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 2018

## FINANCIAL HIGHLIGHTS

| | **Unaudited six months ended 30 June 2018** | Unaudited six months ended 30 June 2017 | **Percentage changes** |
|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | |
| Interest and financing consultancy services income | **443,128** | 377,488 | 17.4% |
| Profit for the period attributable to equity shareholders of the Company | **171,389** | 186,321 | -8.0% |
| Basic earnings per share | **HK3.98 cents** | HK4.85 cents | -17.9% |
| Underlying net profit attributable to equity shareholders (excluding the effects of share based payment expenses) | **172,270** | 189,169 | -8.9% |
| Dividend | **HK1 cent** | HK1.05 cents | -4.8% |

## 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 2018 (the "Reporting Period") together with the comparative figures as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2018 – unaudited*

| | | For the six months ended 30 June | |
|---|---|---|---|
| | | **2018** | 2017 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| **Interest and financing consultancy services income** | *4* | **443,128** | 377,488 |
| Interest and handling expenses | *4* | **(84,812)** | (47,341) |
| **Net interest income and service income** | *4* | **358,316** | 330,147 |
| Education consultancy service income | *4* | **3,647** | – |
| Other income | *5* | **9,978** | 17,263 |
| General and administrative expenses | | **(103,566)** | (66,985) |
| Share of loss of associates | | **(743)** | – |
| **Profit before taxation** | *6* | **267,632** | 280,425 |
| Income tax | *7* | **(78,209)** | (84,288) |
| **Profit for the period** | | **189,423** | 196,137 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **171,389** | 186,321 |
| Non-controlling interests | | **18,034** | 9,816 |
| **Profit for the period** | | **189,423** | 196,137 |
| **Earnings per share** | *9* | ***HK cents*** | *HK cents* |
| – Basic | | **3.98** | 4.85 |
| – Diluted | | **3.97** | 4.82 |

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

*For the six months ended 30 June 2018 – unaudited*

| | Note | For the six months ended 30 June 2018 HK$'000 | 2017 HK$'000 |
|---|---|---|---|
| **Profit for the period** | | **189,423** | 196,137 |
| **Other comprehensive (loss)/income 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* | **(50,738)** | 97,536 |
| Other financial assets: net movement in the fair value reserve | *8* | **–** | 654 |
| **Other comprehensive (loss)/income for the period, net of nil income tax** | | **(50,738)** | 98,190 |
| **Total comprehensive income for the period** | | **138,685** | 294,327 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **122,884** | 280,360 |
| Non-controlling interests | | **15,801** | 13,967 |
| **Total comprehensive income for the period** | | **138,685** | 294,327 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2018 – unaudited*

| | Note | At 30 June 2018 HK$'000 | At 31 December 2017 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **9,968** | 6,569 |
| Goodwill | | **630,209** | 635,477 |
| Intangible assets | | **19,371** | 19,371 |
| Interest in associates | | **25,183** | 3,706 |
| Other financial assets | | **100,874** | 99,041 |
| Loans receivable | *10* | **502,713** | 458,614 |
| Deposits | | **70,000** | 70,000 |
| Deferred tax assets | | **11,749** | 1,964 |
| | | **1,370,067** | 1,294,742 |
| **Current assets** | | | |
| Contingent consideration receivable | | **1,270** | 1,270 |
| Loans receivable | *10* | **4,231,352** | 4,216,901 |
| Accounts receivable | *11* | **4,250** | 5,605 |
| Interests receivable | *12* | **28,034** | 17,989 |
| Other receivables, deposits and prepayments | | **179,188** | 80,969 |
| Pledged bank and security deposits paid | | **5,840** | 18,974 |
| Time deposits | | **–** | 72,370 |
| Cash and cash equivalents | | **173,687** | 662,740 |
| | | **4,623,621** | 5,076,818 |

| | At 30 June 2018 *HK$'000* | At 31 December 2017 *HK$'000* |
|---|---|---|
| **Current liabilities** | | |
| Borrowings and other payables | **801,392** | 1,244,853 |
| Bank loans | **230,332** | 213,556 |
| Security deposits received | **153,481** | 104,311 |
| Accruals and other deposit received | **48,969** | 32,293 |
| Liabilities arising from loan guarantee contracts | **133** | 134 |
| Amount due to associates | **3,086** | 3,125 |
| Financial derivatives | **248** | 304 |
| Senior bonds | **–** | 365,099 |
| Unsecured bonds | **16,906** | 57,012 |
| Income received in advance | **25,237** | 13,444 |
| Tax payable | **134,096** | 144,510 |
| | **1,413,880** | 2,178,641 |
| **Net current assets** | **3,209,741** | 2,898,177 |
| **Total assets less current liabilities** | **4,579,808** | 4,192,919 |
| **Non-current liabilities** | | |
| Borrowings and other payables | **270,000** | – |
| Unsecured bonds | **288,374** | 273,642 |
| Deferred tax liabilities | **26,650** | 20,665 |
| | **585,024** | 294,307 |
| **NET ASSETS** | **3,994,784** | 3,898,612 |
| **EQUITY** | | |
| Share capital | **2,080,113** | 2,080,113 |
| Reserves | **1,713,323** | 1,632,365 |
| **TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY** | **3,793,436** | 3,712,478 |
| Non-controlling interests | **201,348** | 186,134 |
| **TOTAL EQUITY** | **3,994,784** | 3,898,612 |

*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 29 August 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 2017 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 financial information relating to the financial year ended 31 December 2017 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 2017 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

### a) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9:

| | At 31 December 2017 | Impact on initial application of HKFRS 9 *(Note 2(b))* | **At 1 January 2018** |
|---|---|---|---|
| | *HK$'000* | *HK$'000* | ***HK$'000*** |
| Financial assets classified as available-for-sale under HKAS 39 | 99,041 | 5,567 | **104,608** |
| Loans receivable – non-current portion | 458,614 | (1,307) | **457,307** |
| Deferred tax asset | 1,964 | 7,481 | **9,445** |
| **Total non-current assets** | 1,294,742 | 11,741 | **1,306,483** |
| Cash and cash equivalents | 662,740 | – | **662,740** |
| Contingent consideration receivables | 1,270 | – | **1,270** |
| Loans receivable – current portion | 4,216,901 | (17,529) | **4,199,372** |
| Accounts receivable | 5,605 | – | **5,605** |
| Interests receivable | 17,989 | – | **17,989** |
| **Total current assets** | 5,076,818 | (17,529) | **5,059,289** |
| Financial derivatives | 304 | – | **304** |
| Tax payable | 144,510 | – | **144,510** |
| **Total current liabilities** | 2,178,641 | – | **2,178,641** |
| **Net current assets** | 2,898,177 | (17,529) | **2,880,648** |
| **Total assets less current liabilities** | 4,192,919 | (5,788) | **4,187,131** |
| Deferred tax liabilities | 20,665 | – | **20,665** |
| **Total non-current liabilities** | 294,307 | – | **294,307** |
| **Net assets** | 3,898,612 | (5,788) | **3,892,824** |
| Reserves | 1,632,365 | (5,788) | **1,626,577** |
| **Total equity attributable to equity shareholders of the Company** | 3,712,478 | (5,201) | **3,707,277** |
| Non-controlling interests | 186,134 | (587) | **185,547** |
| **Total equity** | 3,898,612 | (5,788) | **3,892,824** |

Further details of these changes are set out in sub-sections (b) of this note.

b) **HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation**

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

| | *HK$'000* |
|---|---|
| **Retained earnings** | |
| Recognition relating to financial assets recorded as cost now measured at FVPL | 5,567 |
| Recognition of additional expected credit losses on: | |
| – financial assets measured at amortised cost | (18,836) |
| Portion relating to non-controlling interests | 587 |
| Transfer from fair value reserve relating to financial assets now measured at FVPL | 2,373 |
| Related tax | 7,481 |
| Net decrease in retained earnings at 1 January 2018 | (2,828) |
| **Fair value reserve** | |
| Transferred to fair value reserve relating to securities now measured at FVPL and net decrease in fair value reserve at 1 January 2018 | (2,373) |
| **Non-controlling interests** | |
| Recognition of additional expected credit losses on financial assets measured at amortised cost and decrease in non-controlling interests at 1 January 2018 | (587) |

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

***(i) Classification of financial assets and financial liabilities***

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;

– FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss. These securities qualified for designation as measured at FVTOCI under HKFRS 9, however, the Group does not elect the option for the designation and measures these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss.

– FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

| | HKAS 39 carrying amount at 31 December 2017 | Reclassification | Remeasurement | **HKFRS 9 carrying amount at 1 January 2018** |
|---|---|---|---|---|
| | *HK$'000* | *HK$'000* | *HK$'000* | ***HK$'000*** |
| **Financial assets carried at amortised cost** | | | | |
| Loans receivable – non-current portion | 458,614 | – | (1,307) | **457,307** |
| Loans receivable – current portion | 4,216,901 | – | (17,529) | **4,199,372** |
| Accounts receivable | 5,605 | – | – | **5,605** |
| Interests receivable | 17,989 | – | – | **17,989** |
| Time deposits | 72,370 | – | – | **72,370** |
| Cash and cash equivalents | 662,740 | – | – | **662,740** |
| | 5,434,219 | – | (18,836) | **5,415,383** |
| **Financial assets carried at FVPL** | | | | |
| Equity securities *(note (i))* | – | 11,860 | – | **11,860** |
| Debt securities *(note (i))* | – | 52,270 | – | **52,270** |
| Contingent consideration receivable | 1,270 | – | – | **1,270** |
| Unlisted investment funds in PRC *(note (ii))* | – | 29,908 | – | **29,908** |
| Unlisted investments | | | | |
| – golf club membership | – | 1,903 | 5,567 | **7,470** |
| – marina club membership | – | 3,100 | – | **3,100** |
| | 1,270 | 99,041 | 5,567 | **105,878** |
| **Financial assets classified as available-for-sale under HKAS 39** | 99,041 | (99,041) | – | **–** |
| **Financial liabilities measured at fair value** | | | | |
| Financial derivatives | 304 | – | – | **304** |

*Notes:*

(i) Under HKAS 39, these securities not held for trading were classified as available-for-sale financial assets. These securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. However, the Group does not elect the option for the designation and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss.

(ii) Under HKAS 39, unlisted investment funds were classified as available-for-sale financial assets. They are classified as at FVPL under HKFRS 9.

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts. Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees issued are initially recognised within "liabilities arising from loan guarantee contracts" at fair value. Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when expected credit losses (ECLs, see note 2(b)(ii)) on the financial guarantees are determined to be higher than the amount carried in "liabilities arising from loan guarantee contracts" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(b)(ii) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

### *(ii) Credit losses*

The HKFRS 9 impairment requirements are based on an expected credit loss model, replacing the incurred loss methodology model under HKAS 39. Key changes in the Group's accounting policy for impairment of financial assets are listed below.

The Group applies simplified approach to measure expected credit losses ("ECL") on other receivable; and general approach to measure ECL on loans receivable and other financial assets accounted for at amortised cost as well as loan commitment.

Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL.

Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition:

*Stage 1: 12-months ECL*

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

*Stage 2: Lifetime ECL – not credit-impaired*

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

*Stage 3: Lifetime ECL – credit-impaired*

Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

The Group assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account instrument type, remaining term to maturity and other relevant factors.

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group expects to receive. The amount of the loss is recognized using a provision for doubtful debts account.

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL.

*Opening balance adjustment*

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to HK$18,836,000, which decreased retained earnings by HK$10,768,000 and non-controlling interests by HK$587,000 and increased gross deferred tax assets by HK$7,481,000 at 1 January 2018.

*(iii)* ***Transition***

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

– Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.

– The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):

– the determination of the business model within which a financial asset is held; and

– the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).

– If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.

– All hedging relationships designated under HKAS 39 at 31 December 2017 met the criteria for hedge accounting under HKFRS 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships. Changes to hedge accounting policies have been applied prospectively.

| | *HK$'000* |
|---|---|
| Loss allowance at 31 December 2017 under HKAS 39 | 38,079 |
| Additional credit loss recognised at 1 January 2018 on: | |
| – Loans receivable – non-current portion | 1,307 |
| – Loans receivable – current portion | 17,529 |
| Loss allowance at 1 January 2018 under HKFRS 9 | 56,915 |

### (c) HKFRS 15, Revenue from contracts with customers

The directors are of the opinion that the adoption of HKFRS 15 does not have any material impact on the financial position and the financial result of the Group.

### (d) HK(IFRIC) 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC)22 does not have any material impact on the financial position and the financial result of the Group.

## 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**

***Revenue from external customers***

| | For the six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **39,961** | 14,586 |
| The PRC | **403,167** | 362,902 |
| United Kingdom | **3,647** | – |
| | **446,775** | 377,488 |

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

***Non-current assets***

| | **At 30 June 2018** | At 31 December 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Hong Kong | **98,140** | 40,984 |
| The PRC | **613,964** | 676,358 |
| United Kingdom | **42,627** | 17,781 |
| | **754,731** | 735,123 |

The above table sets out the information about the geographical location of the Group's property, plant and equipment, goodwill, intangible assets, interest in associates and deposits ("Specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets, goodwill and deposits and the location of operation, in the case of interest in an associate.

## 4. NET INTEREST INCOME AND SERVICE INCOME

| | For the six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| **Interest and financing consultancy services income** | **443,128** | 377,488 |
| **Interest and handling expenses arising from:** | | |
| Bank loans | **(9,956)** | (2,587) |
| Borrowings | **(53,942)** | (17,545) |
| Senior bonds | **(5,535)** | (8,845) |
| Unsecured bonds | **(15,379)** | (12,411) |
| Other finance costs | **–** | (5,953) |
| | **(84,812)** | (47,341) |
| **Net interest income and service income** | **358,316** | 330,147 |
| **Income arising from:** | | |
| Education consultancy service | **3,647** | – |

For the six months ended 30 June 2018, the total amount of interest income on financial assets not at fair value through profit or loss including bank and interest income from debt securities was approximately HK$444,588,000 (2017: approximately HK$378,343,000).

## 5. OTHER INCOME

| | For the six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| Bank interest income | **1,460** | 855 |
| Dividend income from other financial assets | **93** | 170 |
| Interest income from financial assets at FVTPL | **–** | 498 |
| Other interest income from debt securities | **1,539** | 577 |
| Income from government subsidies | **10,897** | 10,884 |
| Other financial assets: reclassified from equity | | |
| – Gain on disposal | **–** | 1,221 |
| Gain on disposal of other financial assets | **555** | – |
| Loss on fair value change of financial assets at FVTPL | **(4,734)** | (18) |
| Gain on fair value change of financial derivatives in respect of decumulator contract | **56** | – |
| Gain on disposal of financial derivatives, at FVTPL | **–** | 1,032 |
| Exchange loss, net | **(3,445)** | (1,195) |
| Others net gain | **3,557** | 3,239 |
| | **9,978** | 17,263 |

## 6. PROFIT BEFORE TAXATION

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

| | For the six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| **(a) Staff costs (including directors' emoluments):** | | |
| Salaries, allowances and other benefits | **40,345** | 24,069 |
| Equity-settled share-based payment expenses *(see note (i) below)* | **–** | 257 |
| Contributions to defined contribution retirement plans | **3,773** | 2,064 |
| | **44,118** | 26,390 |
| **(b) Other items:** | | |
| Depreciation of property, plant and equipment | **1,565** | 1,457 |
| Operating lease charges in respect of properties | **8,753** | 5,264 |
| Impairment losses | | |
| – loans receivable | **2,257** | 824 |
| Consultancy fee | **15,141** | 10,215 |
| Equity-settled share-based payment expenses *(see note (i) below)* | **881** | 2,848 |

*Note:*

(i) Equity-settled share-based payment expense includes HK$nil (six months ended 30 June 2017: HK$257,000) relating to staff costs, which amount is also included in the total amount disclosed in note 6(a) for staff costs.

## 7. INCOME TAX

| | For the six months ended 30 June | |
|---|---|---|
| | **2018** | 2017 |
| | ***HK$'000*** | *HK$'000* |
| Current Tax | | |
| Hong Kong Profits Tax | **1,008** | 3 |
| PRC Income Tax | **73,144** | 87,486 |
| | **74,152** | 87,489 |
| Deferred tax | | |
| Current tax | **4,529** | – |
| Reversal of temporary differences | **(472)** | (3,201) |
| | **78,209** | 84,288 |

### (a) Hong Kong

The provision for the Hong Kong Profits Tax of the subsidiaries established in HK is calculated at 16.5% (2017: 16.5%) of the estimated taxable profit for the six months ended 30 June 2018.

### (b) The PRC

The provision for the PRC Enterprise Income Tax of the subsidiaries established in the PRC is calculated at 25% (2017: 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** | |
|---|---|---|---|
| | | **2018** | 2017 |
| | *Note* | ***HK$'000*** | *HK$'000* |
| **Exchange differences on translation into presentation currency** | | **(50,738)** | 97,536 |
| **Other financial assets** | | | |
| Changes in fair value recognised during the period | | – | 1,875 |
| Reclassification adjustments for amounts transferred to profit or loss: | | | |
| – gain on disposal | *5* | – | (1,221) |
| Net movement in fair value reserve during the period recognised in other comprehensive income | | – | 654 |
| | | **(50,738)** | 98,190 |

## 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$171,389,000 (six months ended 30 June 2017: HK$186,321,000) and the weighted average number of 4,307,245,634 ordinary shares (six months ended 30 June 2017: 3,841,012,137 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$171,389,000 (six months ended 30 June 2017: HK$186,321,000) and the weighted average number of 4,321,592,580 ordinary shares (six months ended 30 June 2017: 3,864,830,017 ordinary shares) in issue during the interim period.

## 10. LOANS RECEIVABLE

| | **At 30 June 2018** *HK$'000* | At 31 December 2017 *HK$'000* |
|---|---|---|
| Pawn loans receivable | **289,783** | 372,925 |
| Loans receivable arising from: | | |
| – Micro-lending | **1,267,809** | 1,028,787 |
| – Money-lending | **777,728** | 712,383 |
| Other loans receivable | **2,457,689** | 2,599,499 |
| | **4,793,009** | 4,713,594 |
| *Less:* Allowance for doubtful debts | **(58,944)** | (38,079) |
| | **4,734,065** | 4,675,515 |
| Amounts due within one year included under current assets | **4,231,352** | 4,216,901 |
| Amounts due after one year included under non-current assets | **502,713** | 458,614 |
| | **4,734,065** | 4,675,515 |

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

| | At 30 June 2018 | | | | | At 31 December 2017 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **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 | **35,542** | **64,253** | **55,315** | **427,919** | **583,029** | 34,193 | 18,855 | 124,579 | 471,125 | 648,752 |
| Due after 1 month but within 3 months | **59,661** | **148,375** | **66,524** | **434,052** | **708,612** | 66,036 | 176,275 | 8,431 | 347,405 | 598,147 |
| Due after 3 months but within 6 months | **82,790** | **301,686** | **79,878** | **745,048** | **1,209,402** | 40,255 | 294,459 | 78,798 | 617,232 | 1,030,744 |
| Due after 6 months but within 12 months | **111,790** | **623,374** | **202,012** | **850,670** | **1,787,846** | 232,441 | 460,418 | 120,296 | 1,163,737 | 1,976,892 |
| Due after 12 months | **–** | **130,121** | **373,999** | **–** | **504,120** | – | 78,780 | 380,279 | – | 459,059 |
| Allowance for doubtful debts | **(2,898)** | **(8,556)** | **(37,103)** | **(10,387)** | **(58,944)** | (3,729) | (10,371) | (23,979) | – | (38,079) |
| | **286,885** | **1,259,253** | **740,625** | **2,447,302** | **4,734,065** | 369,196 | 1,018,416 | 688,404 | 2,599,499 | 4,675,515 |

## 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:

| | **At 30 June 2018** | At 31 December 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 month | **3,727** | 4,662 |
| 1 to 3 months | **336** | 891 |
| 3 to 6 months | **187** | 52 |
| | **4,250** | 5,605 |

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:

| | **At 30 June 2018** | At 31 December 2017 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 1 month | **17,916** | 11,294 |
| 1 to 3 months | **1,415** | 2,327 |
| 3 to 6 months | **1,363** | 1,223 |
| Over 6 months | **7,340** | 3,145 |
| | **28,034** | 17,989 |

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 the first half of 2018, with financial regulation continued to escalate and the impact on liquidity due to deleveraging, enterprises are facing the problems of increasingly difficult to raise finance as well as cost increase. In the 2018 Second Quarter Regular Meeting of the Monetary Policy Committee of the People's Bank of China, it was pointed out that the government's monetary policy remained neutral, in which it would lead to the reasonable increase of social financing scale while deepening the reform of the financial system at the same time. Along with the increasing financial risk in the course of China economic transformation, the government will focus on regulating and assisting the investment and financing industry for industrial enterprises, and hence the "Notice on Related Matters Concerning the Regulation of Private Lending Activities and Maintaining Economic and Financial Order" was issued in May. Since the regulation is intensifying, recent incidents have occurred one after another regarding the breakdown of capital chain in domestic P2P platforms, and unregulated enterprises are gradually being expelled from the market. This is an important positive sign to those financial companies with full operating licence like the Group as it will also benefit the Group to continue its lending scale expansion when complying with the regulations.

Meanwhile, the nationwide regulation and control on real estate market continued, and quite some cities have already issued various regulating and controlling policies. While mortgage rate has remained at a high level, the mortgage loan interest rate of the first and second housings also increased accordingly. Nevertheless, the housing prices in major cities where the Group are located remained at the same level in PRC and increased moderately in Hong Kong, which is to our favour as real estate is a collateral for our business. Looking forward, the Group will keep close attention to the real estate market's regulating and controlling trend as well as their impact on cities and will conduct risk assessment in time and take corresponding measures accordingly.

## 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.

In the first half of 2018, for the two acquisitions that completed by the Group last year, including the acquisition of the 90% interest of Chengdu Vision Credit last October and the entire loan assets of HK Credit Gain last December, the operations were running very well and while both the loan size and income showed obvious increase, the cost structure of acquired target also seen notable improvement. These achievements are the best evidence of the Group in demonstrating its abilities in acquisition, integration and operation. The loan assets acquisition of HK Credit Gain has also implied that the Group is formally stepping its foothold in the unsecured consumer finance market, marching an important step to become a financial service company with full product line. Moreover, the Group is in the preparation of extending cooperation with external financial technology companies. Through conducting reform on traditional financial products and services and solving the issues of customer information collection and credit risk management using technological measures, it enables the Group's loan business to reach a higher scalable effect to enhance business efficiency and profit maximisation. At the same time, the Group will continue to explore potential acquisition targets of strategic significance, so as to continue broadening its business scale and customer base.

## FUTURE PROSPECTS

The management remains optimistic regarding the Group's long-term prospects, and will continue to construct and become an all-round financial service provider in offering more diversified financial products and exploring new opportunities to maximize the values for our shareholders.

## FINANCIAL REVIEW

For the six months ended 30 June 2018 (the "Reporting Period"), the Group reported a revenue of approximately HK$443,128,000, an increase of 17.4% as compared to approximately HK$377,488,000 for the corresponding period in 2017. The growth in revenue was mainly attributable to an increase in interest and financing consultancy services income from acquisition of loan book asset from Credit Gain Finance Company Limited ("HK Credit Gain") and Chengdu Vision Credit. Profit attributable to equity shareholders in the Reporting Period was approximately HK$171,389,000, down 8.0% as compared to the corresponding period last year. The loans receivable as at 30 June 2018 was about HK$4,734,065,000, up 43.7% as compared to the corresponding period last year. The increase in loan receivable was mainly contributed by acquisition of loan book asset from HK Credit Gain and Chengdu Vision Credit.

### Interest and financing consultancy services income

Interest income amounted to approximately HK$191,974,000, financing consultancy service income amounted to approximately HK$251,154,000.

### Interest and handling expenses

Interest and handling expenses represent finance costs for the Reporting Period. The amount was approximately HK$84,812,000, representing an increase of 79.2% over the corresponding period in 2017. The increase was mainly attributable to increase in borrowings and other payables in order to cope with the growth lending business in PRC and Hong Kong.

### General and administrative expenses

General and administrative expenses for the Reporting Period were approximately HK$103,566,000, 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$171,389,000, representing an decrease of about 8.0% as compared to approximately HK$186,321,000 for the corresponding period last year. There was a significant increase in general and administrative expenses affected our profit for the Reporting Period.

**Financial Resources and Capital Structure**

The assets of the Group were mainly comprised of loans receivable of approximately HK$4,734,065,000, accounting for 79.0% of the total assets of the Group as at 30 June 2018. Other major assets include goodwill of approximately HK$630,209,000, intangible assets of approximately HK$19,371,000, deposits of HK$70,000,000, accounts receivable of approximately HK$4,250,000, interests receivable of approximately HK$28,034,000, other receivables, deposits and prepayments of approximately HK$179,188,000, other financial assets of approximately HK$100,874,000, pledged bank and security deposits paid of approximately HK$5,840,000 and cash and cash equivalents of approximately HK$173,687,000.

Current liabilities mainly comprised borrowings and other payables of approximately HK$801,392,000, bank loans of approximately HK$230,332,000, unsecured bonds of approximately HK$16,906,000, security deposits received of approximately HK$153,481,000, accruals and other deposit received of approximately HK$48,969,000, income received in advance of approximately HK$25,237,000 and tax payable of approximately HK$134,096,000. Non-current liabilities includes borrowings and other payables of HK$270,000,000, unsecured bonds of approximately HK$288,374,000 and deferred tax liabilities of approximately HK$26,650,000.

**Use of Proceeds**

On 17 May 2017, a subscription agreement was signed between the Company and the subscriber. 243 million new shares were issued to the subscriber at a price of HK$0.68. The net proceeds obtained from the new issue were approximately HK$165.0 million. As of 30 June 2018, the net proceeds were utilized in accordance with the purposes disclosed in the announcement dated as set out below:

| | **Proposed use of proceeds** | **Actual use of proceeds** |
|---|---|---|
| Cash consideration for the Acquisition of Brilliant Star Group | HK$165,000,000 | HK$165,000,000 |

On 3 July 2017, a placing and subscription agreement was signed between the Company, the controlling shareholder and the placing agent and an investor subscription agreement was signed between the Company and the subscriber. 57 million and 41 million new shares were issued to the placee and subscriber at a price of HK$0.68. The net proceeds obtained from the new issue were approximately HK$66.0 million. As of 30 June 2018, the net proceeds were utilized in accordance with the purposes disclosed in the announcement dated as set out below:

| | **Proposed use of proceeds** | **Actual use of proceeds** |
|---|---|---|
| Cash consideration for the Acquisition of Brilliant Star Group | HK$66,000,000 | HK$47,900,000 |
| Use on lending business in Hong Kong | | HK$10,100,000 |
| Repayment of short-term borrowings | | HK$8,000,000 |

On 17 July 2017, a subscription agreement was signed between the Company and the subscriber. 23 million new shares were issued to the subscriber at a price of HK$0.68. The net proceeds obtained from the new issue were approximately HK$15.5 million. As of 30 June 2018, the net proceeds were utilized in accordance with the purposes disclosed in the announcement dated as set out below:

| | **Proposed use of proceeds** | **Actual use of proceeds** |
|---|---|---|
| Use on lending business in Hong Kong | HK$15,500,000 | HK$15,500,000 |

**Employee and Remuneration Policies**

As at 30 June 2018, the Group had approximately 326 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 were approximately HK$44,118,000.

## 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 29 August 2018.

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

During the Reporting Period, the Company had bought back on the Stock Exchange a total of 11,580,000 shares. A total of 11,580,000 shares have been cancelled.

Details of the buy-back of the shares of the Company are as follows:

| Month of Buy-back | Number of Shares Bought Back | Highest Price Per Share *HK$* | Lowest Price Per Share *HK$* | Aggregate Purchase Price *HK$* |
|---|---|---|---|---|
| April | 10,254,000 | 0.6600 | 0.6400 | 6,608,800.00 |
| May | 1,326,000 | 0.6700 | 0.6700 | 888,420.00 |

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

## INTERIM DIVIDEND

The Board is pleased to declare an interim dividend of HK1 cent per ordinary share of the Company for the six months ended 30 June 2018 (six months ended 30 June 2017: HK1.05 cents), to the shareholders of the Company whose names are on the register of members on Friday, 28 September 2018. The payment of interim dividend will be made on or about 9 October 2018.

## 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, 26 September 2018 to Friday, 28 September 2018, 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 Monday, 24 September 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 of Hong Kong Limited (the "Listing Rules") throughout the Reporting Period, 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 regular board meetings should be held at least 4 times 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 Reporting Period.

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 2018. 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 2018 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, 29 August 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 Dong Yibing
Madam Huang Mei

*Independent Non-executive Directors:*
Mr Chan Chun Keung
Mr Chan Wing Fai
Mr Zhang Xiao Jun
Madam Zhan Lili