中金投集团

China Financial Services Holdings Ltd

China Financial Services Holdings Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 605)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

	Unaudited six months ended 30 June 2020	Unaudited six months ended 30 June 2019	**Percentage changes**
	HK$'000	*HK$'000*	
Interest, guarantee and financing consultancy services income	**307,732**	415,301	(25.9%)
Profit for the period attributable to equity shareholders of the Company	**70,567**	138,579	(49.1%)
Basic earnings per share	**HK1.70 cents**	HK3.32 cents	(48.8%)
Dividend	**Nil**	Nil	N/A

FINANCIAL RESULTS

The Board of Directors (the "Board") of China Financial Services Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2020 (the "Reporting Period") together with the comparative figures as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020 – unaudited

		For the six months ended 30 June	
		2020	2019
	Note	***HK$'000***	*HK$'000*
Interest, guarantee and financing consultancy services income	*4*	**307,732**	415,301
Interest and handling expenses	*4*	**(70,959)**	(79,388)
Net interest income and service income	*4*	**236,773**	335,913
Education consultancy service income	*4*	**2,447**	3,089
Other income, net	*5*	**33,643**	27,206
General and administrative expenses		**(116,148)**	(127,423)
Impairment losses on financial instruments		**(36,514)**	(13,015)
Share of losses of associates		**(778)**	(1,408)
Share of losses of joint ventures		**(289)**	(473)
Profit before taxation	*6*	**119,134**	223,889
Income tax	*7*	**(44,259)**	(64,656)
Profit for the period		**74,875**	159,233
Attributable to:			
Equity shareholders of the Company		**70,567**	138,579
Non-controlling interests		**4,308**	20,654
Profit for the period		**74,875**	159,233
Earnings per share	*10*	***HK cents***	*HK cents*
– Basic		**1.70**	3.32
– Diluted		**1.70**	3.32

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020 – unaudited

		For the six months ended 30 June	
		2020	2019
	Note	***HK$'000***	*HK$'000*
Profit for the period		**74,875**	159,233
Other comprehensive income/(loss) for the period, net of nil income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation into presentation currency		**(75,894)**	(23,638)
Financial assets measured at FVOCI			
Net (loss)/gain on debt securities at fair value through other comprehensive income (recycling)	*9*	**(320)**	6,640
Reclassification adjustments for amounts transferred to profit or loss:			
– loss on disposal	*9*	**2,815**	–
		2,495	6,640
Other comprehensive loss for the period, net of nil income tax		**(73,399)**	(16,998)
Total comprehensive income for the period		**1,476**	142,235
Attributable to:			
Equity shareholders of the Company		**(796)**	122,357
Non-controlling interests		**2,272**	19,878
Total comprehensive income for the period		**1,476**	142,235

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020 – unaudited

	Note	At 30 June 2020 HK$'000	At 31 December 2019 HK$'000
Non-current assets			
Property, plant and equipment		**20,119**	19,526
Goodwill		**585,469**	597,551
Intangible assets		**19,371**	19,371
Interests in associates		**19,082**	17,721
Interests in joint ventures		**495**	784
Other financial assets		**40,272**	53,756
Loans receivable	*11*	**476,973**	565,763
Deferred tax assets		**40,210**	32,743
		1,201,991	1,307,215
Current assets			
Contingent consideration receivables		**10,682**	10,682
Loans receivable	*11*	**3,408,196**	3,839,295
Accounts receivable	*12*	**13,750**	9,580
Interests receivable	*13*	**32,536**	22,551
Other receivables, deposits and prepayments		**42,006**	41,939
Amount due from associates		**44,557**	13,866
Amounts due from joint ventures		**–**	50
Tax recoverable		**122**	157
Pledged bank and security deposits paid		**33,823**	34,053
Cash and cash equivalents		**708,874**	703,563
		4,294,546	4,675,736

	At 30 June 2020 *HK$'000*	At 31 December 2019 *HK$'000*
Current liabilities		
Borrowings and other payables	**808,102**	1,073,786
Bank loans	**143,936**	237,598
Security deposits received	**32,721**	50,822
Consideration payables	**95,774**	94,520
Accruals and other deposit received	**83,191**	54,957
Amount due to an associate	**2,824**	2,885
Unsecured bonds	**28,161**	14,914
Income received in advance	**2,425**	17,171
Lease liabilities	**7,380**	6,397
Tax payable	**80,049**	96,582
	1,284,563	1,649,632
Net current assets	**3,009,983**	3,026,104
Total assets less current liabilities	**4,211,974**	4,333,319
Non-current liabilities		
Consideration payables	**96,512**	186,190
Unsecured bonds	**269,606**	279,449
Lease liabilities	**2,606**	1,147
Deferred tax liabilities	**35,032**	35,137
	403,756	501,923
NET ASSETS	**3,808,218**	3,831,396
EQUITY		
Share capital	**2,080,113**	2,080,113
Reserves	**1,649,182**	1,644,368
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	**3,729,295**	3,724,481
Non-controlling interests	**78,923**	106,915
TOTAL EQUITY	**3,808,218**	3,831,396

Notes:

1. BASIS OF PREPARATION

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2020 has been prepared in accordance with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated interim financial information and notes does not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). The unaudited condensed consolidated interim financial information should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2019. The Group's policies on financial risk management were set out in the financial statements included in the Company's 2019 Annual Report and there have been no significant changes in these policies for the six months ended 30 June 2020.

The financial information relating to the year ended 31 December 2019 that is included in this preliminary announcement of 2020 interim results as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

The interim financial report is unaudited, but has been reviewed by the Company's Audit Committee.

2. CHANGES IN ACCOUNTING POLICIES

The group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 3, Definition of a Business
- Amendment to HKFRS 16, Covid-19-Related Rent Concessions

Other than the amendment to HKFRS 16, the group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The application of the amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3. SEGMENT REPORTING

Operating segments, and the amounts of each segment item reported in the condensed consolidated financial information, are identified from the financial information provided regularly to the Company's board of directors for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

a) Operating segment information

The Company's board of directors assesses the performance and allocates the resources of the Group as a whole, as all of the Group's activities are considered to be primarily dependent on the operation of provision of financing services business. Therefore, the Company's board of directors considers there is only one operating segment under the requirements of HKFRS 8 "Operating Segments". In this regard, no operating segment information is presented.

b) **Geographic information**

Revenue from external customers

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**42,784**	38,089
The PRC	**264,948**	377,212
United Kingdom	**2,447**	3,089
	310,179	418,390

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

Non-current assets

	At 30 June 2020	At 31 December 2019
	HK$'000	*HK$'000*
Hong Kong	**27,336**	29,034
The PRC	**586,058**	593,864
United Kingdom	**31,142**	32,055
	644,536	654,953

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, interests in 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 interests in joint ventures.

4. NET INTEREST INCOME AND SERVICE INCOME

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Interest, guarantee and financing consultancy services income	**307,732**	415,301
Interest and handling expenses arising from:		
Bank loans	**(5,910)**	(5,531)
Borrowings and other payables	**(44,547)**	(60,278)
Unsecured bonds	**(13,536)**	(13,240)
Lease liabilities	**(414)**	(339)
Other financial costs	**(6,552)**	–
	(70,959)	(79,388)
Net interest income and service income	**236,773**	335,913
Income arising from:		
Education consultancy service	**2,447**	3,089

For the six months ended 30 June 2020, the total amount of interest income on financial assets not at fair value through profit or loss including bank and interest income from debt securities was approximately HK$310,403,000 (2019: approximately HK$417,682,000).

5. OTHER INCOME, NET

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Bank interest income	**2,671**	2,381
Other interest income from debt securities	**17**	1,539
Dividend income from other financial assets	**–**	68
Income from government subsidies	**15,373**	17,227
Other financial assets: reclassified from equity		
– Loss on disposal *(note 9)*	**(2,815)**	–
(Loss)/gain on fair value change of financial assets at FVTPL		
– Gain on disposal	**268**	15
– Change on fair value of financial assets at FVTPL	**(2,408)**	(311)
	(2,140)	(296)
Exchange gain, net	**1,994**	705
Other consultancy services income	**14,973**	–
Others	**3,570**	5,582
	33,643	27,206

6. PROFIT BEFORE TAXATION

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

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
(a) Staff costs (including directors' emoluments):		
Salaries, allowances and other benefits	**45,182**	34,855
Contributions to defined contribution retirement plans	**1,602**	3,439
	46,784	38,294
(b) Other items:		
Depreciation of property, plant and equipment		
– self-owned assets	**2,029**	2,880
– right-of-use assets	**6,971**	5,076
Consultancy fee	**28,064**	22,898

7. INCOME TAX

	For the six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
Current Tax		
Hong Kong Profits Tax	**–**	(409)
PRC Income Tax	**46,224**	62,948
	46,224	62,539
Deferred tax		
Origination and reversal of temporary differences	**(1,965)**	2,117
	44,259	64,656

a) Hong Kong

The provision for the Hong Kong Profits Tax of the subsidiaries established in HK is calculated at 16.5% (2019: 16.5%) of the estimated taxable profit for the six months ended 30 June 2020, except for QL Credit Gain Finance Company Limited, a subsidiary of the Company which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2019.

b) The PRC

The provision for the PRC Enterprise Income Tax of the subsidiaries established in the PRC is calculated at 25% (2019: 25%) of the estimated taxable profits for the reporting period.

A PRC subsidiary of the Company, 北京中金投商業經紀有限公司 was qualified as "small Low-profit Enterprise" in Beijing and subject to a concessionary PRC enterprise income tax rate.

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.

For the purpose of the interim financial report, the directors determined that the management of the Group can control the quantum and timing of distribution of profits of their PRC subsidiaries. Deferred tax liabilities 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.

c) BVI, Cayman Islands and United Kingdom

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

The Group is not subject to income tax in United Kingdom since no assessable income is arisen.

8. DIVIDENDS

The directors do not recommend the payment of any interim dividend for the Reporting Period (2019: Nil).

9. OTHER COMPREHENSIVE INCOME/(LOSS)

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

		For the six months ended 30 June	
		2020	2019
	Note	***HK$'000***	*HK$'000*
Exchange differences on translation into presentation currency		**(75,894)**	(23,638)
Financial assets measured at FVOCI:			
Net (loss)/gain on debt securities at fair value through other comprehensive income (recycling)		**(320)**	6,640
Reclassification adjustments for amounts transferred to profit or loss:			
– loss on disposal	*5*	**2,815**	–
Net movement in fair value reserve during the year recognised in other comprehensive income		**2,495**	6,640
		(73,399)	(16,998)

10. EARNINGS PER SHARE

a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$70,567,000 (30 June 2019: HK$138,579,000) and the weighted average number of 4,146,806,446 (30 June 2019: 4,176,254,596) ordinary shares in issue less shares held under the Company's share award scheme of the interim period.

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$70,567,000 (30 June 2019: HK$138,579,000) and the weighted average number of ordinary shares calculated as follows:

Weighted average number of ordinary shares (diluted)

	For the six months ended 30 June	
	2020	2019
	No. of shares	*No. 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	**4,146,806,446**	4,176,254,596
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**–**	1,952,493
Number of ordinary shares for the purpose of diluted earnings per share	**4,146,806,446**	4,178,207,089

For the six months ended 30 June 2020, the effects of potential ordinary shares arising from share options are not included in the calculation of the diluted earnings per share as they had an anti-dilutive effect on the earnings per share for the year.

11. LOANS RECEIVABLE

	At 30 June 2020 HK$'000	At 31 December 2019 HK$'000
Pawn loans receivable	**286,433**	329,436
Loans receivable arising from:		
– Micro-lending	**1,411,120**	1,472,838
– Money-lending	**590,640**	651,369
Other loans receivable	**1,716,295**	2,039,480
	4,004,488	4,493,123
Less: Allowance for doubtful debts	**(119,319)**	(88,065)
	3,885,169	4,405,058
Amounts due within one year included under current assets	**3,408,196**	3,839,295
Amounts due after one year included under non-current assets	**476,973**	565,763
	3,885,169	4,405,058

a) Maturity profile

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

	At 30 June 2020					At 31 December 2019				
	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	**645**	**201,016**	**79,629**	**885,327**	**1,166,617**	156,347	123,730	19,119	655,618	954,814
Due after 1 month but within 3 months	**876**	**153,776**	**12,165**	**108,053**	**274,870**	2,456	111,415	20,331	229,252	363,454
Due after 3 months but within 6 months	**144,344**	**511,776**	**66,840**	**311,099**	**1,034,059**	27,909	183,746	78,412	282,844	572,911
Due after 6 months but within 12 months	**140,568**	**420,998**	**69,332**	**407,273**	**1,038,171**	115,374	867,039	186,471	858,927	2,027,811
Due after 12 months	**–**	**123,554**	**362,674**	**4,543**	**490,771**	27,350	186,907	347,037	12,839	574,133
Allowance for doubtful debts	**(2,625)**	**(31,200)**	**(33,499)**	**(51,995)**	**(119,319)**	(2,547)	(22,214)	(30,699)	(32,605)	(88,065)
	283,808	**1,379,920**	**557,141**	**1,664,300**	**3,885,169**	326,889	1,450,623	620,671	2,006,875	4,405,058

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:

	At 30 June 2020 *HK$'000*	At 31 December 2019 *HK$'000*
Within 1 month	**13,681**	6,930
1 to 3 months	**69**	2,648
3 to 6 months	**–**	2
	13,750	9,580

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:

	At 30 June 2020 *HK$'000*	At 31 December 2019 *HK$'000*
Within 1 month	**13,518**	12,520
1 to 3 months	**9,573**	3,897
3 to 6 months	**5,785**	1,711
Over 6 months	**3,660**	4,423
	32,536	22,551

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. EVENTS AFTER THE REPORTING PERIOD

a) Cancellation of shares

In August 2020, a total of 27,294,000 shares in which 17,018,000 of the Company's shares were repurchased for the six months ended 30 June 2020 and 10,276,000 of its shares were repurchased after the reporting period, were cancelled.

b) Outbreak on Novel Coronavirus ("COVID-19")

Since January 2020, the outbreak on COVID-19' has impacted the global business environment. Up to the date of these interim financial statements, COVID-19 has resulted impact to the Group. Pending the development and spread of COVID-19 subsequent to the date of the interim financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these interim financial statements. The Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2020, the outbreak of COVID-19 brought an unprecedented test to China's economy. According to the data released by the National Bureau of Statistics of China, the economic growth in the first quarter of 2020 recorded a 6.8% decline compared to the same period last year. However, with the continuous improvement of the epidemic prevention and control and the resumption of manufacture production, China's economy rebounded rapidly and achieved a 3.2% year-on-year growth in the second quarter. In terms of the credit market, the overall loan volume rose while the interest rate declined significantly in the first half as a result of quantitative easing in major economies. Due to the suppression of the epidemic on consumption, offline entertainment and tourism industries, there is still a gap in short-term loans at the retail end compared with last year. In terms of asset price, the rising transaction volume of real estate in first-tier cities once led to a nationwide rise in housing prices. With the tightening housing market regulation and the stricter property-purchasing limitations and credit provisions, the housing prices continued to revert to a reasonable level.

BUSINESS REVIEW

Our Group is one of the leading integrated financial services providers in Mainland China and Hong Kong. The Group mainly engages in the provision of one-stop financing services to small and medium enterprises, microenterprises and individuals.

In the first half of 2020, the group was facing various adverse factors as a result of COVID-19 epidemic and the rising tensions between China and the U.S. In Mainland China, city lockdowns in February/March have affected our new loan origination which resulted in about 50% decline in net profit and about 26% decline in revenue as compared to the corresponding period of last year. The loan management size amounted to approximately HK$3,885 million, down by about 11.8% as compared to the figure as at 31 December 2019.

FUTURE PROSPECTS

In the first half of 2020, the Covid-19 has brought the world economy the biggest impact since ‘The Great Depression’, and it’s still on the loose as of today. As the virus is still spreading many parts of the world, it might be difficult to predict when would the current wave of outbreak end. Meanwhile, the epidemic is already well under control in China, and the domestic production and consumption has been restored and stimulations such as expansionary monetary policy and spending stimulus have been made to boost the economy. As an all-rounded financial service provider in the Greater China Area, the majority of the Group’s business is secured by real estate properties, while asset prices, buoyed by the easy monetary environment, has shown a moderate rise; we do not expect real estate prices to decline sharply in the short term. Therefore, the Group expects the direct impact from the Covid-19 to be minimal.

On the other hand, the economy has been being more pressurized due to the uncertainty from the escalating Sino-US tensions, the rise of national conservatism in the U.S. as well as the approaching U.S. presidential election. We would possibly expect a further deterioration of the bilateral relation, which will inevitably affect the economies of Mainland China and Hong Kong, bringing more challenges to the Group’s credit risk management.

As a result, the Group will pay close attention to the progression of epidemic control and the Sino-US relations, and closely monitor relevant macroeconomic indicators in each business area, such as the unemployment rate, household consumption and real estate prices, etc. By further strengthening the management of net credit exposure and the stress testing of solvency and loan-to-value ratio, the Group’s overall risk resistance capacity will be further improved.

FINANCIAL REVIEW

For the six months ended 30 June 2020 (the “Reporting Period”), the Group reported interest, guarantee and financing consultancy services income of approximately HK$307,732,000, a decrease of 25.9% as compared to approximately HK$415,301,000 for the corresponding period in 2019. Profit attributable to equity shareholders in the Reporting Period was approximately HK$70,567,000 down 49.1% as compared to the corresponding period last year. The loans receivable as at 30 June 2020 was about HK$3,885,169,000, down 14.1% as compared to the corresponding period last year.

Interest and handling expenses

Interest and handling expenses represent finance costs for the Reporting Period. The amount was approximately HK$70,959,000, representing a decrease of 10.6% over the corresponding period in 2019. The decrease in finance costs was caused by repayment of borrowings and other payables and some bank loans during the Reporting Period.

General and administrative expenses

General and administrative expenses for the Reporting Period were approximately HK$116,148,000, primarily comprised staff costs, consultancy fee, provision for doubtful debts and intermediary handling charges. The management will continue to act on its stringent measures on costs control to maintain general and administrative expenses at a reasonable level.

Profit for the period

The profit for the period attributable to equity shareholders for the Company was approximately HK$70,567,000, representing a decrease of about 49.1% as compared to approximately HK$138,579,000 for the corresponding period last year.

Financial Resources and Capital Structure

The assets of the Group were mainly comprised of loans receivable of approximately HK$3,885,169,000, accounting for 70.7% of the total assets of the Group as at 30 June 2020. Other major non-current assets include goodwill of approximately HK$585,469,000, property, plant and equipment of approximately HK$20,119,000, intangible assets of approximately HK$19,371,000, other financial assets of approximately HK$40,272,000, deferred tax assets of approximately HK$40,210,000 and interests in associates of approximately HK$19,082,000.

Current assets mainly comprised of accounts receivable of approximately HK$13,750,000, interests receivable of approximately HK$32,536,000, contingent consideration receivables of approximately HK$10,682,000, other receivables, deposits and prepayments of approximately HK$42,006,000, amount due from an associate of approximately HK$44,557,000 pledged bank and security deposits paid of approximately HK$33,823,000, and cash and cash equivalents of approximately HK$708,874,000.

Current liabilities mainly comprised of borrowings and other payables of approximately HK$808,102,000, bank loans of approximately HK$143,936,000, consideration payables of approximately HK$95,774,000, security deposits received of approximately HK$32,721,000, unsecured bonds of approximately HK$28,161,000, accruals and other deposit received of approximately HK$83,191,000, amount due to an associate of approximately HK$2,824,000, income received in advance of approximately HK$2,425,000, lease liabilities of approximately HK$7,380,000 and tax payable of approximately HK$80,049,000.

Non-current liabilities includes unsecured bonds of approximately HK$269,606,000, consideration payables of approximately HK$96,512,000, lease liabilities of approximately HK$2,606,000 and deferred tax liabilities of approximately HK$35,032,000.

Charge on assets

As at 30 June 2020, the Group pledged the entire equity interest of Brilliant Star Capital (Cayman) Limited, a wholly owned subsidiary of the Company, to secure the issue of the note payable with principal amount of HK$243,000,000. As at 30 June 2020, the bank loans of approximately HK$65,686,000 were secured by a guarantee provided by a guarantor, an independent third party. Approximately HK$125,450,000 loans receivable and 30% of equity interest in CFSH Urban Development (Beijing) Small Co. Limited（北京中金城開小額貸款有限公司）, a subsidiary of the Company were pledged to the guarantor. As at 30 June 2020, a bank loan of HK$42,500,000 was secured by the Group's bank deposits of HK$25,000,000. As at 30 June 2020; approximately HK$254,000,000 loan receivable was pledged to the Bank of East Asia, Limited as security for the certain deferred payment in relation to the acquisition of Shenzhen Credit Gain and Chongqing Credit Gain.

Exposure to fluctuations in exchange rates and any related hedges

Majority of the subsidiaries of the Company operate in the PRC with most of the transactions denominated and settled in RMB. Fluctuations of exchange rates would impact the Group's net asset value due to currency translation in the preparation of the Group's consolidated accounts. If RMB appreciates/depreciates against HK$, the Group would record a(n) increase/decrease in the Group's net asset value. During the Reporting Period, the Group had not used derivative financial instruments to hedge against its foreign currency risk.

Contingent liabilities

The Directors consider that the Group had no material contingent liabilities as at 30 June 2020.

Employee and Remuneration Policies

As at 30 June 2020, the Group had approximately 346 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 share option scheme and share award scheme for the purpose of providing incentives to eligible grantees. Total staff costs for the Reporting Period were approximately HK$46,784,000.

APPROVAL OF THE UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited condensed consolidated interim financial statements were approved and authorised for issue by the Board of the Company on 28 August 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 47,174,000 shares in which a total of 30,156,000 shares have been cancelled.

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

Month of Buy-back	Number of Shares Bought Back	Highest Price Per Share	Lowest Price Per Share	Aggregate Purchase Price
		HK$	*HK$*	*HK$*
January	3,762,000	0.420	0.390	1,505,720
March	48,000	0.280	0.280	13,440
April	544,000	0.330	0.280	163,080
May	25,802,000	0.202	0.160	4,481,012
June	17,018,000	0.160	0.142	2,619,956

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

SHARE AWARD SCHEME

During the Reporting Period, there were 89,754,000 shares held in trust by the trustee under the Share Award Scheme and no awards have been granted or agreed to be granted under Share Award Scheme.

Up to the date of approving the Group's unaudited condensed consolidated interim financial statements, no award shares granted to selected Grantees.

INTERIM DIVIDEND

The Board do not recommend the payment of any interim dividend for the Reporting Period (six months ended 30 June 2019: HK$ Nil).

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 regular board meetings should be held at least 4 times a year at approximately quarterly intervals with active participation of majority of directors, either in person or through other electronic means of communication.

The Company does not announce its quarterly results and hence not consider the holding of quarterly meetings as necessary.

Code Provision A.2.1

Code provision A.2.1 of the CG Code stipulates that the division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Board considers that the chairman's responsibilities are to manage the Board whereas the chief executive officer's responsibilities are to manage the Company's businesses. The responsibilities of the chairman and the chief executive officer respectively are clear and distinctive and hence written terms thereof are not necessary.

Code provision A.4.1

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

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

Code Provision A.6.1

Code provision A.6.1 of the CG Code stipulates that every newly appointed director of an issuer should receive a comprehensive, formal and tailored induction on appointment. Subsequently he should receive any briefing and professional development necessary to ensure that he has a proper understanding of the issuer's operations and business and is fully aware of his responsibilities under statute and common law, the Listing Rules, legal and other regulatory requirements and the issuer's business and governance policies.

There is currently no arrangement in place for providing professional briefings and training programmes to directors. Nevertheless, the directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. The Company would consider to engage external legal and other professional advisers for providing professional briefings and training programmes to directors whenever necessary.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted its own code of conduct regarding directors' dealings in the Company's securities (the "Company Code") on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Company Code throughout the Reporting Period.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee"), which comprises one non-executive director and four independent non-executive directors, has reviewed the interim results for six months ended 30 June 2020. The Audit Committee considered that the interim financial report for the Reporting Period is in compliance with the relevant financial reporting standards, requirement on the Listing Rules and Laws of Hong Kong, and the Company has made appropriate disclosures thereof. The main duties of the Audit Committee include the following:

- To review the financial statements and reports and consider any significant or unusual items raised by the chief financial officer or external auditors of the Company before submission to the Board.

- To review the relationship with the external auditors by reference to the work performed by the auditors, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditors.

- To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee provides supervision on the internal control system of the Group and reports to the Board on any material issues and makes recommendations to the Board.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

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

The 2020 Interim Report will be despatched to shareholders and published on both websites in due course.

On behalf of the Board
Chan Yuk Ming
Chairman

Hong Kong, 28 August 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