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 2017

## FINANCIAL HIGHLIGHTS

| | **Unaudited six months ended 30 June 2017** | Unaudited six months ended 30 June 2016 | **Percentage changes** |
|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | |
| Interest, guarantee and financing consultancy services income | **377,488** | 354,306 | 6.5% |
| Profit for the period attributable to equity shareholders of the Company | **186,321** | 181,008 | 2.9% |
| Basic earnings per share | **HK4.85 cents** | HK4.71 cents | 3.0% |

## 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 2017 (the "Reporting Period") together with the comparative figures as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2017 – unaudited*

| | | **For the six months ended 30 June** | |
|---|---|---|---|
| | | **2017** | 2016 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| Interest, guarantee and financing consultancy services income | *4* | **377,488** | 354,306 |
| Interest and handling expenses | *4* | **(47,341)** | (51,751) |
| **Net interest income and service income** | *4* | **330,147** | 302,555 |
| Other income | *5* | **17,263** | 28,307 |
| General and administrative expenses | | **(66,985)** | (68,076) |
| Share of loss of an associate | | **–** | (1) |
| **Profit before taxation** | *6* | **280,425** | 262,785 |
| Income tax | *7* | **(84,288)** | (74,818) |
| **Profit for the period** | | **196,137** | 187,967 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **186,321** | 181,008 |
| Non-controlling interests | | **9,816** | 6,959 |
| **Profit for the period** | | **196,137** | 187,967 |
| **Earnings per share** | *9* | ***HK cents*** | *HK cents* |
| – Basic | | **4.85** | 4.71 |
| – Diluted | | **4.82** | 4.70 |

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

*For the six months ended 30 June 2017 – unaudited*

| | | For the six months ended 30 June | |
|---|---|---|---|
| | | **2017** | 2016 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| **Profit for the period** | | **196,137** | 187,967 |
| **Other comprehensive income/(loss) for the period, net of nil income tax** | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translation into presentation currency | *8* | **97,536** | (60,155) |
| Available-for-sale investments: net movement in the fair value reserve | *8* | **654** | (149) |
| **Other comprehensive income/(loss) for the period, net of nil income tax** | | **98,190** | (60,304) |
| **Total comprehensive income for the period** | | **294,327** | 127,663 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **280,360** | 123,300 |
| Non-controlling interests | | **13,967** | 4,363 |
| **Total comprehensive income for the period** | | **294,327** | 127,663 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2017 – unaudited*

| | *Note* | **At 30 June 2017** ***HK$'000*** | At 31 December 2016 *HK$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **5,514** | 4,514 |
| Goodwill | | **594,914** | 577,230 |
| Interest in an associate | | **3,573** | 3,467 |
| Available-for-sale investments | | **72,736** | 26,259 |
| Loans receivable | *10* | **42,533** | 33,655 |
| Deposits for acquisition of companies | | **56,210** | – |
| | | **775,480** | 645,125 |
| **Current assets** | | | |
| Financial assets at fair value through profit or loss | | **–** | 17,817 |
| Loans receivable | *10* | **3,252,921** | 3,549,974 |
| Accounts receivable | *11* | **9,647** | 13,428 |
| Interests receivable | *12* | **18,284** | 11,615 |
| Other receivables, deposits and prepayments | | **452,069** | 39,490 |
| Amount due from non-controlling interest | | **14,801** | 6,894 |
| Tax recoverable | | **100** | 99 |
| Pledged bank and security deposits paid | | **4,778** | 4,615 |
| Cash and cash equivalents | | **293,300** | 273,291 |
| | | **4,045,900** | 3,917,223 |
| **Current liabilities** | | | |
| Short-term borrowings | | **428,946** | 580,191 |
| Bank loans | | **148,262** | 77,076 |
| Senior bonds | | **342,212** | – |
| Unsecured bonds | | **38,739** | 3,813 |
| Security deposits received | | **82,782** | 10,764 |
| Amount due to an associate | | **3,033** | 2,942 |
| Other payables, deposits received and accruals | | **67,796** | 34,041 |
| Income received in advance | | **13,706** | 19,230 |
| Financial derivatives | | **–** | 1,032 |
| Tax payable | | **109,150** | 112,443 |
| | | **1,234,626** | 841,532 |
| **Net current assets** | | **2,811,274** | 3,075,691 |
| **Total assets less current liabilities** | | **3,586,754** | 3,720,816 |

| | At 30 June 2017 *HK$'000* | At 31 December 2016 *HK$'000* |
|---|---|---|
| **Non-current liabilities** | | |
| Senior bonds | **–** | 334,187 |
| Unsecured bonds | **228,090** | 260,153 |
| Deferred tax liabilities | **631** | 3,769 |
| | **228,721** | 598,109 |
| **NET ASSETS** | **3,358,033** | 3,122,707 |
| **EQUITY** | | |
| Share capital | **1,761,671** | 1,760,956 |
| Reserves | **1,465,721** | 1,233,067 |
| **TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY** | **3,227,392** | 2,994,023 |
| Non-controlling interests | **130,641** | 128,684 |
| **TOTAL EQUITY** | **3,358,033** | 3,122,707 |

*Notes:*

## 1. BASIS OF PREPARATION

This interim financial report 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). It was authorised for issue on 30 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report 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. This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2016 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by the Company's Audit Committee. The interim financial report 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. Crowe Horwath's independent review report to the Board of Directors is included in the interim financial report.

The financial information relating to the financial year ended 31 December 2016 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

## 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued several amendments to HKFRSs that are first effective for the current accounting period of the group. None of these developments has had a material effect on how the group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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 8 "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

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| **Interest, guarantee and financing consultancy services income** | | |
| Pawn loans, loans receivable from micro-lending and money-lending | **110,894** | 97,774 |
| Other loans receivable | **266,594** | 256,532 |
| | **377,488** | 354,306 |
| **Interest and handling expenses arising from:** | | |
| Bank loans | **(2,587)** | (241) |
| Short-term borrowings | **(17,545)** | (20,655) |
| Senior bonds | **(8,845)** | (11,943) |
| Unsecured bonds | **(12,411)** | (12,160) |
| Other finance costs | **(5,953)** | (6,752) |
| | **(47,341)** | (51,751) |
| **Net interest income and service income** | **330,147** | 302,555 |

The total amount of interest income on financial assets not at fair value through profit or loss during the six months ended 30 June 2017 was (including bank interest income) HK$378,343,000 (six months ended 30 June 2016: HK$356,404,000).

## 5. OTHER INCOME

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Bank interest income | **855** | 2,098 |
| Dividend income from available-for-sale investments | **170** | 178 |
| Interest income from financial assets at FVTPL | **498** | 207 |
| Interest income from perpetual bond | **577** | – |
| Income from government subsidies | **10,884** | 15,694 |
| Available-for-sale investments: reclassified from equity | | |
| – Gain on disposal *(note 8)* | **1,221** | 105 |
| Gain on fair value change of financial assets at FVTPL | | |
| – Change on fair value of financial assets at FVTPL | **–** | 108 |
| – Loss on disposal of financial assets at FVTPL | **(18)** | – |
| | **(18)** | 108 |
| Gain on fair value change of financial derivatives in respect of accumulator contract | **–** | 348 |
| Gain on disposal of financial derivatives, at FVTPL | **1,032** | – |
| Interest income from designated loan receivable | **–** | 6,782 |
| Exchange (loss)/gain, net | **(1,195)** | 593 |
| Others | **3,239** | 2,194 |
| | **17,263** | 28,307 |

## 6. PROFIT BEFORE TAXATION

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| **(a) Staff costs (including directors' emoluments):** | | |
| Salaries, allowances and other benefits | **24,069** | 21,034 |
| Equity-settled share-based payment expenses | **257** | 1,767 |
| Contributions to defined contribution retirement plans | **2,064** | 1,837 |
| | **26,390** | 24,638 |
| **(b) Other items:** | | |
| Depreciation of property, plant and equipment | **1,457** | 1,295 |
| Operating lease charges in respect of properties | **5,264** | 3,796 |
| Reversal of undue liability and guarantee compensation | **–** | (59) |
| Impairment losses | | |
| – loans receivable | **824** | 994 |
| – available-for-sale investments *(note 8)* | **–** | 596 |
| Consultancy fee | **10,215** | 8,582 |
| Equity-settled share-based payment expenses | **2,848** | 5,865 |

## 7. INCOME TAX

| | For the six months ended 30 June | |
|---|---|---|
| | **2017** | 2016 |
| | ***HK$'000*** | *HK$'000* |
| Current Tax | | |
| Hong Kong Profits Tax | **3** | 57 |
| PRC Income Tax | **87,486** | 74,954 |
| | **87,489** | 75,011 |
| Deferred tax | | |
| Reversal and origination of temporary differences | **(3,201)** | (193) |
| | **84,288** | 74,818 |

### (a) Hong Kong

The provision for the Hong Kong Profits Tax of the subsidiaries established in HK is calculated at 16.5% (2016: 16.5%) of the estimated taxable profit for the six months ended 30 June 2017.

### (b) The PRC

The provision for the PRC Enterprise Income Tax of the subsidiaries established in the PRC is calculated at 25% (2016: 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).

For the purpose of the interim financial report, 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.

## 8. OTHER COMPREHENSIVE INCOME/(LOSS)

Components of other comprehensive income/(loss), including re-classification adjustments, are as follows:

| | | For the six months ended 30 June | |
|---|---|---|---|
| | | **2017** | 2016 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| **Exchange differences on translation into presentation currency** | | **97,536** | (60,155) |
| **Available-for-sale investments:** | | | |
| Changes in fair value recognised during the period | | **1,875** | (640) |
| Reclassification adjustments for amounts transferred to profit or loss: | | | |
| – gain on disposal | *5* | **(1,221)** | (105) |
| – impairment losses | *6(b)* | **–** | 596 |
| Net movement in fair value reserve during the period recognised in other comprehensive income/(loss) | | **654** | (149) |
| | | **98,190** | (60,304) |

## 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$186,321,000 (six months ended 30 June 2016: HK$181,008,000) and the weighted average number of 3,841,012,137 ordinary shares (six months ended 30 June 2016: 3,840,100,962 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$186,321,000 (six months ended 30 June 2016: HK$181,008,000) and the weighted average number of 3,864,830,017 ordinary shares (six months ended 30 June 2016: 3,848,001,307 ordinary shares).

## 10. LOANS RECEIVABLE

| | At<br>**30 June**<br>**2017**<br>***HK$'000*** | At<br>31 December<br>2016<br>*HK$'000* |
|---|---|---|
| Pawn loans receivable | **264,265** | 255,281 |
| Loans receivable arising from: | | |
| – Micro-lending | **738,732** | 635,566 |
| – Money-lending | **339,881** | 273,986 |
| Other loans receivable | **1,962,606** | 2,427,716 |
| | **3,305,484** | 3,592,549 |
| *Less:* Allowance for doubtful debts | | |
| – Collectively assessed | **(10,030)** | (8,920) |
| – Individually assessed | **–** | – |
| | **(10,030)** | (8,920) |
| | **3,295,454** | 3,583,629 |
| Amounts due within one year included under current assets | **3,252,921** | 3,549,974 |
| Amounts due after one year included under non-current assets | **42,533** | 33,655 |
| | **3,295,454** | 3,583,629 |

Approximately HK$2,955,572,000 (at 31 December 2016: HK$3,309,643,000) of the Group's loans receivable were arising from the PRC and are denominated in Renminbi ("RMB"). The loans receivable in the PRC carry interest plus service charge at a monthly effective rate of 1.0% to 4.3% (at 31 December 2016: 1.0% to 4.3%), and the loans receivable in Hong Kong carry interest at a monthly effective rate of 0.4% to 3.0% (at 31 December 2016: 0.6% to 3.0%). As at 30 June 2017 and 31 December 2016, in the opinion of the Company's directors, the Group held collateral with value not less than the carrying amount of the loans receivable.

## a) Maturity profile

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

| | At 30 June 2017 | | | | | At 31 December 2016 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **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 | **4,091** | **18,976** | **47,485** | **190,139** | **260,691** | 11,170 | 46,897 | 73,265 | 883,662 | 1,014,994 |
| Due after 1 month but within 3 months | **58,680** | **89,640** | **17,000** | **525,932** | **691,252** | 4,036 | 41,465 | 57,890 | 337,269 | 440,660 |
| Due after 3 months but within 6 months | **78,176** | **229,283** | **75,100** | **502,942** | **885,501** | 60,592 | 133,246 | 41,400 | 308,528 | 543,766 |
| Due after 6 months but within 12 months | **123,318** | **389,311** | **169,170** | **743,593** | **1,425,392** | 179,483 | 409,934 | 71,800 | 898,257 | 1,559,474 |
| Due after 12 months | **–** | **11,522** | **31,126** | **–** | **42,648** | – | 4,024 | 29,631 | – | 33,655 |
| Allowance for doubtful debts | **(2,643)** | **(7,387)** | **–** | **–** | **(10,030)** | (2,553) | (6,367) | – | – | (8,920) |
| | **261,622** | **731,345** | **339,881** | **1,962,606** | **3,295,454** | 252,728 | 629,199 | 273,986 | 2,427,716 | 3,583,629 |

b) **Analysed by credit quality**

| | At 30 June 2017 | | | | | At 31 December 2016 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **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* |
| **Loans receivable that are not impaired** | | | | | | | | | | |
| – Neither past due nor impaired | **–** | **–** | **301,596** | **1,947,841** | **2,249,437** | – | – | 210,700 | 2,292,992 | 2,503,692 |
| – Less than 1 month past due | **–** | **–** | **–** | **8,065** | **8,065** | – | – | – | 132,377 | 132,377 |
| – 1 to 3 months past due | **–** | **–** | **–** | **–** | **–** | – | – | – | – | – |
| – Over 3 months past due | **–** | **–** | **38,285** | **6,700** | **44,985** | – | – | 63,286 | 2,347 | 65,633 |
| | **–** | **–** | **339,881** | **1,962,606** | **2,302,487** | – | – | 273,986 | 2,427,716 | 2,701,702 |
| **Loans receivable that are impaired collectively** | | | | | | | | | | |
| – Not past due | **264,265** | **738,075** | **–** | **–** | **1,002,340** | 255,281 | 633,889 | – | – | 889,170 |
| – Less than 1 month past due | **–** | **657** | **–** | **–** | **657** | – | 1,118 | – | – | 1,118 |
| – 1 to 3 months past due | **–** | **–** | **–** | **–** | **–** | – | 559 | – | – | 559 |
| – Over 3 months past due | **–** | **–** | **–** | **–** | **–** | – | – | – | – | – |
| – Allowance for doubtful debts | **(2,643)** | **(7,387)** | **–** | **–** | **(10,030)** | (2,553) | (6,367) | – | – | (8,920) |
| | **261,622** | **731,345** | **–** | **–** | **992,967** | 252,728 | 629,199 | – | – | 881,927 |
| Total | **261,622** | **731,345** | **339,881** | **1,962,606** | **3,295,454** | 252,728 | 629,199 | 273,986 | 2,427,716 | 3,583,629 |

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

Loans receivable 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. ACCOUNTS RECEIVABLE

| | At 30 June 2017 *HK$'000* | At 31 December 2016 *HK$'000* |
|---|---|---|
| Accounts receivable | **9,647** | 13,428 |

All of the Group's accounts receivable were arising from the PRC and are denominated in 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 revenue recognition date, is as follows:

| | At 30 June 2017 *HK$'000* | At 31 December 2016 *HK$'000* |
|---|---|---|
| Within 1 month | **9,157** | 8,753 |
| 1 to 3 months | **337** | 4,613 |
| 3 to 6 months | **153** | 62 |
| Over 6 months | **–** | – |
| | **9,647** | 13,428 |

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

b) **Accounts receivable that are not impaired**

| | At<br>30 June<br>2017<br>*HK$'000* | At<br>31 December<br>2016<br>*HK$'000* |
|---|---|---|
| Neither past due nor impaired | **9,157** | 8,753 |
| Less than 1 month past due | **205** | 4,055 |
| 1 to 3 months past due | **263** | 592 |
| 4 to 6 months past due | **22** | 28 |
| Over 6 months past due | **–** | – |
| | **9,647** | 13,428 |

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

Accounts receivable 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. INTERESTS RECEIVABLE

| | At<br>30 June<br>2017<br>*HK$'000* | At<br>31 December<br>2016<br>*HK$'000* |
|---|---|---|
| Interests receivable | **18,284** | 11,615 |

### i) Ageing analysis

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

| | At 30 June 2017 *HK$'000* | At 31 December 2016 *HK$'000* |
|---|---|---|
| Within 1 month | **14,283** | 8,584 |
| 1 to 3 months | **1,031** | 1,093 |
| 3 to 6 months | **1,202** | 154 |
| Over 6 months | **1,768** | 1,784 |
| | **18,284** | 11,615 |

Interests receivable are due within 30 days from the date of billing (or on maturity date of loans receivable according to the relevant loan agreements).

### ii) Interests receivable that are not impaired

| | At 30 June 2017 *HK$'000* | At 31 December 2016 *HK$'000* |
|---|---|---|
| Neither past due nor impaired | **15,299** | 8,584 |
| Less than 1 month past due | **562** | 572 |
| 1 to 3 months past due | **27** | 572 |
| 4 to 6 months past due | **724** | 103 |
| Over 6 months past due | **1,672** | 1,784 |
| | **18,284** | 11,615 |

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

Interests receivable 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY REVIEW

### Industry overview

In the first half of 2017, the PRC government has set the tone of monetary policy to be prudent and neutral via avoiding excessive liquidity injections. We witnessed a recent wave of monetary regulations that tightened risk control and interbank liquidity in China. This led to tighter overall liquidity in the economy, and hence reduced the availability of credits and funding for most corporates. Difficulty for small and medium enterprises to get access to financing from traditional channels gives rise to more opportunities for non-bank financial services companies like us. The benefit is reflected in both loan volume and loan yield.

Meanwhile, home price growth has slowed down slightly in recent months in major cities due to cooling off measures from the government. Year-on-year price growth in Shenzhen, Shanghai and Beijing has slowed to 2.7%, 8.6% and 10.7%, respectively. However, property markets in major cities are still largely stable, which provides a healthy backdrop for us to conduct loan business using real estate in Beijing and Hong Kong as collateral.

## BUSINESS REVIEW

Our Group is one of the leading integrated financial services providers in Mainland China and Hong Kong. We mainly engage in the provision of short-term financing services to small and medium enterprises, micro-enterprises and individuals. Most mortgage loans granted to customers use real estate as collateral.

The acquisition of Chengdu Vision Credit from Value Partners Group (806 HK) establishes an essential foundation for the Group to capture cross-regional business opportunities through utilizing the National Internet Finance License. The license allows the Group to conduct cross-regional operations immediately as well as engage in multi-dimensional financial services including consumer finance and supply chain finance. Furthermore, it represents a horizontal integration opportunity for the Company that brings synergy to our existing business.

In the first half of 2017, Fosun Group became a strategic shareholder of the Company. We look forward to have more strategic cooperation with renowned financial institutions in the future. Going forward, we will continue to look for more acquisition opportunities that can bring strategic value to the Group. For overseas, we primarily focus on acquiring asset-light platform surrounding global asset allocation needs of Chinese high net worth individuals, aiming to provide dynamic financial services to this growing class of clients. We envisage the Group to continue to move towards becoming an integrated financial service provider.

## FUTURE PROSPECTS

Aside from the organic growth in its core business, the Group aims to grasp market opportunities and pursue acquisitions that bring strategic value, with the focus of acquiring asset-light platforms surrounding high-net-worth individuals. The management is confident that the Group will further expand the scope of our financial services to cater to the needs of high-net worth-individuals, thereby taking the Group to the next level. Going forward, we will continue to maximize shareholders' value through continuing to grow our existing business as well as explore new business opportunities.

## FINANCIAL REVIEW

For the six months ended 30 June 2017 (the "Reporting Period"), the Group reported a revenue of approximately HK$377,488,000, an increase of 6.5% as compared to approximately HK$354,306,000 for the corresponding period in 2016. The growth in revenue was mainly attributable to an increase in interest and financing consultancy services income. Profit attributable to equity shareholders in the Reporting Period was approximately HK$186,321,000, up 2.9% as compared to the corresponding period last year. The loans receivable as at 30 June 2017 was about HK$3,295,454,000, up 14.2% 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 and services income for pawn loans, micro-lending and money lending amounted to approximately HK$110,894,000, interest and services income for other loans receivables amounted to approximately HK$266,594,000.

**Interest and handling expenses**

Interest and handling expenses represent finance costs for the Reporting Period. The amount was approximately HK$47,341,000, representing an decrease of 8.5% over the corresponding period in 2016.

**General and administrative expenses**

General and administrative expenses for the Reporting Period were approximately HK$66,985,000, primarily comprised staff costs, legal and professional fee, intermediary handling charges, share based expenses and rental expenses.

**Profit for the period**

The profit for the period attributable to equity shareholders for the Company was approximately HK$186,321,000, representing an increase of about 2.9% as compared to approximately HK$181,008,000 for the corresponding period last year. Increase in withholding tax for distribution of dividends from PRC subsidiaries affected the increment of profit for the Reporting Period.

**Financial Resources and Capital Structure**

The assets of the Group were mainly comprised of loans receivable of approximately HK$3,295,454,000, accounting for 68.4% of the total assets of the Group as at 30 June 2017. Other major assets include goodwill of HK$594,914,000, deposit for acquisition of companies of approximately HK$56,210,000, accounts receivable of approximately HK$9,647,000, interests receivable of approximately HK$18,284,000, other receivables, deposits and prepayments of approximately HK$452,069,000, available-for-sale investments of approximately HK$72,736,000, amount due from non-controlling interest of approximately HK$14,801,000, pledged bank and security deposits paid of approximately HK$4,778,000 and cash and cash equivalents of approximately HK$293,300,000.

Current liabilities mainly comprised short term borrowings of approximately HK$428,946,000, bank loans of approximately HK$148,262,000, senior and unsecured bonds of approximately HK$380,951,000, security deposits received of approximately HK$82,782,000, other payables, deposits received and accruals of approximately HK$67,796,000, income received in advance of approximately HK$13,706,000 and tax payable of about HK$109,150,000. Non-current liabilities includes bonds of approximately HK$228,090,000 and deferred tax liabilities of about HK$631,000.

**Employee and Remuneration Policies**

As at 30 June 2017, the Group had approximately 211 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 Reporting Period including employee share option expenses were about HK$26,390,000.

## 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 30 August 2017.

## 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 six months ended 30 June 2017.

## 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 per cent of their principal amount.

## INTERIM DIVIDEND

The Board is pleased to declare an interim dividend of HK1.05 cents per ordinary share of the Company for the six months ended 30 June 2017 (six months ended 30 June 2016: HK1.05 cents), to the shareholders of the Company whose names are on the register of members on Friday, 29 September 2017. The payment of interim dividend will be made on or about 10 October 2017.

## CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Wednesday, 27 September 2017 to Friday, 29 September 2017, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, 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, 26 September 2017.

## 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 Stock Exchange (the "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 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 2017.

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 one non-executive director and four independent non-executive directors, has reviewed the interim results for six months ended 30 June 2017. The Audit Committee considered that the interim financial report for the Reporting Period 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.

## PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

The 2017 Interim Report will be despatched to shareholders and published on both websites in due course.

On behalf of the Board
**Chan Yuk Ming**
*Chairman*

Hong Kong, 30 August 2017

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 Chan Yuk Ming *(Chairman)*
Mr Cheung Siu Lam
Mr Zhou Jian
Madam Huang Mei

*Independent non-executive Directors*
Mr Chan Chun Keung
Mr Wang Jian Sheng
Mr Chan Wing Fai
Mr Zhang Xiao Jun