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 2018

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2018	2017	Percentage change
	HK$'000	*HK$'000*	*%*
Interest and services income	**823,013**	732,705	12.3
After-tax operating profit attributable to equity shareholders (excluding effect on share-based payment expenses)	**271,601**	290,845	(6.6)
ROE (After-tax operating profit attributable to equity shareholders/(Total equity attributable to equity shareholders-Goodwill))	**8.7%**	9.5%	(8.4)
Profit for the year attributable to equity shareholders of the Company	**270,427**	286,675	(5.7)
Basic earnings per share *(HK cents)*	**6.29**	7.09	(11.3)

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 2018, 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 2018

		2018	2017
	Note	***HK$'000***	*HK$'000*
Interest, guarantee and financing consultancy services income	*3*	**823,013**	732,705
Interest and handling expenses	*3*	**(164,391)**	(104,337)
Net interest income and service income	*3*	**658,622**	628,368
Education consultancy service income	*3*	**6,369**	2,458
Other income, net	*4*	**16,180**	50,976
General and administrative expenses		**(242,555)**	(178,065)
Share of losses of associates		**(4,306)**	(3)
Profit before taxation	*5*	**434,310**	503,734
Income tax	*6*	**(135,754)**	(193,193)
Profit for the year		**298,556**	310,541
Attributable to:			
Equity shareholders of the Company		**270,427**	286,675
Non-controlling interests		**28,129**	23,866
Profit for the year		**298,556**	310,541
Earnings per share	*9*	***HK cents***	*HK cents*
– Basic		**6.29**	7.09
– Diluted		**6.28**	7.05

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018	2017
	Note	***HK$'000***	*HK$'000*
Profit for the year		**298,556**	310,541
Other comprehensive (loss)/income 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		**(164,507)**	218,075
Other financial assets: net movement in the fair value reserve		**(9,173)**	80
Other comprehensive (loss)/income for the year, net of nil income tax		**(173,680)**	218,155
Total comprehensive income for the year		**124,876**	528,696
Attributable to:			
Equity shareholders of the Company		**105,707**	494,374
Non-controlling interests		**19,169**	34,322
Total comprehensive income for the year		**124,876**	528,696

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	**2018** **HK$'000**	2017 HK$'000
Non-current assets			
Property, plant and equipment		**11,564**	6,569
Goodwill		**603,707**	635,477
Intangible assets		**19,371**	19,371
Interests in associates		**17,925**	3,706
Other financial assets		**90,844**	99,041
Loans receivable	*10*	**620,488**	458,614
Deposits		**165,908**	70,000
Deferred tax assets		**10,304**	1,964
		1,540,111	1,294,742
Current assets			
Contingent consideration receivables		**15,238**	1,270
Loans receivable	*10*	**3,984,541**	4,216,901
Accounts receivable	*11*	**3,471**	5,605
Interests receivable	*12*	**24,535**	17,989
Other receivables, deposits and prepayments		**30,154**	80,969
Amount due from an associate		**15,810**	–
Tax recoverable		**157**	–
Pledged bank and security deposits paid		**29,211**	18,974
Time deposits		**–**	72,370
Cash and cash equivalents		**540,184**	662,740
		4,643,301	5,076,818
Current liabilities			
Borrowings and other payables		**1,251,183**	1,244,853
Bank loans		**132,478**	213,556
Security deposits received		**107,433**	104,311
Accruals and other deposit received		**75,929**	32,293
Liabilities arising from loan guarantee contracts		**429**	134
Amount due to an associate		**2,970**	3,125
Financial derivatives		**–**	304
Senior bonds		**–**	365,099
Unsecured bonds		**56,443**	57,012
Income received in advance		**18,038**	13,444
Tax payable		**101,288**	144,510
		1,746,191	2,178,641
Net current assets		**2,897,110**	2,898,177
Total assets less current liabilities		**4,437,221**	4,192,919

	2018	2017
	HK$'000	*HK$'000*
Non-current liabilities		
Borrowings and other payables	**271,231**	–
Unsecured bonds	**245,579**	273,642
Deferred tax liabilities	**26,342**	20,665
	543,152	294,307
NET ASSETS	**3,894,069**	3,898,612
EQUITY		
Share capital	**2,080,113**	2,080,113
Reserves	**1,629,890**	1,632,365
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	**3,710,003**	3,712,478
Non-controlling interests	**184,066**	186,134
TOTAL EQUITY	**3,894,069**	3,898,612

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial information relating to the years ended 31 December 2018 and 2017 included in this preliminary announcement of annual results 2018 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 2017 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 2018 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 (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that other financial assets, contingent consideration receivables and financial derivatives are stated at their fair value.

2. CHANGES IN ACCOUNTING POLICIES

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:

(i) HKFRS 9, *Financial instruments*

(ii) HKFRS 15, *Revenue from contracts with customers*

(iii) HK(IFRIC)-Int 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.

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**	**At 1 January 2018**
	HK$'000	*HK$'000*	*HK$'000*
Other financial assets			
– available-for-sale investments	99,041	(99,041)	–
– financial assets measured at FVOCI	–	52,270	52,270
– financial assets carried at FVPL	–	52,338	52,338
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 receivable	1,270	–	1,270
Loans receivables – 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
Retained earnings	1,571,971	(500)	1,571,471
Fair value reserve (recycling)	2,373	(4,701)	(2,328)
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

a) **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, fair value reserve, non-controlling interests 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	4,701
Related tax	7,481
Net decrease in retained earnings at 1 January 2018	(500)
Fair value reserve (recycling)	
Transfer to retained earnings related to financial assets now measured at FVPL and net decrease in fair valve reserve (recycling) at 1 January 2018	(4,701)
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.

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
	4,675,515	–	(18,836)	4,656,679
Financial assets measured at FVOCI (recycling)				
Debt securities *(note (i))*	–	52,270	–	52,270
Financial assets carried at FVPL				
Equity securities *(note (ii))*	–	11,860	–	11,860
Unlisted investment funds in PRC *(note (iii))*	–	29,908	–	29,908
Unlisted investments *(note (iii))*				
– golf club membership	–	1,903	5,567	7,470
– marina club membership	–	3,100	–	3,100
	–	46,771	5,567	52,338
Financial assets classified as available-for-sale under HKAS 39 *(notes (i), (ii), (iii))*	99,041	(99,041)	–	–

Notes:

(i) Under HKAS 39, debt securities were classified as avaliable-for-sale financial assets. They are classified as at FVOCI (recycling) under HKFRS 9.

(ii) Under HKAS 39, equity securities not held for trading were classified as available-for-sale financial assets. These equity 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.

(iii) Under HKAS 39, unlisted investment funds and unlisted investments 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. 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

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

– financial assets measured at amortised cost (including cash and cash equivalents, loans receivable, accounts receivable, interests receivable, other receivables, amount due from an associate, pledged bank and security deposits paid and time deposits;

– debt securities measured at FVOCI (recycling); and

– financial guarantee contracts issued.

The following table reconciles the closing allowance determined in accordance with HKAS 39 as at 31 December 2017 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 January 2018.

	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

(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;

  – 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.

b) 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.

c) HK(IFRIC) Int-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) Int-22 does not have any material impact on the financial position and the financial result of the Group.

3. REVENUE AND SEGMENT REPORTING

a) Revenue

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

	2018	2017
	HK$'000	*HK$'000*
Interest, guarantee and financing consultancy services income		
Pawn loans, loans receivable from micro-lending and money-lending	**363,844**	284,397
Other loans receivable	**458,995**	448,197
Financial guarantees	**174**	111
	823,013	732,705
Interest and handling expenses arising from:		
Bank loans	**(11,910)**	(5,840)
Borrowings	**(114,426)**	(39,749)
Senior bonds	**(5,535)**	(29,381)
Unsecured bonds	**(29,078)**	(25,874)
Other finance costs	**(3,442)**	(3,493)
	(164,391)	(104,337)
Net interest income and service income	**658,622**	628,368
Income arising from:		
Education consultancy service	**6,369**	2,458

For the year ended 31 December 2018, 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$828,459,000 (2017: HK$736,824,000).

b) Segmental Information

(i) Operating segment information

For the years ended 31 December 2018 and 2017, 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

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**79,498**	35,502
The People's Republic of China (the "PRC")	**743,515**	697,203
United Kingdom	**6,369**	2,458
	829,382	735,163

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

Non-current assets

	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**82,699**	40,984
The PRC	**710,941**	676,358
United Kingdom	**24,835**	17,781
	818,475	735,123

The above table sets out the information about the geographical location of the Group's property, plant and equipment, goodwill, intangible assets, interests 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 interests in associates.

(iii) Information about major customers

For the year ended 31 December 2018, there was no customer (2017: nil) who individually contributed over 10% of the Group's revenue.

4. OTHER INCOME, NET

	2018	2017
	HK$'000	*HK$'000*
Bank interest income	**2,516**	2,476
Other interest income from debt securities	**3,104**	1,754
Dividend income from other financial assets	**301**	1,290
Interest income from financial assets at FVTPL	**–**	498
Income from government subsidies	**1,325**	19,280
Other financial assets: reclassified from equity		
– Gain on disposal *(note 8)*	**–**	3,773
Gain/(loss) on fair value change of financial assets at FVTPL		
– Gain/(loss) on disposal	**549**	(18)
– Change on fair value of financial assets at FVTPL	**3,804**	–
	4,353	(18)
Gain on fair value change of financial derivatives in respect of decumulator contracts		
– Gain on disposal	**304**	–
– Change on fair value	**–**	728
	304	728
Gain on fair value change of contingent consideration receivable *(note)*	**10,444**	–
Exchange loss, net	**(14,881)**	(5,961)
Gain on bargain purchase	**–**	18,313
Others	**8,714**	8,843
	16,180	50,976

Note: Loss on fair value change of contingent consideration receivable of HK$2,096,000 was included in "General and administrative expenses" on the consolidated statement of profit or loss for the year ended 31 December 2017.

5. PROFIT BEFORE TAXATION

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

		2018	2017
		HK$'000	*HK$'000*
(a)	**Staff costs (including directors' emoluments):**		
	Salaries, allowances and other benefits	**80,884**	46,980
	Equity-settled share-based payment expenses	**–**	385
	Contributions to defined contribution retirement plans	**6,920**	4,720
		87,804	52,085
(b)	**Other items:**		
	Depreciation	**3,636**	3,065
	Operating lease charges in respect of properties	**16,253**	12,262
	Auditors' remuneration	**2,350**	2,050
	Impairment losses recognised – loans receivable	**17,158**	29,244
	Reversal of impairment losses – loans receivable	**–**	(213)
	Equity-settled share-based payment expenses *(note)*	**1,174**	4,170
	Fair value change of contingent consideration receivables	**(10,444)**	2,096

Note: For the year ended 31 December 2017, equity-settled share-based payment expenses include HK$385,000 relating to staff costs which amount is also included in the total amount disclosed in note 5(a) for staff costs.

6. INCOME TAX

a) Taxation in the consolidated statement of profit or loss represents:

	2018	2017
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	1
Under-provision in respect of prior years	**1,183**	1,059
Current tax – PRC Enterprise Income Tax		
Provision for the year	**123,315**	147,247
(Over)/under-provision in respect of prior years	**(25)**	2,557
Withholding tax on dividends		
Provision for the year	**4,130**	28,878
Deferred tax		
Origination and reversal of temporary differences	**7,151**	13,451
	135,754	193,193

(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 Hong Kong and the Company were calculated at 16.5% of the estimated taxable profit for the year ended 31 December 2017.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The two-tiered profits tax rates regime is applied from the year of assessment 2018/19.

(iii) Pursuant to the rules and regulations of the British Virgin Islands ("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% (2017: 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. DIVIDENDS

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

	2018	2017
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK1 cent per ordinary share (2017: HK1.05 cents per ordinary share)	**42,990**	45,167
Final dividend proposed after the end of the reporting period of HK0.3 cents per ordinary share (2017: HK0.7 cents per ordinary share)	**12,878**	30,181
	55,868	75,348

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

8. OTHER COMPREHENSIVE (LOSS)/INCOME

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

	Note	**2018**	2017
		HK$'000	*HK$'000*
Exchange differences on translation into presentation currency		**(164,507)**	218,075
Financial assets measured at FVOCI/ other financial assets:			
Changes in fair value recognised during the year		**–**	3,853
Reclassification adjustments for amounts transferred to profit or loss:			
– gain on disposal	*4*	**–**	(3,773)
Net loss on debt securities at fair value through other comprehensive income (recycling)		**(9,173)**	–
Net movement in fair value reserve during the year recognised in other comprehensive income		**(9,173)**	80
		(173,680)	218,155

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$270,427,000 (2017: HK$286,675,000) and the weighted average number of ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares (basic)

	2018	2017
	Number of shares	*Number of shares*
Issued ordinary shares at 1 January	**4,311,583,347**	3,840,056,336
Effect of shares repurchased	**(12,081,140)**	–
Effect of share options exercised	**–**	5,345,205
Effect of shares issued under subscription agreements, placing and subscription agreement and investor subscription agreement	**–**	172,030,137
Effect of consideration issue	**–**	28,085,001
Weighted average number of ordinary shares at 31 December	**4,299,502,207**	4,045,516,679

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$270,427,000 (2017: HK$286,675,000) and the weighted average number of ordinary shares calculated as follows:

Weighted average number of ordinary shares (diluted)

	2018	2017
	Number of shares	*Number of shares*
Weighted average number of ordinary shares (basic) at 31 December	**4,299,502,207**	4,045,516,679
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**8,723,100**	21,114,608
Weighted average number of ordinary shares (diluted) at 31 December	**4,308,225,307**	4,066,631,287

10. LOANS RECEIVABLE

	2018	2017
	HK$'000	*HK$'000*
Pawn loans receivable	**321,525**	372,925
Loans receivable arising from:		
– Micro-lending	**1,124,664**	1,028,787
– Money-lending	**589,054**	712,383
Other loans receivable	**2,642,681**	2,599,499
	4,677,924	4,713,594
Less: Allowances for doubtful debts	**(72,895)**	(38,079)
	4,605,029	4,675,515
Amounts due within one year included under current assets	**3,984,541**	4,216,901
Amounts due after one year included under non-current assets	**620,488**	458,614
	4,605,029	4,675,515

Maturity profile

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

	2018					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	**51,359**	**66,211**	**21,014**	**423,849**	**562,433**	34,193	18,855	124,579	471,125	648,752
Due after 1 month but within 3 months	**40,744**	**219,851**	**11,684**	**221,250**	**493,529**	66,036	176,275	8,431	347,405	598,147
Due after 3 months but within 6 months	**60,306**	**273,862**	**25,532**	**535,710**	**895,410**	40,255	294,459	78,798	617,232	1,030,744
Due after 6 months but within 12 months	**169,116**	**415,960**	**50,118**	**1,461,872**	**2,097,066**	232,441	460,418	120,296	1,163,737	1,976,892
Due after 12 months	**–**	**148,780**	**480,706**	**–**	**629,486**	–	78,780	380,279	–	459,059
Allowances for doubtful debts	**(2,107)**	**(8,096)**	**(45,212)**	**(17,480)**	**(72,895)**	(3,729)	(10,371)	(23,979)	–	(38,079)
	319,418	**1,116,568**	**543,842**	**2,625,201**	**4,605,029**	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:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**2,177**	4,662
1 to 3 months	**1,000**	891
3 to 6 months	**294**	52
	3,471	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:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**12,464**	11,294
1 to 3 months	**2,936**	2,327
3 to 6 months	**292**	1,223
Over 6 months	**8,843**	3,145
	24,535	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).

13. COMPARATIVE FIGURES

The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2018, to prevent the outbreak of systemic financial risks, the PRC government had strengthened its supervision on the financial industry with specific focus on the rectification of the P2P loan industry. At the same time, the regulatory authorities propelled small-loan companies and online lending institutions to fully access the credit checking system, and continued to accelerate the establishment of a market-oriented credit checking system. In addition, on the premise of maintaining a stable monetary policy, the central bank fine-tuned the direction of monetary easing policy and reduces the required reserve ratio (RRR) on four occasions in 2018. It increased the supply of medium– and long-term liquidity, alleviated the overly rapid decline in financing growth caused by policy tightening, and maintained the overall stability of the real estate market to a certain extent.

Currently, the principal business of the Group is loan services. With a more regulated industry environment, non-compliant institutions are being eradicated, in turn optimizing the competitive environment the Group operates in. On the other hand, a stable real estate market will benefit our Group, as the loan-to-value ratio can be maintained within a safe range. As a result, in 2018, the regulatory and monetary policies were favorable to the Group's principal business.

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 one-stop financing services to small and medium enterprises, micro-enterprises and individuals.

In 2018, the loan business segment of the Group continued to maintain stable growth, achieving improvement in income structure in a risk-controlled manner. Among the projects that were acquired, the operating conditions of the loan assets of HK Credit Gain has shown significant improvement. Also, average loan yield increased by 200 basis points when compared with the beginning of the year. In addition, Chengdu Vision Credit also performed well with a significant increase in profit, the loan balance doubled when compared with the end of last year, and the non-performing rate of new loans remained at below 1%. The Group achieved remarkable results in integrating the businesses it acquired and had successfully turned around the suboptimal operation situations of HK Credit Gain and Chengdu Vision Credit prior to their acquisitions, demonstrating its excellent operation and management capabilities. As of the end of the report period, the Group had already established stable businesses in Beijing, Hong Kong and Chengdu, and planned to expand to other key cities.

In addition, as the Hong Kong market is known for its efficiency, the Group believes a seamless online loan product has enormous growth potential. Thus, the Group has established a cooperation with Enova Decisions to offer innovative online loan service. Enova Decisions, a part of NYSE-listed Enova International (NYSE: ENVA), is responsible for providing the decision-making model based on intelligent analysis, while the Group will utilize its experience in Hong Kong credit market in this cooperation. The cooperation will reform the existing traditional personal unsecured loan products, optimize the application, approval, fund transfer and other processes, so as to improve business efficiency and credit risk management abilities through a scientific and technological approach. This venture carries the objective of expanding asset size and achieving economies of scale for the Group.

FUTURE PROSPECTS

In 2019, the Group has introduced Enova to complete the revolutionization of traditional financial products and services, as well as optimization of its original risk management model to improve business efficiency. At the same time, the Group will continue to push forward the acquisitions of existing projects, with the aim to complete the venture into asset management and other segments as soon as possible, thereby achieving synergy with our wealth management business. In addition, the Group will also continue to look for consolidation opportunities to gradually achieve economies of scale, increase leverage accordingly and in turn, improve return on equity.

The management remains optimistic on the Group's long-term prospects. With the target of building an all-round financial service provider, the Group will continue to seek acquisitions of strategic significance, in order to offer more diversified financial products. In addition, the Group will continue to seek cooperation with other financial institutions and seize market opportunities to launch structured products with loans as underlying assets, so as to speed up the asset turnover of the Group and create the maximum value for our shareholders.

FINANCIAL REVIEW

For the year ended 31 December 2018 (the "Reporting Period"), the Group reported a revenue of approximately HK$823,013,000, representing an increase of 12.3% from HK$732,705,000 as recorded in 2017. 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 2018 was approximately HK$270,427,000, down 5.7% as compared to the corresponding figure last year. The loans receivable as at 31 December 2018 was about HK$4,605,029,000, down 1.5% 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$363,844,000, interest and services income for other loans receivable amounted to approximately HK$458,995,000, financial guarantees amounted to approximately HK$174,000.

Interest and handling expenses

Interest and handling expenses represent finance costs for the Reporting Period. The amount was approximately HK$164,391,000, representing an increase of 57.6% compared to the corresponding figure in 2017.

General and administrative expenses

General and administrative expenses for the Reporting Period were approximately HK$242,555,000, up 36.2% as compared to the corresponding figure last year. The increase in general and administrative expenses was mainly due to increase in staff costs, legal and professional fee, intermediary handling charges and rental expenses.

Profit for the year

The profit for the year attributable to equity shareholders for the Company was approximately HK$270,427,000, representing a decrease of 5.7% as compared to approximately HK$286,675,000 for the corresponding period last year. The decrease was mainly attributable to increase in interest and handling expenses and operating expenses.

Financial Resources and Capital Structure

The assets of the Group were mainly comprised of loans receivable of approximately HK$4,605,029,000, accounting for 74.5% of the total assets of the Group as at 31 December 2018. Other major non-current assets include goodwill of approximately HK$603,707,000, deposits of approximately HK$165,908,000, intangible assets of approximately HK$19,371,000, other financial assets of approximately HK$90,844,000, deferred tax assets of approximately HK$10,304,000 and interests in associates of approximately HK$17,925,000.

Current assets mainly comprised of accounts receivable of approximately HK$3,471,000, interests receivable of approximately HK$24,535,000, other receivables, deposits and prepayments of approximately HK$30,154,000, amount due from an associate of approximately HK$15,810,000, pledged bank and security deposits paid of approximately HK$29,211,000 and cash and cash equivalents of approximately HK$540,184,000.

Current liabilities mainly comprised of borrowings and other payables of approximately HK$1,251,183,000, bank loans of approximately HK$132,478,000, security deposits received of approximately HK$107,433,000, unsecured bonds of approximately HK$56,443,000, accruals and other deposit received of approximately HK$75,929,000, amount due to an associate of approximately HK$2,970,000, income received in advance of approximately HK$18,038,000 and tax payable of about HK$101,288,000.

Non-current liabilities includes borrowing and other payables of approximately HK$271,231,000, unsecured bonds of approximately HK$245,579,000 and deferred tax liabilities of about HK$26,342,000.

Employee and Remuneration Policies

As at 31 December 2018, the Group had approximately 300 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 about HK$87,804,000.

In order to recognize and reward the contribution of certain eligible participants to the growth and development of the Group, the Company adopted a share award plan (the "Share Award Plan") on 14 January 2019. As of the date of this announcement, no awards have been granted or agreed to be granted under the Share Award Plan.

Liquidity and Gearing Ratio

The Group maintains a healthy liquidity position. As at 31 December 2018, the current ratio of the Group was 2.66 times. The Group monitors capital on the basis of the gearing ratio, which is calculated as total borrowings (including current and non-current borrowings, bank loans, unsecured bonds and security deposits received) less cash and cash equivalents and pledged bank and security deposits paid divided by total equity. As at 31 December 2018, the gearing ratio was about 38.4%.

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 2018 financial statements were approved and authorised for issue by the Board of the Company on 28 March 2019.

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 55,444,000 shares. A total of 18,776,000 shares have been cancelled during the year ended 31 December 2018 and 36,668,000 shares were cancelled in January 2019.

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
May	1,326,000	0.6700	0.6700	888,420
August	140,000	0.5600	0.5600	78,400
September	2,214,000	0.5700	0.5400	1,237,240
October	3,810,000	0.5500	0.4800	1,956,554
November	11,238,000	0.5000	0.4800	5,589,210
December	26,462,000	0.6300	0.4850	14,665,930

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

FINAL DIVIDEND

The Board recommends payment of a final dividend of HK0.3 cents per ordinary share of the Company for the financial year ended 31 December 2018 (2017: HK0.7 cents per ordinary share), to the shareholders of the Company whose names are on the register of members on Wednesday, 19 June 2019, subject to the approval by the Company's shareholders at the forthcoming annual general meeting of the Company to be held on Tuesday, 4 June 2019 ("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, 28 June 2019.

Including an interim dividend of HK1 cent per ordinary share (2017: HK1.05 cents per ordinary share) for the six months ended 30 June 2018 which have already been paid, if final dividend will be approved, total payout for the year will amount to HK1.3 cents per ordinary share (2017: HK1.75 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 Thursday, 30 May 2019 to Tuesday, 4 June 2019, 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 Wednesday, 29 May 2019.

For determining the entitlement to the proposed final dividend (subject to the approval of the shareholders at the AGM), the register of members of the Company will be closed from Monday, 17 June 2019 to Wednesday, 19 June 2019, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend as stated in this announcement, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 14 June 2019.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of 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 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 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 of four independent non-executive directors and one non-executive director, has reviewed the final results for the Reporting Period. The Audit Committee considered that the annual 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.

SCOPE OF WORK OF CROWE (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 Reporting Period as set out in the preliminary announcement have been agreed by the Group's auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by Crowe (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 (HK) CPA Limited on the preliminary announcement.

EVENT AFTER REPORTING PERIOD

From 1 January 2019 to the date of this announcement, there are no significant events occurred after the Reporting Period that may affect the Group.

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 2018 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, 28 March 2019

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
Dr 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
Dr Zhang Xiao Jun
Madam Zhan Lili