful debts	**(12,585)**	(3,810)
	3,316,877	2,162,264
Amounts due within one year included under current assets	**3,294,178**	2,162,264
Amounts due after one year included under non-current assets	**22,699**	–
	3,316,877	2,162,264

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

	2015					2014				
	Pawn loans receivable	Loans receivable arising from micro-lending	Loans receivable arising from money-lending	Other loans receivable	Total	Pawn loans receivable	Loans receivable arising from micro-lending	Loans receivable arising from money-lending	Other loans receivable	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Due within 1 month or on demand	**19,199**	**5,431**	**37,011**	**515,297**	**576,938**	15,009	–	30,000	30,729	75,738
Due after 1 month but within 3 months	**62,367**	**12,772**	**32,900**	**285,842**	**393,881**	13,437	–	–	403,923	417,360
Due after 3 months but within 6 months	**44,558**	**74,960**	**39,050**	**440,235**	**598,803**	39,322	18,824	1,200	334,149	393,495
Due after 6 months but within 12 months	**134,152**	**355,057**	**91,900**	**559,217**	**1,140,326**	234,956	59,516	44,988	940,021	1,279,481
Due after 12 months	**–**	**–**	**22,699**	**–**	**22,699**	–	–	–	–	–
Allowance for doubtful debts	**(2,603)**	**(4,482)**	**(5,500)**	**–**	**(12,585)**	(3,027)	(783)	–	–	(3,810)
	257,673	**443,738**	**218,060**	**1,800,591**	**2,720,062**	299,697	77,557	76,188	1,708,822	2,162,264
Add: Designated loan receivable – Due after 6 months but within 12 months					**596,815**					–
					3,316,877					2,162,264

11. ACCOUNTS RECEIVABLE AND INTERESTS RECEIVABLE

a. Accounts Receivable

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

	2015	2014
	HK$'000	*HK$'000*
Within 1 month	**11,109**	8,067
1 to 3 months	**16,299**	7,401
3 to 6 months	**18,200**	5,163
Over 6 months	**5,801**	–
	51,409	20,631

Accounts receivable are due within 30 days from the date of billing.

b. Interests Receivable

As at the end of the reporting period, the ageing analysis of interests receivable, based on the revenue recognition date, is as follows:

	2015	2014
	HK$'000	*HK$'000*
Within 1 month	**15,455**	14,443
1 to 3 months	**9,867**	–
3 to 6 months	**7,473**	–
Over 6 months	**451**	–
	33,246	14,443

Interests receivable are due within 30 days from the date of billing.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE CALENDAR

March 2015	Raised approximately RMB300,000,000 by issuing the 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 promoting jointly internet financing products;
April 2015	Awarded the "China's Most Promising Listed Companies in 2015" by Forbes;
May 2015	Raised approximately HK$300,000,000 by private placement of 400,000,000 new shares to Sinoguarantee with a lock-up period of 36 months, evidencing the determination of deepened cooperation by both parties;
July 2015	Accepted the invitation to participate in the Fourth China Finance Summit and awarded the "2015 Most Growth Value Enterprise Award";
August 2015	Entered into the memorandum of understanding with China Integrated Internet Financial Services (Shenzhen) Company Limited（中金聯合互聯網金融服務（深圳）有限公司）("Zhong Jin Lian He") for the proposed acquisition of part of the direct or indirect equity interest in an internet finance platform developed by Zhong Jin Lian He;
November 2015	Accepted the invitation to participate in the "One Belt One Road " (Hong Kong) Summit Forum cum the Fifth China Securities Golden Bauhinia Awards ceremony and received the highly-valued award of the "2015 Best Investment Value Listed Company".

INDUSTRY OVERVIEW

In 2015, global economic upheaval intensified, of which China economy suffered increasing pressure of economic downturn especially in the second half of the year. This includes significant capital market fluctuation and stock market tumbled precipitously. The situation that SMEs were facing was especially grim as perplexed by "financing is both difficult and costly". In view of this, the People's Bank of China further expanded its monetary easing measures such as trimming the reserve requirement ratio and interest rate on 7 occasions in total during the whole year, and while generally reducing the deposit reserve ratio of financial institutions, implementing the directional reserve requirement ratio reduction measure with targets several times was also in place, by which these had improved the capacity of financial institutions to support "agriculture, rural areas and farmers" and SMEs.

Furthermore, the national export-oriented strategy layout and the momentum of facilitating the development of cross-border finance for the purpose of establishing new trade finance business market was further implemented and facilitated in 2015. Under the encouraging strategies of "One Belt One Road" and enterprises "going global", as at the end of 2015, the volume of China's foreign direct investments was over trillion dollars for the first time. Trade development and industrial prosperity prompted the increase of SMEs financing demands through the supply chain which brought new businesses opportunities for the loan market.

The central government spared no efforts in stimulating the economy, such as striving to promote financial reform, pushing the deepening integration between internet and different industries, enriching the SMEs financing products through regulated development and guiding the inflow of various capital in an orderly manner. In March 2015, Premier Li Keqiang mentioned the "Internet+" vision in his Work Report during the two sessions, which adduced that internet finance had become an important industry in the PRC. It also indicated that the conditions for the development of the internet finance industry is more and more robust. In July, ten major authorities and commissions, including the People's Bank of China, China Banking Regulatory Commission, China Securities Regulatory Commission, jointly issued the Guiding Opinions On Promoting the Healthy Development Of Internet Finance (《關於促進互聯網金融健康發展的指導意見》), in which the boundaries, business rules and regulatory responsibilities for the internet finance industry are first determined and the concept of "Internet+" was fortified vigorously. It filled up the regulatory gaps of the internet financing sector and also manifested China's determination of standardizing this industry.

As a professional SMEs financial service provider, the Group endeavored to help business owners to get the funding and financial services they need by providing SMEs financing with an array of diversified financial services and solutions featuring efficiency and flexibility through different licenses in Mainland China and Hong Kong.

STRATEGY IMPLEMENTATION

Broadened our sources of funding and optimized shareholder structure

In order to grasp market opportunities, the Group actively broadened the sources of funding last year. In March 2015, the Group successfully issued the RMB300,000,000 with 6.5% coupon rate senior guaranteed bonds due in 2018, and the proceeds were 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, arranging 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. In May 2015, the Company introduced China United SME Guarantee Corporation ("Sinoguarantee") as its shareholder. It 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.

Established cooperation relationship with renowned enterprises and extended geographic reach across our business

The Group owned multi-facet financial service enterprises, including financing guarantee companies, small loan companies, pawnshops, and lease financing companies. While endeavoring to deepen the concentration on current businesses, we also expanded our geographic presence across our business continuously. Immediately after introducing Sinoguarantee as its shareholders, the Group reached preliminary intention with Sinoguarantee to establish a joint venture company in China to develop the short-term financing service and to issue more offshore bonds when needed. Such cooperation with Sinoguarantee can effectively enhance the Group's credit capability and 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 development.

To accelerate the pace of internet financial strategy of the Group, in August 2015, the Company entered into a memorandum of understanding with China Integrated Internet Financial Services (Shenzhen) Company Limited（中金聯合互聯網金融服務（深圳）有限公司）("Zhong Jin Lian He") for the proposed acquisition of part of the direct or indirect equity interest in an internet finance platform developed by Zhong Jin Lian He. Zhong Jin Lian He Internet Finance Platform is an internet investment platform with moderate investment style which in the future will become our strategic partner when appropriate. We wish to widen our channel of obtaining clientele by leveraging its existing clients.

Furthermore, during the year, the Group cooperated with Beijing Phoenix Li Li Ta Information Technology Co, Ltd.（北京鳳凰理理它資訊技術有限公司）("Phoenix Financial") to jointly establish an integrated finance information service platform, "Li Li Dai"（理理貸）, and jointly launched "Feng Jia Dai"（鳳加貸）, a new online lending product targeting for the needs of second mortgage products of real estate market in Beijing. This is another major encouraging news after introducing Sinoguarantee as our strategic investor, taking an important step in moving towards internet financing for the Group.

During the year, the Group cooperated with China Development Bank Capital Corporation Limited ("CDBC") and Beijing Municipal Commission of Development & Reform ("BJMCDR") to jointly invest and establish CFSH Urban Development (Beijing) Small Loan Co., Ltd.（中金城開（北京）小額貸款有限公司）in Miyun County, Beijing with a registered capital of RMB400,000,000 in which the Group holds 80% equity interest. The focus is to engage in the provision of financial service for the development of SMEs, "agriculture, rural areas and farmers" and small town construction in Beijing area. The successful signing and substantiated development of the project will further improve the influence and attraction of the modern service industry in Beijing particularly Miyun County, and promote the development of related industries.

INDUSTRY RECOGNITION

After many years of cultivation by the Company, its results are already recognized in various aspects. In April 2015, the Company distinguished itself and successfully ranked the 16th Place of the "2015 Top 100 Chinese Listed Enterprises with Tremendous Potential" of Forbes among the numerous high-growth listed enterprises.

In July, the 4th China Finance Summit was held in Beijing. It is a great brainstorming conference that has the most influential impact on domestic economy and the Company was honoured to be invited to participate and was awarded the "Enterprise with Highest Growth Potential Award in 2015".

The "One Belt One Road" (Hong Kong) Summit Forum cum the 5th China Securities Golden Bauhinia Award Presentation Ceremony, co-hosted by Takung News Office in Hong Kong, the Listed Companies Association of Beijing, the Hong Kong Chinese Enterprises Association and Chinese Securities Association of Hong Kong, was held in November. The Company won "Best Investment Value Award for Listed Companies" for the year of 2015 with high value because of its sound operating results, promising development prospects and sound social benefits.

FUTURE PROSPECTS

At the beginning of 2016, the plunge of the Chinese stock market and continuous depreciation of RMB exchange rate concussed a number of markets globally, which clearly demonstrated that we are in a new layout of financial globalization and information globalization. We expect that the global economy, including China economy, will continue to be volatile and unpredictable in 2016, however, it also underlays tremendous market opportunities.

In light of market changes, the Group will adhere to the business vision of being "Professional, Saneness, Innovative, Practical", continue to play a catalytical role in helping many quality SMEs on their career paths. Last year, the Group progressively developed the businesses in other regions, stepped up the efforts in product innovation and provided financing by taking full advantage of internet finance platforms. We expect these progresses will provide a solid base for obtaining further development of the Group. Apart from the continuous development of short-term financing services in SMEs and second lien loan, the Group will also develop other standardized products, such as housing loans, car mortgage loans and SMEs micro loans. 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.

BUSINESS REVIEW

We are one of the major integrated SME financial service providers in China and Hong Kong, which principally engaged in the provision of short-term financing services (primarily comprised of pawn loans and small loans) and financial guarantee services to SMEs, microenterprises and individuals.

The majority of the pawn loans we extend to customers are secured by collateral in the form of real estate and automobiles. Pawn loans secured by real estate property account for the majority of our short-term financing in terms of outstanding loan amounts. We also provide pawn loans secured by automobiles. The Group started its standardized second mortgage loan service the end of last year with Hong Kong and Beijing as starting points. The standardized second 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 finance companies. Meanwhile, due to more stringent regulatory measures, it is relatively difficult for certain small and medium sized finance companies to grant loans, which results increase in market demand. As for our micro-lending loan segment, we engage in both secured and unsecured financing, with the majority of the micro-lending loan we provide are secured by real estate.

FINANCIAL REVIEW

To further support real economic development and promote structural adjustment, last year, the People's Bank of China announced on several occasions 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".

Despite the frequent easing marco-monetary policy, the Group continued to deliver satisfactory growth for the year ended 31 December 2015. At the end of the year the loans receivable was about HK$3,316,877,000, up 53.4% as compared to end of last year. The accumulated loan management size at the year ended 31 December 2015 amounted to approximately HK$2,720 million. The monthly average direct loan balance increased by 21.8% year-on-year to approximately HK$2,296 million. As at 31 December 2015, the aggregate amount of loan guarantee provided by the Group was approximately HK$2,387,000. Interest, guarantee and financial consultancy services income for the year amounted to HK$725,490,000, up 29.4% as compared to the corresponding period last year. Profit attributable to equity shareholders for the year ended 31 December 2015 was HK$345,815,000, up 17.8% as compared to the corresponding period last year. The increase was mainly attributable to increase in standardized second mortgage loan and micro-lending loans and also our expansion in geographic coverage. During the year, the Group actively and stringently reviewed and approved every loan for the purpose of controlling bad debts risks. We also reduce the average loan size, thus increase number of customers to reduce concentration risk.

Interest, guarantee and financing consultancy services income

Interest, guarantee and financing consultancy services income including interest income for pawn loans, loans receivable from micro-lending and money-lending amounted to approximately HK$155,036,000, interest income for other loans receivable amounted to approximately HK$552,385,000, financing guarantee services income amounted to approximately HK$73,000 and interest on designated loans receivable amounted to approximately HK$17,996,000.

Interest and handling expenses

Interest and handling expenses represents finance costs for the year ended 31 December 2015. The amount were approximately HK$105,677,000, representing an increase of 155.3% over the corresponding period in 2014. The increase was attributable to the increase in gearing, mainly from the issuance of bonds.

General and Administrative Expenses

General and administrative expenses for the year ended 31 December 2015 were approximately HK$164,013,000, increased by 14.6%.

Financial Resources and Capital Structure

The assets of the Group were mainly comprised of loans receivable of approximately HK$3,316,877,000, accounting for 68.6% of the total assets of the Group as of 31 December 2015. Other major assets include goodwill of about HK$616,316,000, accounts receivable of approximately HK$51,409,000, interests receivable of approximately HK$33,246,000, pledged bank and security deposits paid of approximately HK$53,224,000, other receivables, deposits and prepayments of approximately HK$30,194,000, available-for-sale investments of approximately HK$42,067,000 and cash and cash equivalents of approximately HK$668,603,000.

Current liabilities mainly comprised short-term borrowings of approximately HK$917,789,000, bank loans of approximately HK$75,745,000, security deposits received of about HK$5,722,000, other payables, deposits received and accruals of approximately HK$44,389,000, liabilities arising from loan guarantee contracts of about HK$59,000, income received in advance of about HK$8,534,000 and tax payable of about HK$96,145,000. Non-current liabilities includes bonds of about HK$602,990,000 and deferred tax liabilities of about HK$6,770,000.

Employee and Remuneration Policies

As at 31 December 2015, the Group had approximately 159 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. Total staff costs for the year ended 31 December 2015 including employee share option expenses were about HK$42,211,000.

Use of Proceeds

During the year, 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	155,000,000		200,000,000
2018 HKD unsecured bonds		53,000,000	
2022 HKD unsecured bonds		195,000,000	
New share subscription	190,000,000		110,000,000

APPROVAL OF THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The consolidated 2015 financial statements were approved and authorised for issue by the Board of the Company on 21 March 2016.

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 year ended 31 December 2015.

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.

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% of their principal amount.

FINAL DIVIDEND

The Board recommends payment of a final dividend of HK1.36 cents per ordinary share of the Company for the financial year ended 31 December 2015 (2014: HK2.2 cents per ordinary share), to the shareholders of the Company whose names are on the register of members on Wednesday, 8 June 2016, subject to the approval by the Company's shareholders at the forthcoming annual general meeting of the Company to be held on Friday, 27 May 2016 ("AGM") and compliance with the Companies Ordinance and other relevant rules and regulations. The payment of final dividend will be made on or about Friday, 17 June 2016.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 25 May 2016 to Friday, 27 May 2016, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the AGM, 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 Tuesday, 24 May 2016.

For determining the entitlement to the proposed final dividend (subject to the approval of the shareholders at the AGM), the register of members of the Company will be closed from Monday, 6 June 2016 to Wednesday, 8 June 2016, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend as stated in this 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 Friday, 3 June 2016.

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 (the "Stock Exchange") (the "Listing Rules") throughout the year ended 31 December 2015, 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 year ended 31 December 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 (the "Audit Committee"), which comprises of three independent non-executive directors, has reviewed the final results for the year ended 31 December 2015. The Audit Committee considered that the annual financial report for the year ended 31 December 2015 is in compliance with the relevant financial reporting standards, requirement on the 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.

SCOPE OF WORK OF CROWE HORWATH (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2015 as set out in the preliminary announcement have been agreed by the Group's auditor, Crowe Horwath (HK) CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Crowe Horwath (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe Horwath (HK) CPA Limited on the preliminary announcement.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

This announcement will be published on the Stock Exchange's website and the Company's website (www.cfsh.com.hk). The 2015 annual report will also be published on the Stock Exchange's website and the Company's website and will be despatched to the shareholders of the Company.

ACKNOWLEDGEMENT

The Board would like to take this opportunity to express our sincere thanks to all stakeholders for their supports during the year.

On behalf of the Board
China Financial Services Holdings Limited
Cheung Siu Lam
Chairman

Hong Kong, 21 March 2016

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 Zhang Xiaobin
Madam Huang Mei

Independent Non-executive Directors:
Mr Chan Chun Keung
Mr Wang Jian Sheng
Mr Tsang Kwok Wai