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 2017

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2017	2016	Percentage change
	HK$'000	*HK$'000*	*%*
Interest and services income	**732,705**	680,282	7.7
After-tax operating profit attributable to equity shareholders (excluding effect on share-based payment expenses)	**290,845**	341,689	(14.9)
ROE (After tax operating profit attributable to equity shareholders/(Total equity attributable to equity shareholders-Goodwill))	**9.5%**	14.1%	(32.6)
Profit for the year attributable to equity shareholders of the Company	**286,675**	329,958	(13.1)
Basic earnings per share (HK cents)	**7.09**	8.59	(17.5)

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 2017, 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 2017

	Note	**2017** *HK$'000*	2016 *HK$'000*
Interest, guarantee and financing consultancy services income	*3*	**732,705**	680,282
Interest and handling expenses	*3*	**(104,337)**	(91,906)
Net interest income and service income	*3*	**628,368**	588,376
Education consultancy service income	*3*	**2,458**	–
Other income	*4*	**50,976**	39,942
General and administrative expenses		**(178,065)**	(128,658)
Share of loss of an associate		**(3)**	(2)
Profit before taxation	*5*	**503,734**	499,658
Income tax	*6*	**(193,193)**	(154,392)
Profit for the year		**310,541**	345,266
Attributable to:			
Equity shareholders of the Company		**286,675**	329,958
Non-controlling interests		**23,866**	15,308
Profit for the year		**310,541**	345,266
Earnings per share	*9*	***HK cents***	*HK cents*
– Basic		**7.09**	8.59
– Diluted		**7.05**	8.58

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Profit for the year		**310,541**	345,266
Other comprehensive income/(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		**218,075**	(200,076)
Available-for-sale investments: net movement in the fair value reserve		**80**	2,147
Other comprehensive income/(loss) for the year, net of nil income tax		**218,155**	(197,929)
Total comprehensive income for the year		**528,696**	147,337
Attributable to:			
Equity shareholders of the Company		**494,374**	140,629
Non-controlling interests		**34,322**	6,708
Total comprehensive income for the year		**528,696**	147,337

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**6,569**	4,514
Goodwill		**635,477**	577,230
Intangible assets		**19,371**	–
Interest in an associate		**3,706**	3,467
Available-for-sale investments		**99,041**	26,259
Loans receivable	*10*	**458,614**	33,655
Deposits		**70,000**	–
Deferred tax assets		**1,964**	–
		1,294,742	645,125
Current assets			
Financial assets at fair value through profit or loss		**–**	17,817
Contingent consideration receivable		**1,270**	–
Loans receivable	*10*	**4,216,901**	3,549,974
Accounts receivable	*11*	**5,605**	13,428
Interests receivable	*12*	**17,989**	11,615
Other receivables, deposits and prepayments		**80,969**	46,384
Tax recoverable		**–**	99
Pledged bank and security deposits paid		**18,974**	4,615
Time deposits		**72,370**	–
Cash and cash equivalents		**662,740**	273,291
		5,076,818	3,917,223
Current liabilities			
Short-term borrowings and other payables		**1,244,853**	580,191
Bank loans		**213,556**	77,076
Security deposits received		**104,311**	10,764
Accruals and other deposits received		**32,293**	34,041
Liabilities arising from loan guarantee contracts		**134**	–
Amount due to an associate		**3,125**	2,942
Financial derivatives		**304**	1,032
Senior bonds		**365,099**	–
Unsecured bonds		**57,012**	3,813
Income received in advance		**13,444**	19,230
Tax payable		**144,510**	112,443
		2,178,641	841,532
Net current assets		**2,898,177**	3,075,691
Total assets less current liabilities		**4,192,919**	3,720,816

	2017	2016
	HK$'000	*HK$'000*
Non-current liabilities		
Senior bonds	**–**	334,187
Unsecured bonds	**273,642**	260,153
Deferred tax liabilities	**20,665**	3,769
	294,307	598,109
NET ASSETS	**3,898,612**	3,122,707
EQUITY		
Share capital	**2,080,113**	1,760,956
Reserves	**1,632,365**	1,233,067
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	**3,712,478**	2,994,023
Non-controlling interests	**186,134**	128,684
TOTAL EQUITY	**3,898,612**	3,122,707

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. BASIS OF PREPARATION

The financial information relating to the years ended 31 December 2017 and 2016 included in this preliminary announcement of annual results 2017 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 consolidated 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 Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2017 to the Registrar of Companies in due course.

The Company's auditor has reported on the consolidated 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.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that available-for-sale investments, contingent consideration receivable, financial assets at fair value through profit or loss and derivative financial instruments are stated at their fair value.

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 impact on the accounting policies of the Group. However, additional disclosure has been included in note to the consolidated financial statements to satisfy the new disclosure requirements introduced by the amendments to HKAS 7, *Statement of cash flows: Disclosure initiative*, which require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

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

3. REVENUE AND SEGMENT REPORTING

a) Revenue

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

	2017	2016
	HK$'000	*HK$'000*
Interest, guarantee and financing consultancy services income		
Pawn loans, loans receivable from micro-lending and money-lending	**284,397**	203,687
Designated loan receivable	**–**	6,660
Other loans receivable	**448,197**	469,935
Financial guarantees	**111**	–
	732,705	680,282
Interest and handling expenses arising from:		
Bank loans	**(5,840)**	(1,160)
Short-term borrowings	**(39,749)**	(36,430)
Senior bonds	**(29,381)**	(23,992)
Unsecured bonds	**(25,874)**	(23,689)
Other finance costs	**(3,493)**	(6,635)
	(104,337)	(91,906)
Net interest income and service income	**628,368**	588,376
Income arising from:		
Education consultancy service	**2,458**	–

For the year ended 31 December 2017, the total amount of interest income on financial assets not at fair value through profit or loss, including bank and other interest income from debt securities *(note 4)*, was HK$736,824,000 (2016: HK$683,571,000).

b) Segmental Information

(i) Operating segment information

For the years ended 31 December 2017 and 2016, the directors of the Company have determined that the Group has only one 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

Revenue from external customers

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**35,502**	34,906
The PRC	**697,203**	645,376
United Kingdom	**2,458**	–
	735,163	680,282

The geographic location of revenue from external customers is based on the location at which the services were rendered.

Non-current assets

	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**40,984**	1,864
The PRC	**676,358**	583,347
United Kingdom	**17,781**	–
	735,123	585,211

(iii) Information about major customers

For the year ended 31 December 2017, there was no customer (2016: one) who individually contributed 10% or more of the Group's revenue. The aggregate amount of revenue from that customer was HK$90,344,000 for the year ended 31 December 2016.

4. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Bank interest income	**2,476**	3,289
Other interest income from debt securities	**1,754**	–
Dividend income from available-for-sale investments	**1,290**	665
Interest income from financial assets at FVTPL	**498**	948
Income from government subsidies	**19,280**	20,894
Available-for-sale investments: reclassified from equity		
– Gain/(loss) on disposal *(note 8)*	**3,773**	(926)
(Loss)/gain on fair value change of financial assets at FVTPL		
– Gain on disposal	**(18)**	6,760
– Change on fair value of financial assets at FVTPL	**–**	17
	(18)	6,777
Gain/(loss) on fair value change of financial derivatives in respect of decumulator/accumulator contracts	**728**	(539)
Exchange (loss)/gain, net	**(5,961)**	1,996
Income from waiver of amount due to the related party	**–**	2,338
Gain on bargain purchase	**18,313**	–
Others	**8,843**	4,500
	50,976	39,942

5. PROFIT BEFORE TAXATION

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

		2017 *HK$'000*	2016 *HK$'000*
(a)	**Staff costs (including directors' emoluments):**		
	Salaries, allowances and other benefits	**46,980**	36,201
	Equity-settled share-based payment expenses	**385**	2,120
	Contributions to defined contribution retirement plans	**4,720**	3,713
		52,085	42,034
(b)	**Other items:**		
	Depreciation	**3,065**	2,782
	Operating lease charges in respect of properties	**12,262**	7,539
	Auditors' remuneration	**2,050**	1,994
	Reversal of provision for undue liability and guarantee compensation	**–**	(57)
	Impairment losses recognised – loans receivable	**29,244**	6,647
	Reversal of impairment losses – loans receivable	**(213)**	–
	Equity-settled share-based payment expenses *(see note (i) below)*	**4,170**	11,731
	Fair value change of contingent consideration receivable	**2,096**	–

Note:

(i) Equity-settled share-based payment expenses include HK$385,000 (2016: HK$2,120,000) 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:

	2017	2016
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**1**	57
Under-provision in respect of prior years	**1,059**	–
Current tax – PRC Enterprise Income Tax		
Provision for the year	**147,247**	140,559
Under/(over)-provision in respect of prior years	**2,557**	(748)
Withholding tax on dividends		
Provision for the year	**28,878**	12,043
Under-provision in respect of prior year	**–**	5,165
Deferred tax		
Origination and reversal of temporary differences	**13,451**	(2,684)
	193,193	154,392

(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% (2016: 16.5%) of the estimated taxable profit for the year.

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

(iv) 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 year.

(v) Pursuant the Enterprise Income Tax Law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC enterprise.

Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future in respect of profits generated since 1 January 2008.

7. DIVIDEND

Dividends payable to equity shareholders of the Company attributable to the year

	2017	2016
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK1.05 cents per ordinary share (2016: HK1.05 cents per ordinary share)	**45,167**	40,321
Final dividend proposed after the end of the reporting period of HK0.70 cents per ordinary share (2016: HK1.31 cents per ordinary share)	**30,181**	50,305
	75,348	90,626

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 INCOME/(LOSS)

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

		2017	2016
	Note	***HK$'000***	*HK$'000*
Exchange differences on translation into presentation currency		**218,075**	(200,076)
Available-for-sale investments:			
Changes in fair value recognised during the year		**3,853**	1,221
Reclassification adjustments for amounts transferred to profit or loss:			
– (gain)/loss on disposal	*4*	**(3,773)**	926
Net movement in fair value reserve during the year recognised in other comprehensive income		**80**	2,147
		218,155	(197,929)

9. EARNINGS PER SHARE

a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$286,675,000 (2016: HK$329,958,000) and the weighted average number of ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares (basic)

	2017	2016
	Number of Shares	*Number of Shares*
Issued ordinary shares at 1 January	**3,840,056,336**	3,864,086,336
Effect of shares repurchased	**–**	(39,144,421)
Effect of share options exercised	**5,345,205**	15,136,612
Effect of shares issued under subscription agreements, placing and subscription agreement and investor subscription agreement	**172,030,137**	–
Effect of issue of consideration shares	**28,085,001**	–
Weighted average number of ordinary shares at 31 December	**4,045,516,679**	3,840,078,527

b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$286,675,000 (2016: HK$329,958,000) and the weighted average number of ordinary shares calculated as follows:

Weighted average number of ordinary shares (diluted)

	2017	2016
	Number of Shares	*Number of Shares*
Weighted average number of ordinary shares (basic) at 31 December	**4,045,516,679**	3,840,078,527
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**21,114,608**	7,558,858
Weighted average number of ordinary shares (diluted) at 31 December	**4,066,631,287**	3,847,637,385

10. LOANS RECEIVABLE

	2017	2016
	HK$'000	*HK$'000*
Pawn loans receivable	**372,925**	255,281
Loans receivable arising from:		
– Micro-lending	**1,028,787**	635,566
– Money-lending	**712,383**	273,986
Other loans receivable	**2,599,499**	2,427,716
	4,713,594	3,592,549
Less: Allowances for doubtful debts		
– Collectively assessed	**(13,206)**	(8,920)
– Individually assessed	**(24,873)**	–
	(38,079)	(8,920)
	4,675,515	3,583,629
Amounts due within one year included under current assets	**4,216,901**	3,549,974
Amounts due after one year included under non-current assets	**458,614**	33,655
	4,675,515	3,583,629

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

	2017					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	**34,193**	**18,855**	**124,579**	**471,125**	**648,752**	11,170	46,897	73,265	883,662	1,014,994
Due after 1 month but within 3 months	**66,036**	**176,275**	**8,431**	**347,405**	**598,147**	4,036	41,465	57,890	337,269	440,660
Due after 3 months but within 6 months	**40,255**	**294,459**	**78,798**	**617,232**	**1,030,744**	60,592	133,246	41,400	308,528	543,766
Due after 6 months but within 12 months	**232,441**	**460,418**	**120,296**	**1,163,737**	**1,976,892**	179,483	409,934	71,800	898,257	1,559,474
Due after 12 months	**–**	**78,780**	**380,279**	**–**	**459,059**	–	4,024	29,631	–	33,655
Allowances for doubtful debts	**(3,729)**	**(10,371)**	**(23,979)**	**–**	**(38,079)**	(2,553)	(6,367)	–	–	(8,920)
	369,196	**1,018,416**	**688,404**	**2,599,499**	**4,675,515**	252,728	629,199	273,986	2,427,716	3,583,629

11. 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:

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**4,662**	8,753
1 to 3 months	**891**	4,613
3 to 6 months	**52**	62
Over 6 months	**–**	–
	5,605	13,428

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

12. 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:

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**11,294**	8,584
1 to 3 months	**2,327**	1,093
3 to 6 months	**1,223**	154
Over 6 months	**3,145**	1,784
	17,989	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).

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2017, the PRC government advocated popularizing the finance and consumer finance sectors, conducted reform and improvement on the financial service system. The government's work report proposed supporting financial institutions in expanding inclusive financial business, regulating the development of local small and medium financial institutions, and focusing on tackling difficulties in raising fund and high financing costs for small and micro-enterprises. In addition, domestic monetary policies remained stable and neutral, advocated to channel more investment funds to small and micro-enterprises, "agriculture, rural areas, and farmers" sectors and poverty-stricken regions to better serving the real economy.

Meanwhile, the nationwide deepening control measures on real estate sector entered a stable stage with the real estate market picked up its self-adjustment, posing a positive impact on our business. As real estate is the collateral of our business, the stable trend in domestic real estate environment, especially in major cities, is very beneficial to the Group.

BUSINESS REVIEW

Our Group is one of the leading integrated financial services providers in China and Hong Kong. We are mainly engaged in the provision of short-term financing services to small and medium enterprises, micro-enterprises and individuals.

The principal business of the Group recorded a stable growth in 2017, its business risks continued under control and the Group kept on endeavouring in expanding its product lines and business presence. In April 2017, the Group acquired the 90% interest of Chengdu Vision Credit from Value Partners Group at HK$299.6 million and expanded its business coverage to Chengdu which completed on October 2017. In addition, in same November, the Group entered into an Asset Purchase Agreement with Credit Gain Finance Company Limited ("HK Credit Gain"), a wholly-owned subsidiary of The Bank of East Asia, Limited ("BEA") for the acquisition of Loan Book Asset, at a total consideration of approximately HK$408.4 million which completed on December 2017. The Group also entered into an Equity Purchase Agreement with HK Credit Gain and BEA for the acquisition of equity interests of Shenzhen Credit Gain Finance Company Limited (Shenzhen Credit Gain), Chongqing Liangjiang New Area Credit Gain Finance Company Limited (Chongqing Credit Gain), both wholly owned subsidiary of BEA and Chongqing Dongrong Business Consultancy Company Limited, a wholly owned subsidiary of HK Credit Gain, at a total consideration of approximately HK$664.8 million. Other than doubling its business growth in Hong Kong, the Group further expanded its business presence in Mainland China to Shenzhen and Chongqing. Upon the completion of the acquisition, the Group has presence in three first-tier cities (Beijing, Shenzhen and Shanghai) and one municipality (Chongqing), and will gradually transform itself to become a financial service company with regional operation.

With our thorough understanding of the loan industry and our competitive advantages in risk management and customer service, the Group is expected to continue expanding its business scale and customer base through strategic market expansion.

FUTURE PROSPECTS

In 2017, the Group will actively focus on the booming business scenarios that have high-frequency and urgent financial needs, and look forward to integrating its tailor-made supply chain financial products in line with business scenarios. In addition, the Group plans to introduce external technology companies to innovate traditional financial products and services by integrating new business scenarios, resolves problems such as customer acquisition channels, information collection, risk models and credit approval progress, and changes the credit and risk control models of financial institutions to small, medium and micro enterprises to improve business efficiency.

The management is optimistic about the Group's long-term prospects, and continues to actively forge an integrated financial service provider, provide more diversified financial products, and seek new opportunities to maximize shareholders' value.

FINANCIAL REVIEW

For the year ended 31 December 2017 (the "Reporting Period"), the Group reported a revenue of approximately HK$732,705,000, representing a increase of 7.7% from HK$680,282,000 as recorded in 2016. The growth in revenue was mainly attributable to an increase in interest and financing consultancy services income. Profit attributable to equity shareholders for the year ended 31 December 2017 was approximately HK$286,675,000, down 13.1% as compared to the corresponding figure last year. The loans receivable as at 31 December 2017 was about HK$4,675,515,000, up 30.5% 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$284,397,000, interest and services income for other loans receivable amounted to approximately HK$448,197,000, financial guarantees amounted to approximately HK$111,000.

Interest and handling expenses

Interest and handling expenses represent finance costs for the Reporting Period. The amount was approximately HK$104,337,000, representing a increase by 13.5% compared to the corresponding figure in 2016.

General and administrative expenses

General and administrative expenses for the Reporting Period were approximately HK$178,065,000, primarily comprised staff costs, legal and professional fee, intermediary handling charges, share based expenses and rental expenses.

Profit for the year

The profit for the year attributable to equity shareholders for the Company was approximately HK$286,675,000, representing a decrease 13.1% as compared to approximately HK$329,958,000 for the corresponding period last year. The decrease was mainly attributable to increase in impairment loss on loan receivable, and increase in provision for withholding tax on dividend and distributable profits of the Group's PRC subsidiaries.

Financial Resources and Capital Structure

The assets of the Group were mainly comprised of loans receivable of approximately HK$4,675,515,000, accounting for 73.4% of the total assets of the Group as at 31 December 2017. Other major assets include goodwill of approximately HK$635,477,000, intangible assets of approximately HK$19,371,000, accounts receivable of approximately HK$5,605,000, interests receivable of approximately HK$17,989,000, other receivables, deposits and prepayments of approximately HK$150,969,000, available-for-sale investments of approximately HK$99,041,000, pledged bank and security deposits paid of approximately HK$18,974,000 and time deposits and cash and cash equivalents of approximately HK$735,110,000.

Current liabilities mainly comprised short term borrowings and other payables of approximately HK$1,244,853,000, bank loans of approximately HK$213,556,000, security deposits received of approximately HK$104,311,000, senior and unsecured bonds of approximately HK$422,111,000, accruals and other deposit received of approximately HK$32,293,000, income received in advance of approximately HK$13,444,000 and tax payable of about HK$144,510,000. Non-current liabilities includes unsecured bonds of approximately HK$273,642,000 and deferred tax liabilities of about HK$20,665,000.

Employee and Remuneration Policies

As at 31 December 2017, the Group had approximately 217 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$52,085,000.

Liquidity and Gearing Ratio

The Group maintains a healthy liquidity position. As at 31 December 2017, the current ratio of the Group was 2.3 times. The Group monitors capital on the basis of the gearing ratio, which is calculated as total borrowings (including current and non-current borrowings and security deposits received) less time deposit and cash and cash equivalents and pledged bank and security deposits paid divided by total equity. As at 31 December 2017, the gearing ratio was about 38.6%.

Fair Value Estimation

The carrying amounts less impairment provision of the financial assets and the carrying amounts of the financial liabilities are assumed to approximate their fair values.

Contingent Liabilities

The directors consider that the Group had no material contingent liabilities.

FOREIGN EXCHANGE AND CURRENCY RISKS

The Group's monetary assets, liabilities and transactions are principally denominated in Renminbi ("RMB") and Hong Kong Dollars ("HKD"). The Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against RMB. The Group has a net exchange exposure to RMB as the Group's assets are principally located in the PRC. The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner.

APPROVAL OF THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The consolidated 2017 financial statements were approved and authorised for issue by the Board of the Company on 27 March 2018.

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 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% of their principal amount.

FINAL DIVIDEND

The Board recommends payment of a final dividend of HK0.7 cents per ordinary share of the Company for the financial year ended 31 December 2017 (2016: HK1.31 cents per ordinary share), to the shareholders of the Company whose names are on the register of members on Thursday, 31 May 2018, subject to the approval by the Company's shareholders at the forthcoming annual general meeting of the Company to be held on Monday, 21 May 2018 ("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, 8 June 2018.

Including an interim dividend of HK1.05 cents per ordinary share (2016: HK1.05 cents per ordinary share) for the six months ended 30 June 2017 which have already been paid, if final dividend will be approved, total payout for the year will amount to HK1.75 cents per ordinary share (2016: HK2.36 cents per ordinary share).

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, 16 May 2018 to Monday, 21 May 2018, 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, 15 May 2018.

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 Tuesday, 29 May 2018 to Thursday, 31 May 2018, 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 Monday, 28 May 2018.

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 (the "Listing Rules") throughout the year ended 31 December 2017, except for code provisions A.1.1, A.2.1, A.4.1 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.4.1

Code provision A.4.1 of the CG Code stipulates that non-executive directors should be appointed for a specific term, subject to re-election. One of the non-executive directors of the Company is not appointed for a specific term but is subject to retirement by rotation at least once every three years according to the articles of association of the Company.

Save for the exception above, all non-executive directors of the Company are appointed for a specific term of 1 year, subject to renewal after the expiry of the current term.

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 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 of four independent non-executive directors, has reviewed the final results for the year ended 31 December 2017. The Audit Committee considered that the annual financial report for the year ended 31 December 2017 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 2017 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 is published on the websites of the Company at www.cfsh.com.hk and the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The 2017 annual report containing all the information required by Appendix 16 of the Listing Rules will be published on the above websites and despatched to the shareholders of the Company in due course.

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
Chan Yuk Ming
Chairman

Hong Kong, 27 March 2018

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