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 2019

FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2019	2018	Percentage change
	HK$'000	*HK$'000*	*%*
Interest and services income	**765,330**	823,013	(7.0)
ROE (Profit attributable to equity shareholders/(Total equity attributable to equity shareholders-Goodwill))	**5.8%**	8.7%	(33.3)
Profit for the year attributable to equity shareholders of the Company	**182,448**	270,427	(32.5)
Basic earnings per share *(HK cents)*	**4.37**	6.29	(30.5)

The board of directors (the "Board") of China Financial Services Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2019, 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 2019

	Note	**2019** ***HK$'000***	2018 *HK$'000*
Interest, guarantee and financing consultancy services income	*3*	**765,330**	823,013
Interest and handling expenses	*3*	**(162,117)**	(164,391)
Net interest income and service income	*3*	**603,213**	658,622
Education consultancy service income	*3*	**11,166**	6,369
Other income, net	*4*	**20,539**	16,180
General and administrative expenses		**(259,048)**	(225,397)
Impairment losses on financial instruments	*5*	**(49,102)**	(17,158)
Share of losses of associates		**(126)**	(4,306)
Share of losses of joint ventures		**(1,216)**	–
Profit before taxation	*6*	**325,426**	434,310
Income tax	*7*	**(111,476)**	(135,754)
Profit for the year		**213,950**	298,556
Attributable to:			
Equity shareholders of the Company		**182,448**	270,427
Non-controlling interests		**31,502**	28,129
Profit for the year		**213,950**	298,556
Earnings per share	*10*	***HK cents***	*HK cents*
– Basic		**4.37**	6.29
– Diluted		**4.37**	6.28

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Profit for the year		**213,950**	298,556
Other comprehensive income/(loss) for the year, net of nil income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation into presentation currency		**(103,792)**	(164,507)
Financial assets measured at FVOCI			
Net gain/(loss) on debt securities at fair value through other comprehensive income (recycling)		**5,547**	(9,173)
Reclassification adjustments for amounts transferred to profit or loss:			
– loss on disposal		**3,459**	–
		9,006	(9,173)
Other comprehensive loss for the year, net of nil income tax	*9*	**(94,786)**	(173,680)
Total comprehensive income for the year		**119,164**	124,876
Attributable to:			
Equity shareholders of the Company		**89,883**	105,707
Non-controlling interests		**29,281**	19,169
Total comprehensive income for the year		**119,164**	124,876

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment		**19,526**	11,564
Goodwill		**597,551**	603,707
Intangible assets		**19,371**	19,371
Interests in associates		**17,721**	17,925
Interests in joint ventures		**784**	–
Other financial assets		**53,756**	90,844
Loans receivable	*11*	**565,763**	620,488
Deposits		**–**	165,908
Deferred tax assets		**32,743**	10,304
		1,307,215	1,540,111
Current assets			
Contingent consideration receivables		**10,682**	15,238
Loans receivable	*11*	**3,839,295**	3,984,541
Accounts receivable	*12*	**9,580**	3,471
Interests receivable	*13*	**22,551**	24,535
Other receivables, deposits and prepayments		**41,939**	30,154
Amount due from an associate		**13,866**	15,810
Amounts due from joint ventures		**50**	–
Tax recoverable		**157**	157
Pledged bank and security deposits paid		**34,053**	29,211
Cash and cash equivalents		**703,563**	540,184
		4,675,736	4,643,301

	2019	2018
	HK$'000	*HK$'000*
Current liabilities		
Borrowings and other payables	**1,073,786**	1,251,183
Bank loans	**237,598**	132,478
Security deposits received	**50,822**	107,433
Consideration payables	**94,520**	–
Accruals and other deposit received	**54,957**	75,929
Liabilities arising from loan guarantee contracts	**–**	429
Amount due to an associate	**2,885**	2,970
Unsecured bonds	**14,914**	56,443
Income received in advance	**17,171**	18,038
Lease liabilities	**6,397**	–
Tax payable	**96,582**	101,288
	1,649,632	1,746,191
Net current assets	**3,026,104**	2,897,110
Total assets less current liabilities	**4,333,319**	4,437,221
Non-current liabilities		
Borrowings and other payables	**–**	271,231
Consideration payables	**186,190**	–
Unsecured bonds	**279,449**	245,579
Lease liabilities	**1,147**	–
Deferred tax liabilities	**35,137**	26,342
	501,923	543,152
NET ASSETS	**3,831,396**	3,894,069

	2019	2018
	HK$'000	*HK$'000*
EQUITY		
Share capital	**2,080,113**	2,080,113
Reserves	**1,644,368**	1,629,890
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	**3,724,481**	3,710,003
Non-controlling interests	**106,915**	184,066
TOTAL EQUITY	**3,831,396**	3,894,069

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial information relating to the years ended 31 December 2019 and 2018 included in this preliminary announcement of annual results 2019 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 2018 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 2019 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 new HKFRS, HKFRS 16 *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16 *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17 *Leases*, and the related interpretations, HK(IFRIC) 4 *Determining whether an arrangement contains a lease*, HK(SIC) 15 *Operating leases – incentives*, and HK(SIC) 27 *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the Group.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 January 2019. For contracts entered into before 1 January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets which are except. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 4%-7%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019; and

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

The following table reconciles the operating lease commitments, as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	1 January 2019
	HK$'000
Operating lease commitments at 31 December 2018	18,396
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31 December 2019	(895)
	17,501
Less: total future interest expenses	(719)
Total lease liabilities recognised at 1 January 2019	16,782

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31 December 2018.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31 December 2018	**Capitalisation of operating lease contracts**	**Carrying amount at 1 January 2019**
	HK$'000	*HK$'000*	*HK$'000*
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	11,564	16,782	28,346
Total non-current assets	**1,540,111**	**16,782**	**1,556,893**
Lease liabilities (current)	–	9,887	9,887
Current liabilities	**1,746,191**	**9,887**	**1,756,078**
Net current assets	**2,897,110**	**(9,887)**	**2,887,223**
Total assets less current liabilities	**4,437,221**	**6,895**	**4,444,116**
Lease liabilities (non-current)	–	6,895	6,895
Total non-current liabilities	**543,152**	**6,895**	**550,047**
Net assets	**3,894,069**	**–**	**3,894,069**

(b) Impact on the financial result, segment result and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a change on the reported profit before taxation in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the consolidated statement of cash flows.

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result and cash flows for the year ended 31 December 2019, by adjusting the amounts reported under HKFRS 16 in these consolidated financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019				2018
	Amounts reported under HKFRS 16	**Add back: HKFRS 16 depreciation and interest expense**	**Deduct: Estimated amounts related to operating leases as if under HKAS 17** ***(note 1)***	**Hypothetical amounts for 2019 as if under HKAS 17**	Compared to amounts reported for 2018 under HKAS 17
	(A)	**(B)**	**(C)**	**(D = A + B – C)**	
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*
Financial result for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:					
Interest and handling expenses	**(162,117)**	**560**	**–**	**(161,557)**	(164,391)
General and administrative expenses	**(308,150)**	**10,433**	**17,640**	**(315,357)**	(242,555)
Profit before taxation	**325,426**	**10,993**	**17,640**	**318,779**	434,310
Profit for the year	**213,950**	**10,993**	**17,640**	**207,303**	298,556

	2019			2018
	Amounts reported under HKFRS 16	**Estimated amounts related to operating leases as if under HKAS 17** ***(notes 1 & 2)***	**Hypothetical amounts for 2019 as if under HKAS 17**	Compared to amounts reported under HKAS 17
	(A)	**(B)**	**(C = A + B)**	
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*
Line items in the condensed consolidated statement of cash flows for the year ended 31 December 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	**906,184**	**(17,640)**	**888,544**	798,529
Net cash generated from operating activities	**795,002**	**(17,640)**	**777,362**	631,832
Capital element of lease rentals paid	**–**	**9,881**	**9,881**	–
Interest element of lease rentals paid	**–**	**560**	**560**	–
Net cash used in financing activities	**(783,818)**	**10,441**	**(773,377)**	(658,545)

Note 1: The "estimated amounts related to operating leases" is an estimate of the amounts of the cash flows in 2019 that relate to leases which would have been classified as operating leases, if HKAS 17 had still applied in 2019. This estimate assumes that there were no differences between rentals and cash flows and that all of the new leases entered into in 2019 would have been classified as operating leases under HKAS 17, if HKAS 17 had still applied in 2019. Any potential net tax effect is ignored.

Note 2: In this impact table these cash outflows are reclassified from financing to operating in order to compute hypothetical amounts of net cash generated from operating activities and net cash used in financing activities as if HKAS 17 still applied.

3. REVENUE AND SEGMENT REPORTING

a) Revenue

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

	2019	2018
	HK$'000	*HK$'000*
Interest, guarantee and financing consultancy services income		
Pawn loans, loans receivable from micro-lending and money-lending	**369,919**	363,844
Other loans receivable	**394,482**	458,995
Financial guarantees	**929**	174
	765,330	823,013
Interest and handling expenses arising from:		
Bank loans	**(11,773)**	(11,910)
Borrowings and other payables	**(114,157)**	(114,426)
Senior bonds	**–**	(5,535)
Unsecured bonds	**(28,476)**	(29,078)
Lease liabilities	**(560)**	–
Other finance costs	**(7,151)**	(3,442)
	(162,117)	(164,391)
Net interest income and service income	**603,213**	658,622
Income arising from:		
Education consultancy service	**11,166**	6,369

For the year ended 31 December 2019, 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$771,593,000 (2018: HK$828,459,000).

b) Segmental Information

(i) Operating segment information

For the years ended 31 December 2019 and 2018, 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

	2019	2018
	HK$'000	HK$'000
Hong Kong	**88,214**	79,498
The PRC	**677,116**	743,515
United Kingdom	**11,166**	6,369
	776,496	829,382

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

Non-current assets

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**29,034**	82,699
The PRC	**593,864**	710,941
United Kingdom	**32,055**	24,835
	654,953	818,475

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 joint ventures 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 and joint ventures.

(iii) Information about major customers

For the year ended 31 December 2019, there was no customer (2018: nil) who individually contributed over 10% of the Group's revenue.

4. OTHER INCOME, NET

	2019	2018
	HK$'000	*HK$'000*
Bank interest income	**4,507**	2,516
Other interest income from debt securities	**2,685**	3,104
Dividend income from other financial assets	**248**	301
Income from government subsidies	**16,904**	1,325
Other financial assets: reclassified from equity		
– Loss on disposal *(note 9)*	**(3,459)**	–
(Loss)/gain on fair value change of financial assets at FVTPL		
– Gain on disposal	**493**	549
– Change on fair value of financial assets at FVTPL	**(3,522)**	3,804
	(3,029)	4,353
Gain on fair value change of financial derivatives in respect of decumulator contracts		
– Gain on disposal	**–**	304
(Loss)/gain on fair value change of contingent consideration receivables	**(4,556)**	10,444
Exchange loss, net	**(2,057)**	(14,881)
Others	**9,296**	8,714
	20,539	16,180

5. IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

	2019	2018
	HK$'000	*HK$'000*
Loans and advances to customers	**49,102**	17,158

6. PROFIT BEFORE TAXATION

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

	2019	2018
	HK$'000	*HK$'000*
(a) Staff costs (including directors' emoluments):		
Salaries, allowances and other benefits	**80,040**	80,884
Equity-settled share-based payment expenses	**–**	–
Contributions to defined contribution retirement plans	**9,307**	6,920
	89,347	87,804
(b) Other items:		
Depreciation of property, plant and equipment		
– self-owned assets	**5,142**	3,636
– right-of-use assets	**10,433**	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	**–**	16,253
Auditors' remuneration	**2,320**	2,350
Equity-settled share-based payment expenses (see note (i) below)	**–**	1,174
Fair value change of contingent consideration receivables	**4,556**	(10,444)
Loss on disposal of property, plant and equipment	**349**	135

Notes:

(i) For the year ended 31 December 2019, equity-settled share-based payment expenses included HK$Nil (2018: Nil) relating to staff costs which amount was also included in the total amount disclosed in note 6(a) for staff costs.

7. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	2019	2018
	HK$'000	*HK$'000*
Current tax – Hong Kong Profits Tax		
Provision for the year	**–**	–
Under-provision in respect of prior years	**–**	1,183
Current tax – PRC Enterprise Income Tax		
Provision for the year	**96,584**	123,315
Over-provision in respect of prior years	**(36)**	(25)
Withholding tax on dividends		
Provision for the year	**12,034**	4,130
Deferred tax		
Origination and reversal of temporary differences	**2,894**	7,151
	111,476	135,754

(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) For the year ended 31 December 2019 and 2018, no provision for Hong Kong Profits Tax had been made in the financial statements as the Group did not have assessable profits arising in Hong Kong.

(iii) Pursuant to the rules and regulations of the British Virgin Islands ("BVI"), Cayman Islands and United Kingdom, the Group is not subject to any income tax in the respective jurisdictions.

(iv) The provision for the PRC Enterprise Income Tax of the subsidiaries established in the PRC is calculated at 25% (2018: 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.

8. DIVIDENDS

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

	2019	2018
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK Nil cents per ordinary share (2018: HK1 cent per ordinary share)	**–**	42,990
Final dividend proposed after the end of the reporting period of HK Nil cents per ordinary share (2018: HK0.30 cents per ordinary share)	**–**	12,878
	–	55,868

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.

9. OTHER COMPREHENSIVE LOSS

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

		2019	2018
	Note	***HK$'000***	*HK$'000*
Exchange differences on translation into presentation currency		**(103,792)**	(164,507)
Financial assets measured at FVOCI			
Net gain/(loss) on debt securities at fair value through other comprehensive income (recycling)		**5,547**	(9,173)
Reclassification adjustments for amounts transferred to profit or loss:			
– loss on disposal	*4*	**3,459**	–
Net movement in fair value reserve during the year recognised in other comprehensive income		**9,006**	(9,173)
		(94,786)	(173,680)

10. 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$182,448,000 (2018: HK$270,427,000) and the weighted average number of ordinary shares in issue less shares held under the Company's share award scheme during the year of 4,170,790,596 (2018: 4,299,502,207).

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$182,448,000 (2018: HK$270,427,000) and the weighted average number of ordinary shares calculated as follows:

Weighted average number of ordinary shares (diluted)

	2019	2018
	Number of shares	*Number of shares*
Weighted average number of ordinary shares in issue less shares held for the share award scheme used in the basic earnings per share calculation	**4,170,790,596**	4,299,502,207
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**1,651,545**	8,723,100
Weighted average number of ordinary shares (diluted) at 31 December	**4,172,442,141**	4,308,225,307

For the year ended 31 December 2019, the effects of potential ordinary shares arising from certain share options are not included in calculating the diluted earnings per share as they had an anti-dilutive effect on the earnings per share for the year.

11. LOANS RECEIVABLE

	2019	2018
	HK$'000	*HK$'000*
Pawn loans receivable	**329,436**	321,525
Loans receivable arising from:		
– Micro-lending	**1,472,838**	1,124,664
– Money-lending	**651,369**	589,054
Other loans receivable	**2,039,480**	2,642,681
	4,493,123	4,677,924
Less: Allowances for doubtful debts	**(88,065)**	(72,895)
	4,405,058	4,605,029
Amounts due within one year included under current assets	**3,839,295**	3,984,541
Amounts due after one year included under non-current assets	**565,763**	620,488
	4,405,058	4,605,029

Maturity profile

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

	2019					2018				
	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	**156,347**	**123,730**	**19,119**	**655,618**	**954,814**	51,359	66,211	21,014	423,849	562,433
Due after 1 month but within 3 months	**2,456**	**111,415**	**20,331**	**229,252**	**363,454**	40,744	219,851	11,684	221,250	493,529
Due after 3 months but within 6 months	**27,909**	**183,746**	**78,412**	**282,844**	**572,911**	60,306	273,862	25,532	535,710	895,410
Due after 6 months but within 12 months	**115,374**	**867,039**	**186,471**	**858,927**	**2,027,811**	169,116	415,960	50,118	1,461,872	2,097,066
Due after 12 months	**27,350**	**186,907**	**347,037**	**12,839**	**574,133**	–	148,780	480,706	–	629,486
Allowances for doubtful debts	**(2,547)**	**(22,214)**	**(30,699)**	**(32,605)**	**(88,065)**	(2,107)	(8,096)	(45,212)	(17,480)	(72,895)
	326,889	**1,450,623**	**620,671**	**2,006,875**	**4,405,058**	319,418	1,116,568	543,842	2,625,201	4,605,029

12. 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:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**6,930**	2,177
1 to 3 months	**2,648**	1,000
3 to 6 months	**2**	294
	9,580	3,471

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

13. 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:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**12,520**	12,464
1 to 3 months	**3,897**	2,936
3 to 6 months	**1,711**	292
Over 6 months	**4,423**	8,843
	22,551	24,535

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).

14. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019. 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

The Sino-US trade war was intensified throughout 2019, with the United States imposing the third and fourth rounds of tariff increase on China in May and August 2019 while China also took countermeasures against the importation of U.S. agricultural products. The trade war has exerted cross-sector and profound impacts on the Chinese economy. The depreciation of RMB and the increase in agricultural product prices had restrained household consumption to a certain extent, and property prices were also under pressure due to lack of investor confidence.

In Hong Kong, apart from the adverse impact of the above factors, such as trade war, Hong Kong's re-export trade volume has also been aggravated by the outbreak of the COVID-19. Local retail, tourism, and hospitality industries all suffered from challenges which put Hong Kong's economy into a "technical recession". In addition to the sluggish consumption and pressure on property prices, Hong Kong's unemployment rate also rised to 3.3% in December 2019.

The Group's principal business is loan services, with mortgages as the main revenue stream, while also running an unsecured loan business. Shrinking overall credit demand and deteriorating credit quality have brought challenges to the Group's business development.

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, microenterprises and individuals.

The Group completed the acquisition of Shenzhen Credit Gain Finance Company Limited（深圳市領達小額貸款有限公司）and Chongqing Credit Gain Finance Company Limited（重慶兩江新區領達小額貸款有限公司）in April 2019 and October 2019, respectively, and made structural adjustments in terms of organization, staff, and business scope. It is expected that the profitability will be substantially improved in the medium term with the orderly adjustment of the Company's loan services.

In 2019, due to the Sino-US trade war, the loan business segment of the Group was slightly affected. At the end of 2019, the Group realized net interest and services income of HK$603.2 million in total, down by 8.4% as compared to the corresponding period of last year.

FUTURE PROSPECTS

In 2020, the Group will continue to improve the business systems of our companies by leveraging our extensive experience in the lending industry. With the successful implementation of our financial technology project, we will continue to broaden our sources of revenue and optimize our revenue structure, so as to improve the overall profitability of the Group.

As the first phase of the Sino-US trade agreement has been concluded and the US presidential election is drawing near, the Group expects the international relations situation will ease in 2020. Although the Coronavirus brought a grinding halt to local economies, we believe household investment and private consumption are only being temporarily suppressed, and momentum of demand will be released after order in the society has been restored. Therefore, the management team is being cautiously optimistic about the long-term development of the Group and will continue to improve our business by actively adopting financial technology with the long-term goal of becoming an all-rounded financial services provider, thereby maximizing the value for our shareholders.

FINANCIAL REVIEW

For the year ended 31 December 2019 (the “Reporting Period”), the Group reported a revenue of approximately HK$765,330,000, representing a decrease of 7.0% from HK$823,013,000 as recorded in 2018. Profit attributable to equity shareholders for the year ended 31 December 2019 was approximately HK$182,448,000, down 33% as compared to the corresponding figure last year. The loans receivable as at 31 December 2019 was about HK$4,405,058,000, down 4% 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$369,919,000, interest and services income for other loans receivable amounted to approximately HK$394,482,000, financial guarantees amounted to approximately HK$929,000.

Interest and handling expenses

Interest and handling expenses represent finance costs for the Reporting Period. The amount was approximately HK$162,117,000, representing a decrease of 1.4% compared to the corresponding figure in 2018.

General and administrative expenses

General and administrative expenses for the Reporting Period were approximately HK$259,048,000, up 15% as compared to the corresponding figure last year. The increase in general and administrative expenses was mainly due to increase in legal and professional fee.

Profit for the year

The profit for the year attributable to equity shareholders for the Company was approximately HK$182,448,000, representing a decrease of 32.5% as compared to approximately HK$270,427,000 for the corresponding period last year. The decrease was mainly attributable to increase in impairment loss of loans receivable and operating expenses.

Financial Resources and Capital Structure

The assets of the Group were mainly comprised of loans receivable of approximately HK$4,405,058,000, accounting for 73.6% of the total assets of the Group as at 31 December 2019. Other major non-current assets include goodwill of approximately HK$597,551,000, intangible assets of approximately HK$19,371,000, other financial assets of approximately HK$53,756,000, deferred tax assets of approximately HK$32,743,000 and interests in associates of approximately HK$17,721,000.

Current assets mainly comprised of accounts receivable of approximately HK$9,580,000, interests receivable of approximately HK$22,551,000, other receivables, deposits and prepayments of approximately HK$41,939,000, amount due from an associate of approximately HK$13,866,000, pledged bank and security deposits paid of approximately HK$34,053,000 and cash and cash equivalents of approximately HK$703,563,000.

Current liabilities mainly comprised of borrowings and other payables of approximately HK$1,073,786,000, bank loans of approximately HK$237,598,000, consideration payables of approximately HK$94,520,000, security deposits received of approximately HK$50,822,000, unsecured bonds of approximately HK$14,914,000, accruals and other deposit received of approximately HK$54,957,000, amount due to an associate of approximately HK$2,885,000, income received in advance of approximately HK$17,171,000 and tax payable of about HK$96,582,000.

Non-current liabilities includes consideration payables of approximately HK$186,190,000, unsecured bonds of approximately HK$279,449,000 and deferred tax liabilities of about HK$35,137,000.

Employee and Remuneration Policies

As at 31 December 2019, 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$89,347,000.

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 2019, the current ratio of the Group was 2.83 times. The Group monitors capital on the basis of the gearing ratio, which is calculated as total borrowings (including current and non-current borrowings and other payables, bank loans, unsecured bonds, consideration payables, lease liabilities and security deposits received) less cash and cash equivalents and pledged bank and security deposits paid divided by total equity. As at 31 December 2019, the gearing ratio was about 31.5%.

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 2019 financial statements were approved and authorised for issue by the Board of the Company on 26 March 2020.

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 7,722,000 shares. All the shares repurchased 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$)*
January	50,000	0.5200	0.5200	26,000
December	7,672,000	0.4550	0.3950	3,452,050

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 does not recommend payment of a final dividend for the financial year ended 31 December 2019 (2018: HK0.3 cents per ordinary share), to the shareholders of the Company.

Total payout for the year amount to HK Nil cents per ordinary share (2018: HK1.3 cents per ordinary share).

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 2020 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 2019 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, 26 March 2020

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