



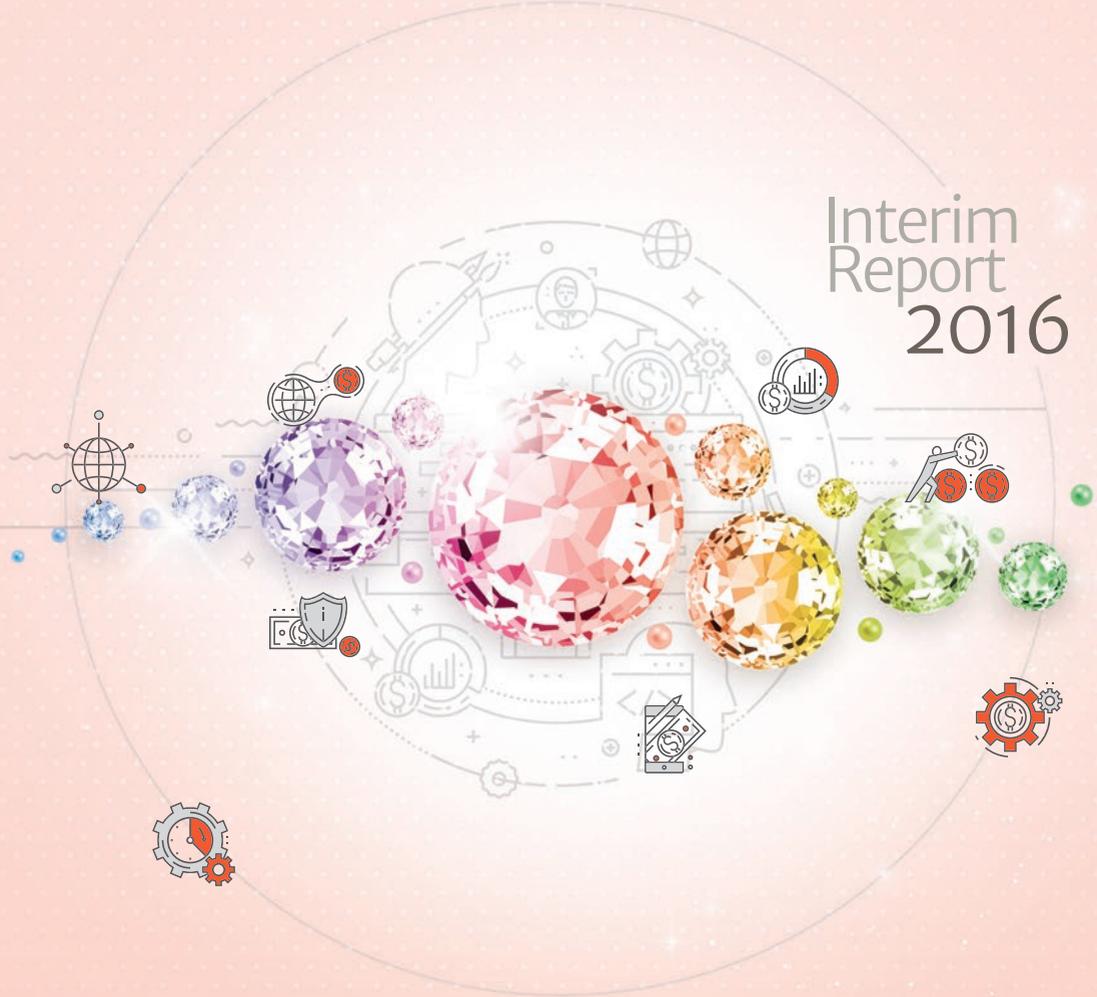
# 中金投集团

China Financial Services Holdings Ltd

## China Financial Services Holdings Limited

(Stock code: 605)

# Interim Report 2016



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## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors

Mr. Luo Rui (*Chief Executive Officer*)  
Madam Guan Xue Ling  
Mr. Cheung Chai Hong

#### Non-executive Directors

Mr. Cheung Siu Lam (*Chairman*)  
Mr. Zhang Xiaobin  
Madam Huang Mei

#### Independent Non-executive Directors

Mr. Chan Chun Keung  
Mr. Wang Jian Sheng  
Mr. Chan Wing Fai

### COMPANY SECRETARY

Mr. Chung Chin Keung FCCA, FCPA, ACA, CTA

### AUDITORS

Crowe Horwath (HK) CPA Limited

### AUDIT COMMITTEE

Mr. Chan Wing Fai (*Chairman*)  
Mr. Chan Chun Keung  
Mr. Wang Jian Sheng

### REMUNERATION COMMITTEE

Mr. Chan Wing Fai (*Chairman*)  
Mr. Chan Chun Keung  
Mr. Wang Jian Sheng

### NOMINATION COMMITTEE

Mr. Cheung Siu Lam (*Chairman*)  
Mr. Chan Chun Keung  
Mr. Wang Jian Sheng  
Mr. Chan Wing Fai

### PRINCIPAL BANKER

ICBC

### SHARE REGISTRAR

Tricor Tengis Limited  
Level 22  
Hopewell Centre  
183 Queen's Road East  
Hong Kong

### REGISTERED OFFICE

Suite 5606  
56th Floor  
Central Plaza  
18 Harbour Road  
Wanchai  
Hong Kong

### STOCK CODE: 605

### WEBSITE

[www.cfsh.com.hk](http://www.cfsh.com.hk)

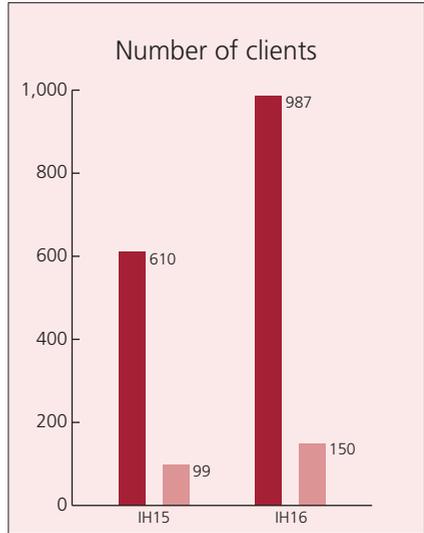
### INVESTORS RELATION

[0605ir@cfsh.com.hk](mailto:0605ir@cfsh.com.hk)

**FINANCIAL HIGHLIGHTS**

	<b>Unaudited six months ended 30 June 2016 HK\$'000</b>	Unaudited six months ended 30 June 2015 HK\$'000	Percentage changes
Interest, guarantee and financing consultancy services income	<b>354,306</b>	321,684	10.1%
Profit for the period attributable to equity shareholders of the Company	<b>181,008</b>	176,488	2.6%
Basic earnings per share	<b>HK4.71 cents</b>	HK5.10 cents	-7.6%
Underlying net profit attributable to equity shareholders (excluding the effects of share based payment expenses)	<b>186,873</b>	181,943	2.7%
Dividend	<b>HK1.05 cents</b>	HK1 cent	5%

## CUSTOMER PROFILE



- Property developers and contractors
- Commercial property management companies
- Service and retail suppliers
- High technology enterprises
- Manufacturing and processing companies

- Number of clients
- Number of return clients

## MANAGEMENT DISCUSSION AND ANALYSIS

### Corporate Calendar

<b>March 2016</b>	Signed Memorandum of Understanding with Zhongshang Huimin E-commerce Co. Ltd.
<b>May 2016</b>	Qian Long Assets Management Company Limited, a wholly subsidiary of the Company, obtained type 4 and type 9 licenses from Securities & Futures Commission of Hong Kong (SFC) to carry out regulated activities – advising on securities & asset management.
<b>June 2016</b>	<p>Signed Memorandum of Understanding with Fosun Hani Securities Limited (Fosun Hani), a wholly owned subsidiary of Fosun International Limited (stock code: 656 HK).</p> <p>The Company and Fosun Hani agree to work together to build a credit fund up to USD50 million within 2 years.</p>

## INDUSTRY REVIEW

### Industry overview

On the backdrop of the economic structure transformation, growth of the China economy continued to slow down in the first half of 2016. GDP growth in the period was 6.7%. In order to maintain system liquidity, The People's Bank of China ("PBOC") continued to implement loose monetary policy. Despite there was only one cut in Required Reserve Ratio, the PBOC set the annual growth target of M2 and total social financing at 13%. In January 2016, new bank loans reached RMB2.51 trillion. However, a lot of the financing flowed into infrastructure and real estate projects, as well as speculative activities in the commodities space, but actual support to small and medium enterprises ("SMEs") was very limited. To stabilize economic growth, the PBOC is expected to launch stimulus measures targeted at SMEs, as well as continue to support the development of new industries.

Meanwhile, residential real estate prices in first-tier cities and some second-tier cities hit record highs, housing prices in Shenzhen increased by over 40% in the past year. The economy's dependence on real estate industry continued to increase.

Global events such as "Brexit", and interest rate hike possibilities in the United States exerted influenced on the global economy. Exports from China were also affected. On the domestic front, capital outflow continued, and the RMB depreciated by 2.1% in the first half of 2016. China's Foreign Exchange Reserves decreased from a peak of RMB3.6 trillion to RMB3.2 trillion at the end of June 2016. Coupled with the economic downturn, these factors exerted downward pressure on Chinese enterprises. In face of a weak macro environment, the Group continues to provide flexible and comprehensive financial services to SMEs, and to be always ready for SMEs when they need us.

## **BUSINESS REVIEW**

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

Most pawn loans granted to customers use real estate and automobiles as collateral. The Group's standardized auto loan business grew rapidly in the period under review, with accumulated loan size amounting to about HK\$80 million. Mortgage lending business in Hong Kong also registered rapid growth. Meanwhile, the Group is developing a wide variety of financial services for our customers, especially onshore customers. In May 2016, the Company's wholly-owned company, Qian Long Assets Management Company Limited, obtained type 4 and type 9 licenses from the Securities and Futures Commission of Hong Kong to carry out regulated activities-advising on securities and asset management. We plan to provide a one-stop investment and financing platform, including wealth management services for the Group's customers, in particular those in Mainland China.

In June 2016, the Group and Fosun Hani Securities Limited ("Fosun Hani") (a wholly owned subsidiary of Fosun International Limited (stock code: 656 HK)) signed a Memorandum of Understanding, of which Fosun Hani will acquire 50% interest of Qian Long Capital, a wholly subsidiary of the Group. Qian Long Capital is the investment manager of Kronos Credit Fund, with a current size of around USD10 million. With the cooperation with Fosun Hani, the Group expects to expand the size of the fund to over USD50 million within two years. The Group intends to securitize Hong Kong mortgage loans in order to provide private credit products to investors. We also expect this cooperation to improve the Group's credit capacity, further reducing our financing cost.

## **FUTURE PROSPECTS**

China's economy is slowing down on the backdrop of economic reform. In the short term, the Group's business will be affected, but the management team is optimistic about the Group's medium and long term outlook. The Group will grasp the opportunity from the current market backdrop, to expand the scope of our financial services and to explore new business opportunities. We will continue to maximize our value to our shareholders.

## FINANCIAL REVIEW

For the six months ended 30 June 2016 (the “Reporting Period”), the Group reported a revenue of approximately HK\$354,306,000, an increase of 10.1% as compared to approximately HK\$321,684,000 for the corresponding period in 2015. The growth in revenue was mainly attributable to an increase in interest and financing consultancy services income. Profit attributable to equity shareholders in the Reporting Period was approximately HK\$181,008,000, up 2.6% as compared to the corresponding period last year. The loans receivable as at 30 June 2016 was about HK\$2,885,883,000, up 8.5% 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\$97,774,000, interest and services income for other loans receivables amounted to approximately HK\$256,532,000.

### Interest and handling expenses

Interest and handling expenses represent finance costs for the Reporting Period. The amount was approximately HK\$51,751,000, representing an increase of 28.5% over the corresponding period in 2015.

### General and administrative expenses

General and administrative expenses for the Reporting Period were approximately HK\$68,076,000, primarily comprised staff costs, legal and professional fee, intermediary handling charges, share based expenses and rental expenses.

### Profit for the period

The profit for the period attributable to equity shareholders for the Company was approximately HK\$181,008,000, representing an increase of about 2.6% as compared to approximately HK\$176,488,000 for the corresponding period last year. There was a slight decrease in average interest and charge margin of the Group for the Reporting Period and devaluation of RMB for the Reporting Period also affect our profit for the period when HK\$ is used as reporting currency.

## **Financial Resources and Capital Structure**

The assets of the Group were mainly comprised of loans receivable of approximately HK\$2,885,883,000, accounting for 69.7% of the total assets of the Group as at 30 June 2016. Other major assets include goodwill of HK\$604,137,000, accounts receivable of approximately HK\$84,841,000, interests receivable of approximately HK\$19,262,000, financial assets at fair value through profit or loss of approximately HK\$48,086,000, other receivables, deposits and prepayments of approximately HK\$36,433,000, available-for-sale investments of approximately HK\$24,219,000, pledged bank and security deposits paid of approximately HK\$64,012,000 and cash and cash equivalents of approximately HK\$366,400,000.

Current liabilities mainly comprised short term borrowings of approximately HK\$180,854,000, bank loans of approximately HK\$58,502,000, security deposits received of approximately HK\$10,649,000, other payables, deposits received and accruals of approximately HK\$27,812,000, income received in advance of approximately HK\$7,175,000 and tax payable of about HK\$69,382,000. Non-current liabilities includes bonds of approximately HK\$608,209,000 and deferred tax liabilities of about HK\$6,446,000.

## **Employee and Remuneration Policies**

As at 30 June 2016, the Group had approximately 160 employees in the PRC and Hong Kong. Competitive remuneration packages and performance-based bonuses are structured to commensurate with individual responsibilities, qualifications, experience and performance. The Group also set up a share option scheme for the purpose of providing incentives to eligible grantees. Total staff costs for the Reporting Period including employee share option expenses were about HK\$24,638,000.

## REVIEW REPORT



國富浩華 (香港) 會計師事務所有限公司  
**Crowe Horwath (HK) CPA Limited**  
Member Crowe Horwath International  
香港 銅鑼灣 禮頓道77號 禮頓中心9樓  
9/F Leighton Centre,  
77 Leighton Road,  
Causeway Bay, Hong Kong

### **Review report to the Board of Directors of China Financial Services Holdings Limited** *(Incorporated in Hong Kong with limited liability)*

## INTRODUCTION

We have reviewed the interim financial report set out on pages 12 to 44 which comprises the consolidated statement of financial position of China Financial Services Holdings Limited (the "Company") as of 30 June 2016 and the related consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim financial reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **CONCLUSION**

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2016 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

### **Crowe Horwath (HK) CPA Limited**

*Certified Public Accountants*

Hong Kong, 25 August 2016

### **Yau Hok Hung**

Practising Certificate Number P04911

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

For the six months ended 30 June 2016 – unaudited

		<b>For the six months ended 30 June</b>	
	<i>Note</i>	<b>2016</b>	2015
		<b>HK\$'000</b>	<i>HK\$'000</i>
Interest, guarantee and financing consultancy services income	4	<b>354,306</b>	321,684
Interest and handling expenses	4	<b>(51,751)</b>	(40,284)
<b>Net interest income and service income</b>	4	<b>302,555</b>	281,400
Other income	5	<b>28,307</b>	22,811
General and administrative expenses		<b>(68,076)</b>	(62,681)
Share of loss of an associate		<b>(1)</b>	(16)
<b>Profit before taxation</b>	6	<b>262,785</b>	241,514
Income tax	7	<b>(74,818)</b>	(63,769)
<b>Profit for the period</b>		<b>187,967</b>	177,745
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>181,008</b>	176,488
Non-controlling interests		<b>6,959</b>	1,257
<b>Profit for the period</b>		<b>187,967</b>	177,745
<b>Earnings per share</b>	9	<b>HK cents</b>	<i>HK cents</i>
– Basic		<b>4.71</b>	5.10
– Diluted		<b>4.70</b>	5.08

The notes on pages 18 to 44 form an integral part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 18(a).

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

For the six months ended 30 June 2016 – unaudited

	Note	For the six months ended 30 June	
		2016 HK\$'000	2015 HK\$'000
<b>Profit for the period</b>		<b>187,967</b>	177,745
<b>Other comprehensive income/(loss) for the period, net of nil income tax</b>			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation into presentation currency		(60,155)	1,285
Available-for-sale investments: net movement in the fair value reserve	8	(149)	(3,189)
<b>Other comprehensive loss for the period, net of nil income tax</b>		<b>(60,304)</b>	(1,904)
<b>Total comprehensive income for the period</b>		<b>127,663</b>	175,841
<b>Attributable to:</b>			
Equity shareholders of the Company		123,300	174,612
Non-controlling interests		4,363	1,229
<b>Total comprehensive income for the period</b>		<b>127,663</b>	175,841

The notes on pages 18 to 44 form part of this interim financial report.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***As at 30 June 2016 – unaudited*

	Note	At 30 June 2016 HK\$'000	At 31 December 2015 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		4,666	5,265
Intangible asset		1,321	–
Goodwill		604,137	616,316
Interest in an associate		3,630	3,705
Available-for-sale investments		24,219	42,067
Loans receivable	10	89,558	22,699
		<u>727,531</u>	<u>690,052</u>
<b>Current assets</b>			
Financial assets at fair value through profit or loss		48,086	15,291
Loans receivable	10	2,796,325	3,294,178
Accounts receivable	11	84,841	51,409
Interests receivable	12	19,262	33,246
Other receivables, deposits and prepayments		36,433	30,194
Pledged bank and security deposits paid		64,012	53,224
Cash and cash equivalents		366,400	668,603
		<u>3,415,359</u>	<u>4,146,145</u>
<b>Current liabilities</b>			
Short-term borrowings	13	180,854	917,789
Bank loans	14	58,502	75,745
Security deposits received		10,649	5,722
Amount due to an associate		3,087	3,151
Other payables, deposits received and accruals		27,812	44,389
Liabilities arising from loan guarantee contracts		–	59
Income received in advance		7,175	8,534
Financial derivatives		145	493
Tax payable		69,382	96,145
		<u>357,606</u>	<u>1,152,027</u>
<b>Net current assets</b>		<u>3,057,753</u>	<u>2,994,118</u>
<b>Total assets less current liabilities</b>		<u>3,785,284</u>	<u>3,684,170</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)***As at 30 June 2016 – unaudited*

		At 30 June 2016 <i>HK\$'000</i>	At 31 December 2015 <i>HK\$'000</i>
	<i>Note</i>		
<b>Non-current liabilities</b>			
Senior bonds	15	348,292	355,233
Unsecured bonds due 2018	16	55,581	53,112
Unsecured bonds due 2022	17	204,336	194,645
Deferred tax liabilities		6,446	6,770
		<b>614,655</b>	609,760
<b>NET ASSETS</b>		<b>3,170,629</b>	3,074,410
<b>EQUITY</b>			
Share capital	18(b)	1,760,956	1,746,674
Reserves		1,250,192	1,201,735
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY</b>		<b>3,011,148</b>	2,948,409
Non-controlling interests		159,481	126,001
<b>TOTAL EQUITY</b>		<b>3,170,629</b>	3,074,410

The interim financial report on pages 12 to 44 were approved and authorised for issue by the board of directors on 25 August 2016 and were signed on its behalf by:

**Cheung Siu Lam**  
*Director*

**Cheung Chai Hong**  
*Director*

The notes on pages 18 to 44 form part of this interim financial report.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the six months ended 30 June 2016 – unaudited

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity	
	Note	Share capital HK\$'000	Share-based compensation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Fair value reserve HK\$'000	Statutory surplus reserve HK\$'000	Retained earnings HK\$'000			Total HK\$'000
<b>Balance at 1 January 2016</b>		1,746,674	40,950	(129,151)	146	28,833	1,260,957	2,948,409	126,001	3,074,410
<b>Changes in equity for the six months ended 30 June 2016:</b>										
Profit for the period		-	-	-	-	-	181,008	181,008	6,959	187,967
Other comprehensive loss	8	-	-	(57,559)	(149)	-	-	(57,708)	(2,596)	(60,304)
Total comprehensive income		-	-	(57,559)	(149)	-	181,008	123,300	4,363	127,663
Equity settled share-based transactions		-	5,865	-	-	-	-	5,865	-	5,865
Shares issued under share option scheme		14,282	(4,702)	-	-	-	-	9,580	-	9,580
Lapse of share options		-	(6,412)	-	-	-	6,412	-	-	-
Purchase of own shares		-	-	-	-	-	(23,750)	(23,750)	-	(23,750)
Capital contribution from non-controlling shareholders of a subsidiary		-	-	-	-	-	-	-	29,117	29,117
Dividend paid		-	-	-	-	-	(52,256)	(52,256)	-	(52,256)
Transfer to reserve		-	-	-	-	7,117	(7,117)	-	-	-
<b>Balance at 30 June 2016</b>		<b>1,760,956</b>	<b>35,701</b>	<b>(186,710)</b>	<b>(3)</b>	<b>35,950</b>	<b>1,365,254</b>	<b>3,011,148</b>	<b>159,481</b>	<b>3,170,629</b>
<b>Balance at 1 January 2015</b>		1,420,378	33,019	34,449	(663)	21,142	1,037,310	2,545,635	25,060	2,570,695
<b>Changes in equity for the six months ended 30 June 2015:</b>										
Profit for the period		-	-	-	-	-	176,488	176,488	1,257	177,745
Other comprehensive income/(loss)	8	-	-	1,313	(3,189)	-	-	(1,876)	(28)	(1,904)
Total comprehensive income		-	-	1,313	(3,189)	-	176,488	174,612	1,229	175,841
Equity settled share-based transactions		-	5,455	-	-	-	-	5,455	-	5,455
Shares issued under share option scheme		25,398	(5,785)	-	-	-	-	19,613	-	19,613
Shares issued under subscription agreement		300,000	-	-	-	-	-	300,000	-	300,000
Capital contribution from non-controlling shareholders of a subsidiary		-	-	-	-	-	-	-	101,443	101,443
Dividend paid		-	-	-	-	-	(75,836)	(75,836)	-	(75,836)
Transfer to reserve		-	-	-	-	7,004	(7,004)	-	-	-
<b>Balance at 30 June 2015</b>		<b>1,745,776</b>	<b>32,689</b>	<b>35,762</b>	<b>(3,852)</b>	<b>28,146</b>	<b>1,130,958</b>	<b>2,969,479</b>	<b>127,732</b>	<b>3,097,211</b>

The notes on pages 18 to 44 form part of this interim report.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS***For the six months ended 30 June 2016 – unaudited*

	<b>For the six months ended 30 June</b>	
	<b>2016 HK\$'000</b>	<b>2015 HK\$'000</b>
<b>Operating activities</b>		
Cash generated from/(used in) operations	620,169	(239,021)
Tax paid	(100,356)	(84,143)
Tax refund	71	–
<b>Net cash generated from/(used in) operating activities</b>	<b>519,884</b>	<b>(323,164)</b>
<b>Investing activities</b>		
(Increase)/decrease in pledged bank deposits	(12,022)	64,416
Other cash flows arising from investing activities	18,331	8,086
<b>Net cash generated from investing activities</b>	<b>6,309</b>	<b>72,502</b>
<b>Financing activities</b>		
Capital contribution from non-controlling shareholders of subsidiary	29,117	101,443
Payment for repurchase of shares	(23,750)	–
Payment for redemption of convertible note	–	(26,750)
Proceeds from new short-term borrowings	779,450	1,071,501
Repayment of short-term borrowings	(1,509,599)	(1,042,177)
Net proceeds from the issue of senior bonds	–	355,892
Net proceeds from the issue of unsecured bonds due 2018	–	32,400
Net proceeds from the issue of unsecured bonds due 2022	–	83,850
Net proceeds from shares issued under subscription agreement	–	300,000
Dividends paid to equity shareholders of the Company	(52,256)	(75,836)
Other cash flows used in financing activities	(45,792)	(4,144)
<b>Net cash (used in)/generated from financing activities</b>	<b>(822,830)</b>	<b>796,179</b>
<b>(Decrease)/increase in cash and cash equivalents</b>	<b>(296,637)</b>	<b>545,517</b>
Effect of foreign exchange rate changes	(5,566)	676
<b>Cash and cash equivalents at beginning of the period</b>	<b>668,603</b>	<b>153,014</b>
<b>Cash and cash equivalents at end of the period</b>	<b>366,400</b>	<b>699,207</b>
Analysis of balances of cash and cash equivalents: Cash at banks and in hand	366,400	699,207

The notes on pages 18 to 44 form part of this interim financial report.

## NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2016

### 1. BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 25 August 2016.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2015 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2016 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2015 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by the Company's Audit Committee. The interim financial report has also been reviewed by Crowe Horwath (HK) CPA Limited ("Crowe Horwath") in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Crowe Horwath's independent review report to the Board of Directors is included on page 10 and 11.

The financial information relating to the financial year ended 31 December 2015 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

## 2. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following amendments are relevant to the Group:

- *Annual Improvements to HKFRSs 2012-2014 Cycle*
- Amendments to HKAS 1 “*Presentation of Financial Statements*”: *Disclosure initiative*

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

### ***Annual Improvements to HKFRSs 2012-2014 Cycle***

This cycle of annual improvements contains amendments to four standards. Among them, HKAS 34 “*Interim Financial Reporting*” has been amended to clarify that if an entity discloses the information required by the standard outside the interim financial statements by a cross-reference to the information in another statement of the interim financial report, then users of the interim financial statements should have access to the information incorporated by the cross-reference on the same terms and at the same time. The amendments do not have an impact on the Group’s interim financial report as the Group does not present the relevant required disclosures outside the interim financial statements.

### ***Amendments to HKAS 1 “Presentation of Financial Statements”: Disclosure initiative***

The amendments to HKAS 1 introduce narrow-scope changes to various presentation requirements. The amendments do not have a material impact on the presentation and disclosure of the Group’s interim financial report.

## 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***

As over 90% of the Group’s operations are in the People’s Republic of China (“PRC”), no geographic information is presented.

## 4. NET INTEREST INCOME AND SERVICE INCOME

	For the six months ended 30 June	
	2016 HK\$'000	2015 HK\$'000
<b>Interest, guarantee and financing consultancy services income</b>		
Pawn loans, loans receivable from micro-lending and money-lending	97,774	42,067
Other loans receivable	256,532	279,543
Financing guarantees	–	74
	<b>354,306</b>	<b>321,684</b>
<b>Interest and handling expenses arising from:</b>		
Bank loans	(241)	(2,796)
Short-term borrowings	(20,655)	(18,204)
Senior bonds	(11,943)	(10,971)
Unsecured bonds due 2018	(2,469)	(313)
Unsecured bonds due 2022	(9,691)	(1,734)
Other finance costs	(6,752)	(6,266)
	<b>(51,751)</b>	<b>(40,284)</b>
<b>Net interest income and service income</b>	<b>302,555</b>	<b>281,400</b>

The total amount of interest income on financial assets not at fair value through profit or loss during the six months ended 30 June 2016 was (including bank interest income) HK\$356,404,000 (six months ended 30 June 2015: HK\$324,700,000).

**5. OTHER INCOME**

	<b>For the six months ended 30 June</b>	
	<b>2016 HK\$'000</b>	<b>2015 HK\$'000</b>
Bank interest income	<b>2,098</b>	3,090
Dividend income from available-for-sale investments	<b>178</b>	294
Interest income from financial assets at FVTPL	<b>207</b>	–
Income from government subsidies	<b>15,694</b>	12,144
Available-for-sale investments: reclassified from equity		
– Gain on disposal ( <i>note 8</i> )	<b>105</b>	857
Gain on fair value change of financial assets at FVTPL		
– Change on fair value of financial assets at FVTPL	<b>108</b>	–
Loss on redemption of convertible note	<b>–</b>	(1,192)
Gain on fair value change of financial derivatives in respect of accumulator contract	<b>348</b>	–
Gain on disposal of designated loan receivable ( <i>note 10(iv)</i> )	<b>6,782</b>	–
Exchange gain, net	<b>593</b>	5,861
Others	<b>2,194</b>	1,757
	<b>28,307</b>	22,811

## 6. PROFIT BEFORE TAXATION

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

	For the six months ended 30 June	
	2016	2015
	HK\$'000	HK\$'000
<b>(a) Staff costs (including directors' emoluments):</b>		
Salaries, allowances and other benefits	21,034	19,087
Equity-settled share-based payment expenses (see note (1) below)	1,767	1,669
Contributions to defined contribution retirement plans	1,837	2,524
	<b>24,638</b>	<b>23,280</b>
<b>(b) Other items:</b>		
Auditors' remuneration	570	560
Depreciation of property, plant and equipment	1,229	1,258
Amortisation of intangible asset	66	–
Operating lease charges in respect of properties (see note (2) below)	3,796	3,702
(Reversal)/provision of undue liability and guarantee compensation	(59)	67
Impairment losses		
– loans receivable	994	1,168
– available-for-sale investments (note 8)	596	–
Consultancy fee (see note (3) below)	8,582	6,889
Equity-settled share-based payment expenses (see note (1) below)	5,865	5,455

Note:

- (1) Equity-settled share-based payment expense includes HK\$1,767,000 (six months ended 30 June 2015: HK\$1,669,000) relating to staff costs, which amount is also included in the total amount disclosed in note 6(a) for staff costs.
- (2) During the six months ended 30 June 2016, the Group paid operating lease charges (in respect of properties) of approximately HK\$710,000 and HK\$1,071,000 (six months ended 30 June 2015: HK\$756,000 and HK\$1,140,000) to 北京元長厚茶葉有限公司 and 北京東皇物業管理有限公司, respectively, of which a director of the Company is their legal representative. The directors of the Company are of the opinion that such transactions were conducted on mutually agreed terms in the ordinary course of business.
- (3) During the six months ended 30 June 2016, the Group paid consultancy fee of approximately HK\$1,302,000 and HK\$Nil (six months ended 30 June 2015: HK\$1,636,000 and HK\$62,000) to 北京天福號生態科技有限公司 and 北京天福號農莊有限公司, respectively, of which certain directors of the Company are their legal representative. The directors of the Company are of the opinion that such transactions were conducted on mutually agreed terms in the ordinary course of business.

**7. INCOME TAX**

	<b>For the six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Current Tax		
Hong Kong Profits Tax	<b>57</b>	–
PRC Enterprise Income Tax	<b>74,954</b>	62,626
	<b>75,011</b>	62,626
Deferred tax		
Reversal and origination of temporary differences	<b>(193)</b>	1,143
	<b>74,818</b>	63,769

**(a) Hong Kong**

The provision for the Hong Kong Profits Tax of the subsidiaries established in HK is calculated at 16.5% (2015: 16.5%) of the estimated taxable profit for the six months ended 30 June 2016.

No Provision for Hong Kong Profits Tax has been made as the Group has no income assessable for profits tax arising in Hong Kong for the six months ended 30 June 2015.

**(b) The PRC**

The provision for the PRC Enterprise Income Tax of the subsidiaries established in the PRC is calculated at 25% (2015: 25%) of the estimated taxable profits for the reporting period.

According to the prevailing PRC Enterprise Income Tax ("EIT") law and its relevant regulations, non-PRC-resident enterprises are levied withholding tax at 10%, unless reduced by tax treaties or similar arrangements, on dividends from their PRC-resident investees for earnings accumulated beginning on 1 January 2008. Undistributed earnings generated prior to 1 January 2008 are exempt from such withholding tax.

Under the Arrangement between the Mainland China and Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and its relevant regulations, dividends paid by a PRC resident enterprise to its direct holding company in Hong Kong will be subject to withholding tax at a reduced rate of 5% (if the Hong Kong investor is the "beneficial owner" and owns directly at least 25% of the equity interest of the PRC resident enterprise for the past twelve months before the dividends distribution).

For the purpose of the interim financial report, the directors determined that the management of the Group can control the quantum and timing of distribution of profits of their PRC subsidiaries. Deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

**(c) Deferred tax assets not recognised**

Deferred tax assets in respect of unused tax losses carried forward are to be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax losses can be utilised.

The Group has not recognised the deferred tax assets in respect of the tax losses of HK\$218,020,000 (at 31 December 2015: HK\$196,951,000) due to unpredictability to future profit streams. The unrecognised tax losses, mainly arising from companies incorporated in Hong Kong, can be carried forward indefinitely.

## 8. OTHER COMPREHENSIVE INCOME/(LOSS)

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

	<i>Note</i>	<b>For the six months ended 30 June 2016 HK\$'000</b>	2015 HK\$'000
<b>Exchange differences on translation into presentation currency</b>		<b>(60,155)</b>	1,285
<b>Available-for-sale investments:</b>			
Changes in fair value recognised during the period		<b>(640)</b>	(2,332)
Reclassification adjustments for amounts transferred to profit or loss:			
– gain on disposal	<i>5</i>	<b>(105)</b>	(857)
– impairment losses	<i>6(b)</i>	<b>596</b>	–
Net movement in fair value reserve during the period recognised in other comprehensive loss		<b>(149)</b>	(3,189)
		<b>(60,304)</b>	(1,904)

## 9. EARNINGS PER SHARE

### a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$181,008,000 (six months ended 30 June 2015: HK\$176,488,000) and the weighted average number of 3,840,100,962 ordinary shares (six months ended 30 June 2015: 3,456,555,949 ordinary shares) in issue during the interim period.

### b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$181,008,000 (six months ended 30 June 2015: HK\$176,488,000) and the weighted average number of 3,848,001,307 ordinary shares (six months ended 30 June 2015: 3,473,574,979 ordinary shares).

**10. LOANS RECEIVABLE**

	<b>At 30 June 2016 HK\$'000</b>	At 31 December 2015 HK\$'000
Pawn loans receivable	<b>207,905</b>	260,276
Loans receivable arising from:		
– Micro-lending	<b>584,473</b>	448,220
– Money-lending	<b>256,757</b>	223,560
Designated loan receivable ( <i>note (iv)</i> )	–	596,815
Other loans receivable	<b>1,850,172</b>	1,800,591
	<b>2,899,307</b>	3,329,462
Less: Allowance for doubtful debts		
– Collectively assessed	<b>(7,924)</b>	(7,085)
– Individually assessed	<b>(5,500)</b>	(5,500)
	<b>(13,424)</b>	(12,585)
	<b>2,885,883</b>	3,316,877
Amounts due within one year included under current assets	<b>2,796,325</b>	3,294,178
Amounts due after one year included under non-current assets	<b>89,558</b>	22,699
	<b>2,885,883</b>	3,316,877

## 10. LOANS RECEIVABLE (Cont'd)

*Notes:*

- i) Approximately HK\$2,634,626,000 (at 31 December 2015: HK\$3,098,817,000) of the Group's loans receivable were arising from the PRC and are denominated in Renminbi ("RMB"). The loans receivable in the PRC carry interest plus service charge at a monthly effective rate of 0.1% to 4.3% (at 31 December 2015: 0.1% to 3.0%), and the loans receivable in Hong Kong carry interest at a monthly effective rate of 1.0% to 3.0% (at 31 December 2015: 1.0% to 2.5%). As at 30 June 2016 and 31 December 2015, in the opinion of the Company's directors, the Group held collateral with value not less than the carrying amount of the loans receivable.
- ii) A typical loan generally has a term of 15 days to 15 years (at 31 December 2015: 30 days to 10 years).
- iii) A loan receivable from 中金佳晟投資基金管理(北京)有限公司("中金佳晟"), of which certain directors of the Company were its key management personnel, was included in other loans receivable as at 31 December 2014, and those directors resigned as key management personnel on 20 April 2015. The carrying amount of loan receivable from 中金佳晟 as at 30 June 2016 was approximately HK\$530,470,000 (at 31 December 2015: HK\$377,904,000). The loan carried service charge at a monthly effective rate of 1.8% and, in the opinion of the Company's directors, the Group held collateral with value not less than the carrying amount of the loan. The directors of the Company are of the opinion that such transaction was conducted on mutually agreed terms in the ordinary course of business.

The income earned from 1 January 2015 to the date of resignation as the key management personnel of 中金佳晟, amounting to approximately HK\$7,353,000 is included in "Interest, guarantee and financing consultancy services income" (*note 4*).

- iv) During the year ended 31 December 2015, the Group lent an amount of RMB500,000,000 (equivalent to approximately HK\$596,815,000) through an asset management company to an independent third party. The designated loan receivable was secured by land held for development. This designated loan receivable bore interest at 7.5% per annum.

On 24 February 2016, the Group assigned this designated loan receivable with its risk and rewards to an independent third party at the consideration of RMB520,195,000 (approximately HK\$620,920,000), resulting in a gain of approximately HK\$6,782,000, which is included in "Other income" (*note 5*) in the consolidated statement of profit or loss.

**10. LOANS RECEIVABLE (Cont'd)****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 2016					At 31 December 2015				
	Pawn loans receivable HK\$'000	Loans receivable arising from micro- lending HK\$'000	Loans receivable arising from money- lending HK\$'000	Other loans receivable HK\$'000	Total HK\$'000	Pawn loans receivable HK\$'000	Loans receivable arising from micro- lending HK\$'000	Loans receivable arising from money- lending HK\$'000	Other loans receivable HK\$'000	Total HK\$'000
Due within 1 month or on demand	4,915	38,026	118,850	699,189	860,980	19,199	5,431	37,011	515,297	576,938
Due after 1 month but within 3 months	27,121	78,276	4,580	217,442	327,419	62,367	12,772	32,900	285,842	393,881
Due after 3 months but within 6 months	16,977	50,160	53,625	269,994	390,756	44,558	74,960	39,050	440,235	598,803
Due after 6 months but within 12 months	158,892	382,909	48,647	640,146	1,230,594	134,152	355,057	91,900	559,217	1,140,326
Due after 12 months	-	35,102	31,055	23,401	89,558	-	-	22,699	-	22,699
Allowance for doubtful debts	(2,079)	(5,845)	(5,500)	-	(13,424)	(2,603)	(4,482)	(5,500)	-	(12,585)
	<u>205,826</u>	<u>578,628</u>	<u>251,257</u>	<u>1,850,172</u>	<u>2,885,883</u>	<u>257,673</u>	<u>443,738</u>	<u>218,060</u>	<u>1,800,591</u>	<u>2,720,062</u>
Add: Designated loan receivable (see note (iv) above)										
- Due after 6 months but within 12 months					-					596,815
					<u>2,885,883</u>					<u>3,316,877</u>

10. LOANS RECEIVABLE (Cont'd)

b) Analysed by credit quality

	At 30 June 2016					At 31 December 2015						
	Pawn loans receivable	Loans receivable arising from micro-lending	Loans receivable arising from money-lending	Designated loan receivable	Other loans receivable	Total	Pawn loans receivable	Loans receivable arising from micro-lending	Loans receivable arising from money-lending	Designated loan receivable	Other loans receivable	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
<b>Loans receivable that are not impaired</b>												
- Neither past due nor impaired	-	-	145,046	-	1,715,794	1,860,840	-	-	195,259	596,815	1,771,602	2,563,676
- Less than 1 month past due	-	-	13,210	-	109,567	122,777	-	-	10,850	-	1,158	12,008
- 1 to 3 months past due	-	-	32,900	-	7,876	40,776	-	-	2,966	-	6,088	9,054
- Over 3 months past due	-	-	60,101	-	16,935	77,036	-	-	8,985	-	21,743	30,728
	-	-	251,257	-	1,850,172	2,101,429	-	-	218,060	596,815	1,800,591	2,615,466
<b>Loans receivable that are impaired collectively</b>												
- Not past due	207,905	574,608	-	-	-	782,513	260,276	447,265	-	-	-	707,541
- Less than 1 month past due	-	4,833	-	-	-	4,833	-	955	-	-	-	955
- 1 to 3 months past due	-	5,032	-	-	-	5,032	-	-	-	-	-	-
- Over 3 months past due	-	-	-	-	-	-	-	-	-	-	-	-
- Allowance for doubtful debts	(2,079)	(5,845)	-	-	-	(7,924)	(2,603)	(4,482)	-	-	-	(7,085)
	205,826	578,628	-	-	-	784,454	257,673	443,738	-	-	-	701,411
<b>Total</b>	<b>205,826</b>	<b>578,628</b>	<b>251,257</b>	<b>-</b>	<b>1,850,172</b>	<b>2,885,883</b>	<b>257,673</b>	<b>443,738</b>	<b>218,060</b>	<b>596,815</b>	<b>1,800,591</b>	<b>3,316,877</b>

Loans receivable that were neither past due nor impaired relate to recognised and creditworthy borrowers for whom there was no recent history of default.

Loans receivable that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

**11. ACCOUNTS RECEIVABLE**

	<b>At 30 June 2016 HK\$'000</b>	At 31 December 2015 HK\$'000
Accounts receivable	<b>84,841</b>	51,409

All of the Group's accounts receivable were arising from the PRC and are denominated in RMB and are expected to be recovered within one year.

**a) Ageing analysis**

As at the end of the reporting period, the ageing analysis of accounts receivable, based on the revenue recognition date, is as follows:

	<b>At 30 June 2016 HK\$'000</b>	At 31 December 2015 HK\$'000
Within 1 month	<b>18,701</b>	11,109
1 to 3 months	<b>24,645</b>	16,299
3 to 6 months	<b>24,343</b>	18,200
Over 6 months	<b>17,152</b>	5,801
	<b>84,841</b>	51,409

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

**b) Accounts receivable that are not impaired**

	<b>At 30 June 2016 HK\$'000</b>	At 31 December 2015 HK\$'000
Neither past due nor impaired	<b>18,701</b>	11,109
Less than 1 month past due	<b>14,261</b>	8,295
1 to 3 months past due	<b>18,527</b>	12,832
4 to 6 months past due	<b>20,683</b>	16,727
Over 6 months past due	<b>12,669</b>	2,446
	<b>84,841</b>	51,409

Accounts receivable that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Accounts receivable that were neither past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

**12. INTERESTS RECEIVABLE**

	<b>At 30 June 2016 HK\$'000</b>	At 31 December 2015 HK\$'000
Interests receivable	<b>19,262</b>	33,246

At 30 June 2016, approximately HK\$14,469,000 (at 31 December 2015: HK\$27,770,000) of the Group's interests receivable were arising from the PRC and are denominated in RMB. All of the interests receivable are expected to be recovered within one year.

As at 30 June 2016, included in interests receivable was approximately HK\$6,941,000 (at 31 December 2015: HK\$5,177,000) and HK\$Nil (at 31 December 2015: HK\$17,291,000) related to loan to 中金佳晟 and designated loan receivable, respectively. Details of the transactions are set out in note 10 to the financial statements.

**i) Ageing analysis**

As at the end of the reporting period, the ageing analysis of interests receivable, based on the revenue recognition date, is as follows:

	<b>At 30 June 2016 HK\$'000</b>	At 31 December 2015 HK\$'000
Within 1 month	<b>15,709</b>	15,455
1 to 3 months	<b>1,387</b>	9,867
3 to 6 months	<b>338</b>	7,473
Over 6 months	<b>1,828</b>	451
	<b>19,262</b>	33,246

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).

**12. INTERESTS RECEIVABLE (Cont'd)****ii) Interests receivable that are not impaired**

	<b>At 30 June 2016 HK\$'000</b>	At 31 December 2015 HK\$'000
Neither past due nor impaired	<b>15,290</b>	27,871
Less than 1 month past due	<b>695</b>	2,910
1 to 3 months past due	<b>1,114</b>	971
4 to 6 months past due	<b>335</b>	1,433
Over 6 months past due	<b>1,828</b>	61
	<b>19,262</b>	33,246

Interests receivable that were neither past due nor impaired relate to a number of customers for whom there was no recent history of default.

Interests receivable that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

**13. SHORT-TERM BORROWINGS**

	<i>Note</i>	<b>At 30 June 2016 HK\$'000</b>	At 31 December 2015 HK\$'000
Borrowings under contractual agreements with:			
– 找銀子	<i>a</i>	<b>38,987</b>	248,098
– 理理貸	<i>b</i>	–	43,448
– 招財寶	<i>c</i>	–	614,030
– 小微財行	<i>d</i>	<b>128,232</b>	–
Borrowings from employees	<i>e</i>	–	12,213
Other borrowings		<b>13,635</b>	–
		<b>180,854</b>	917,789

### 13. SHORT-TERM BORROWINGS (Cont'd)

- a) 北京中金港資產管理有限公司 (“Zhongjingang”) and 北京融信嘉資產管理有限公司 (“Rongxinjia”), both of which are subsidiaries of the Company, separately entered into a strategic cooperation agreement with an independent third party, which would establish and operate online lending platform (namely, “找銀子” or “Zhaoyinzi”), in the launch of internet finance so as to invite investors to invest in the loans receivable of the Group. In this regard, the Group shall assign all its rights and benefits in the invested receivables to the investors and shall guarantee the due recoverability of such receivables. At the expiry of the investment period, the Group shall repay all the proceeds received to the investors. During the six months ended 30 June 2016, the arrangement raised a net proceeds of approximately HK\$37,052,000 (at 31 December 2015: HK\$242,939,000) from this platform, with financing cost measured at an annualised rate of 11.5% (at 31 December 2015: 11.5%).

At the end of the reporting period, the fund raised under the arrangement were secured by certain of loans receivable of approximately HK\$37,052,000 (at 31 December 2015: HK\$267,316,000).

The amount of finance costs incurred during the period amounting to HK\$11,808,000 (six months ended 30 June 2015: HK\$7,529,000) is included in interest and handling expense (*note 4*).

- b) The Group entered into a strategic cooperation agreement with another independent third party, which would establish and operate an integrated finance information service platform (namely, “理理貸” or “Li Li Dai”), in the launch of internet finance so as to provide investors to invest in the loans receivable of the Group. In this regard, the Group shall assign all its rights and benefits in the invested receivables to the investors and shall guarantee the due recoverability of such receivables. At the expiry of the investment period, the Group shall repay all the proceeds received to the investors. During the six months ended 30 June 2016, the arrangement raised a net proceeds of approximately HK\$Nil (at 31 December 2015: HK\$43,233,000) from this platform, with financing cost measured at an annualised rate of 10.0% (at 31 December 2015: 11.5%). The amount was fully repaid during the six months ended 30 June 2016.

At the end of the reporting period, the funds raised under the arrangement were secured by certain of loans receivable of approximately HK\$Nil (at 31 December 2015: HK\$43,233,000).

The amount of finance costs incurred during the period amounting to HK\$661,000 (six months ended 30 June 2015: HK\$6,127,000) is included in interest and handling expense (*note 4*).

- c) During the year ended 31 December 2015, the Group raised short-term borrowings in a total of RMB507,000,000 from independent third parties through the online lending platform (“招財寶”), which is owned and operated by 上海招財寶金融信息服務有限公司, an independent third party. The loan is unsecured, bearing interest at 4.5% per annum and guaranteed by China United SME Guarantee Corporation (“Sinoguarantee”), which was an independent third party before becoming a substantial shareholder of the Company resulting from the allotment of shares.

The amount of finance costs incurred during the period amounting to HK\$4,409,000 (six months ended 30 June 2015: HK\$Nil) is included in interest and handling expense (*note 4*).

### 13. SHORT-TERM BORROWINGS (Cont'd)

- d) During the six months ended 30 June 2016, Zhongjingang and Rongxinjia entered into a strategic cooperation agreement with another independent third party, which would establish and operate an integrated finance information service platform (namely, “小微财行” or “Xiaoweicaihang”), in the launch of internet finance so as to provide investors to invest in the loans receivable of the Group. In this regards, the Group shall assign all its right and benefits in the invested receivables to the investors and shall guarantee the due recoverability of such receivables. At the expiry of the investment period, the Group shall repay all the proceeds received to the investors. During the six months ended 30 June 2016, the arrangement raised a net proceed of approximately HK\$126,472,000 from this platform, with financing cost measured at an annualized rate of 11%.

At the end of the reporting period, the funds raised under the arrangement were secured by certain of loans receivable of approximately HK\$137,838,000.

The amount of finance costs incurred during the period amounting to HK\$3,515,000 is included in interest and handling expense (*note 4*).

- e) The borrowings from employees represent the funds borrowed from its employees (together with their relatives or friends, the “Employees”) based in Hong Kong for the development of its money lending business. The Group raised net proceeds of approximately HK\$Nil (at 31 December 2015: HK\$11,760,000), with financing cost measured at an annualized rate of 10% (at 31 December 2015: 10%). The borrowings from the Employees were not secured by any assets or guarantees. The amount was fully repaid during the six months ended 30 June 2016.

The amount of finance costs incurred during the period amounting to HK\$262,000 (six months ended 30 June 2015: HK\$172,000) is included in interest and handling expense (*note 4*).

- f) The short-term borrowings of approximately HK\$167,219,000 (at 31 December 2015: HK\$905,576,000) were arising from the PRC and are denominated in RMB.
- g) All the short-term borrowings are carried at amortised cost.

**14. BANK LOANS**

At 30 June 2016, the bank loans of the Group were repayable as follows:

	<b>At 30 June 2016 HK\$'000</b>	At 31 December 2015 HK\$'000
Within 1 year or on demand	<b>58,502</b>	75,745

At 30 June 2016, the bank loans were secured as follows:

	<i>Note</i>	<b>At 30 June 2016 HK\$'000</b>	At 31 December 2015 HK\$'000
Bank loans, secured			
– secured by the Group's bank deposits	<i>(i)</i>	<b>58,502</b>	47,745
– secured by the Group's loan receivables	<i>(ii)</i>	–	28,000
		<b>58,502</b>	75,745

- (i) As at 30 June 2016, bank loans of HK\$58,502,000 (at 31 December 2015: HK\$47,745,000) were secured by a bank deposit of HK\$59,204,000 (at 31 December 2015: HK\$48,342,000).
- (ii) As at 30 June 2016, bank loans of HK\$Nil (at 31 December 2015: HK\$28,000,000) were secured by certain of loan receivables of approximately HK\$Nil (at 31 December 2015: HK\$46,500,000).
- (iii) The bank loans of approximately HK\$58,502,000 (at 31 December 2015: HK\$47,745,000) were obtained in the PRC and denominated in RMB.
- (iv) All of the bank loans are carried at amortised cost.
- (v) All of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the bank loans would become payable on demand. The Group regularly monitors its compliance with these covenants. As at six months ended 30 June 2016, none of the covenants relating to the bank loans had been breached (at 31 December 2015: Nil).

**15. SENIOR BONDS**

On 5 March 2015, a subsidiary of the Company issued the 3-year senior guaranteed bonds ("Senior Bonds") at 99.33% in an aggregate nominal value of RMB300,000,000 which will mature on 5 March 2018. The bonds carry interest at the rate of 6.5% per annum. The interest is payable semi-annually in arrears on 5 March and 5 September each year.

The Senior Bonds are unconditionally and irrevocably guaranteed, jointly and severally, by the Company and Sinoguarantee.

Below collaterals were provided to Sinoguarantee:

- Mr. Cheung Siu Lam, the Company's controlling shareholder, has entered into a share charge in favour of Sinoguarantee, pursuant to which Mr. Cheung Siu Lam has pledged 750 million shares he owns in the Company to Sinoguarantee;
- the Company has entered into a share charge in favour of Sinoguarantee, pursuant to which it has pledged all of its shares in Zhongjingang to Sinoguarantee; and
- Zhongjingang, Rongxinjia, 北京惠豐融金小額貸款有限公司 and 北京中金投典當行有限公司, all of which are subsidiaries of the Company, have each entered into an agreement to pledge certain receivables to Sinoguarantee of approximately HK\$526,715,000 as at 30 June 2016.

The directors of the Company considered that no derivatives were embedded in the Senior Bonds and it is appropriate to use amortised cost method to record the Senior Bonds in the consolidated statement of financial position.

Movements in Senior Bonds is analysed as follows:

	<b>Original currency</b> <i>RMB'000</i>	<b>Shown as</b> <i>HK\$'000</i>
At 1 January 2015	-	-
Issue of bonds	297,990	372,041
Transaction costs	(12,935)	(16,149)
Interest charged during the year	22,774	28,097
Interest paid during the year	(9,937)	(12,019)
Exchange realignment	-	(16,737)
	<hr/>	<hr/>
At 31 December 2015 and 1 January 2016	297,892	355,233
Interest charged during the period	10,182	11,943
Interest paid during the period	(9,723)	(11,606)
Exchange realignment	-	(7,278)
	<hr/>	<hr/>
At 30 June 2016	<u>298,351</u>	<u>348,292</u>

**16. UNSECURED BONDS DUE 2018**

The Company issued the three-year 5.5% coupon unlisted and unsecured bonds of an aggregate principal amount of HK\$58,000,000 ("Unsecured Bonds due 2018"), which are unsecured, bear interest at the coupon rate of 5.5% per annum and will mature in 2018. All of Unsecured Bonds due 2018 are carried at amortised cost. The Unsecured Bonds due 2018 are subject to the fulfillment of covenants relating to certain financial ratios, as are commonly found in lending arrangements. If the Group were to breach the covenants, Unsecured Bonds due 2018 would become payable on demand. The Group regularly monitors its compliance with these covenants. At 30 June 2016, none of the covenants relating to the Unsecured Bonds due 2018 had been breached.

Movements in the Unsecured Bonds due 2018 is analysed as follows:

	<i>HK\$'000</i>
At 1 January 2015	–
Issue of bonds	58,000
Transaction costs	(5,800)
Interest charged during the year	2,589
Interest paid during the year	(1,677)
	<hr/>
At 31 December 2015 and 1 January 2016	53,112
Interest charged during the period	2,469
	<hr/>
At 30 June 2016	<u>55,581</u>

**17. UNSECURED BONDS DUE 2022**

The Company issued the seven-year 7.0% coupon unlisted and unsecured bonds of an aggregate principal amount of HK\$220,000,000 ("Unsecured Bonds due 2022"), which are unsecured, bear interest at the coupon rate of 7.0% per annum and will mature in 2022. All of Unsecured Bonds due 2022 are carried at amortised cost. The Unsecured Bonds due 2022 are subject to the fulfillment of covenants relating to certain of the Group's financial ratios, as are commonly found in lending arrangements. If the Group were to breach the covenants, Unsecured Bonds due 2022 would become payable on demand. The Group regularly monitors its compliance with these covenants. At 30 June 2016, none of the covenants relating to the Unsecured Bonds due 2022 had been breached.

Movements in the Unsecured Bonds due 2022 is analysed as follow:

	<i>HK\$'000</i>
At 1 January 2015	–
Issue of bonds	220,000
Transaction costs	(27,400)
Interest charged during the year	10,033
Interest paid during the year	(7,988)
	<hr/>
At 31 December 2015 and 1 January 2016	194,645
Interest charged during the period	9,691
	<hr/>
At 30 June 2016	<u>204,336</u>

**18. CAPITAL, RESERVES AND DIVIDENDS****(a) Dividends**

- i) Dividends payable to equity shareholders attributable to the interim period

	<b>2016</b> <b>HK\$'000</b>	2015 <b>HK\$'000</b>
Interim dividend declared and paid after the interim period of HK1.05 cents per share (2015: HK1 cent per share)	<b>40,321</b>	38,621

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

- ii) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period:

	<b>For the six months ended 30 June 2016</b> <b>HK\$'000</b>	2015 <b>HK\$'000</b>
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK1.36 cents per share (six months ended 30 June 2015: HK2.2 cents per share)	<b>52,256</b>	75,836

**(b) Share capital**

	No. of shares	HK\$'000
<b>Ordinary shares, issued and fully paid:</b>		
At 1 January 2016	3,864,086,336	1,746,674
Shares issued under share option scheme	20,000,000	14,282
Shares repurchased	(44,030,000)	–
	<b>3,840,056,336</b>	<b>1,760,956</b>
At 30 June 2016		
At 1 January 2015	3,430,086,336	1,420,378
Shares issued under share option scheme	32,000,000	25,398
Shares issued under subscription agreement (note i)	400,000,000	300,000
	<b>3,862,086,336</b>	<b>1,745,776</b>
At 30 June 2015		

Note:

- i) On 25 June 2015, the Company entered into a subscription agreement with Sinoguarantee whereby the Company allotted and issued 400,000,000 new shares (the "Allotment of Shares") at a subscription price of HK\$0.75 per subscription share to Sinoguarantee. The proceeds from subscription agreement was HK\$300,000,000.

**18. CAPITAL, RESERVES AND DIVIDENDS (Cont'd)****(c) Purchase of own shares**

During the interim period, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

<b>Month/year</b>	<b>Number of shares repurchased</b>	<b>Highest price paid per share</b> <i>HK\$</i>	<b>Lowest price paid per share</b> <i>HK\$</i>	<b>Aggregate price paid</b> <i>HK\$'000</i>
January 2016	26,234,000	0.53	0.51	13,762
February 2016	12,102,000	0.53	0.51	6,372
March 2016	3,416,000	0.63	0.61	2,132
June 2016	2,278,000	0.66	0.65	1,484
				23,750

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchased shares of \$23,750,000 was paid wholly out of retained profits.

**(d) Equity settled share-based transactions**

During the six months ended 30 June 2016 and 2015, no share options were granted under the Company's share option scheme.

20,000,000 and 45,000,000 options were exercised and lapsed (six months ended 30 June 2015: 32,000,000 and nil) during the six months ended 30 June 2016.

**19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS****a) Financial assets and liabilities measured at fair value**

## i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13 "Fair Value Measurement". The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group engages independent professional valuers to perform valuations for its financial instruments, including the financial derivatives and financial assets at FVTPL which are categorised into Level 3 of the fair value hierarchy. Valuation reports with analysis of changes in fair value measurement are prepared by independent valuers at each interim and annual reporting date, and are reviewed by the financial controller and approved by the directors of the Company. Discussion of the valuation process and results with the financial controller and the directors of the Company is held twice a year to coincide with the reporting date.

	Fair value at 30 June 2016 HK\$'000	Fair value measurements as at 30 June 2016 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Recurring fair value measurement</b>				
Financial assets:				
Available-for-sale equity securities – Listed	22,316	22,316	–	–
Financial assets at FVTPL	48,086	15,086	–	33,000
Financial liabilities:				
Financial derivatives	145	–	–	145

**19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Cont'd)****a) Financial assets and liabilities measured at fair value (Cont'd)**

## i) Fair value hierarchy (Cont'd)

	Fair value at 31 December 2015 HK\$'000	Fair value measurements as at 31 December 2015 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
<b>Recurring fair value measurement</b>				
Financial assets:				
Available-for-sale equity securities – Listed	39,614	39,614	–	–
Financial asset at FVTPL	15,291	15,291	–	–
Financial liabilities:				
Financial derivatives	493	–	–	493

During the six months ended 30 June 2016, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2015: nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

## ii) Information about Level 3 fair value measurements

	<b>Valuation techniques</b>	<b>Significant unobservable inputs</b>
Financial assets at FVTPL	Monte Carlo Simulations	Expected volatility from 22.05% to 37.49%
Financial derivatives	Monte Carlo Simulations	Expected volatility of 24.64% (at 31 December 2015: 20.28%)

The fair values of financial derivatives and financial assets at FVTPL are determined using Monte Carlo Simulations model and the significant unobservable inputs used in the fair value measurement is expected volatility.

As at 30 June 2016 and 31 December 2015, no sensitive analysis is performed on the financial derivatives and financial assets at FVTPL as the impacts are not significant to the Group's profit.

**19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Cont'd)****a) Financial assets and liabilities measured at fair value (Cont'd)**

## ii) Information about Level 3 fair value measurements (Cont'd)

The movements during the interim period in the balance of Level 3 fair value measurements are as follows:

	<b>At 30 June 2016 HK\$'000</b>	At 30 June 2015 HK\$'000
<b>Financial assets at FVTPL:</b>		
At 1 January	–	–
Payment for purchases	<b>33,000</b>	–
Changes in fair value recognised in profit or loss	–	–
At 30 June	<b>33,000</b>	–
Gain on fair value change of financial assets at FVTPL for the period included in profit or loss	–	–
<b>Financial derivatives:</b>		
At 1 January	<b>493</b>	266
Changes in fair value recognised in profit or loss	<b>(348)</b>	–
At 30 June	<b>145</b>	266
Gain on fair value change of financial derivatives for the period included in profit or loss	<b>348</b>	–

The gain arising from the remeasurement of the financial derivatives and financial assets at FVTPL are presented in "Other income" in the consolidated statement of profit or loss.

**b) Fair values of financial assets and financial liabilities carried at other than fair value**

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 30 June 2016.

**20. OPERATING LEASE COMMITMENTS*****As lessee***

At the end of the reporting period, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	<b>At 30 June 2016 HK\$'000</b>	At 31 December 2015 HK\$'000
Within one year	5,643	6,655
In the second to fifth year, inclusive	<u>1,381</u>	<u>2,898</u>
	<b><u>7,024</u></b>	<b><u>9,553</u></b>

The Group is the lessee in respect of its office premises and director's quarter held under operating leases. The leases typically run for an initial of one to five years, with an option to renew the lease when all items are renegotiated. None of the leases includes contingent rentals.

**21. RELATED PARTY TRANSACTIONS**

In addition to the transactions and balances disclosed elsewhere in this interim report, the Group had the following significant transactions with its related parties during the interim period:

**a) Transactions with key management personnel of the Group**

Remuneration for key management personnel of the Group is as follows:

	<b>For the six months ended 30 June 2016 HK\$'000</b>	2015 HK\$'000
Key management personnel compensation:		
– Short-term benefits	3,051	3,087
– Post-employment benefits	60	52
– Equity compensation benefits	<u>1,767</u>	<u>1,669</u>
	<b><u>4,878</u></b>	<b><u>4,808</u></b>

Total remuneration is included in "staff costs" see note 6(a).

**21. RELATED PARTY TRANSACTIONS (Cont'd)****b) Transaction with Sinoguarantee**

	<b>For the six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Consultancy fee	<b>1,188</b>	–
Guarantee fee	<b>5,967</b>	6,451

The directors of the Company are of the opinion that such transactions were conducted on mutually agreed terms in the ordinary course of business.

**c) Transaction with associate**

	<b>For the six months ended 30 June</b>	
	<b>2016</b>	2015
	<b>HK\$'000</b>	HK\$'000
Interest income on provision of financing services	<b>–</b>	61

The directors of the Company are of the opinion that such transaction was conducted on mutually agreed terms in the ordinary course of business.

**d) Other financing arrangements**

- (i) The details of the amount due from a related party included in "Other receivables, deposits and prepayments" are as follows:

<b>Name</b>	<i>Note</i>	<b>At</b>	At
		<b>30 June</b>	31 December
		<b>2016</b>	2015
		<b>HK\$'000</b>	HK\$'000
北京萬方達隆物業管理 有限公司("達隆物業")	<i>(i), (ii)</i>	<b>351</b>	358

*Notes:*

- i) The amount due from this related party is unsecured, non-interest-bearing and has no fixed terms of repayment.
- ii) Mr. Cheung Siu Lam, the non-executive director of the Company, is the legal representative of 達隆物業.

**21. RELATED PARTY TRANSACTIONS (Cont'd)****d) Other financing arrangements (Cont'd)**

- (ii) The details of the amounts due to related parties included in "Other payables, deposits received and accruals" are as follows:

<b>Name</b>	<i>Note</i>	<b>At 30 June 2016 HK\$'000</b>	At 31 December 2015 HK\$'000
Sinoguarantee	<i>(i), (ii)</i>	<b>2,559</b>	3,804
Lo Wan	<i>(i), (iii)</i>	<b>—</b>	20,400
		<b>2,559</b>	24,204

*Notes:*

- (i) The amounts due to related parties are unsecured, interest-free and have no fixed terms of repayment.
- (ii) Sinoguarantee is a substantial shareholder of the Company.
- (iii) Ms. Lo Wan is a shareholder of the Company and the spouse of Mr. Cheung Siu Lam (a non-executive director of the Company).

**22. 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 25 August 2016.

## OTHER INFORMATION

### DIRECTORS' INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 30 June 2016, the following directors had or were deemed to have interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) (i) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") contained in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

#### Long Positions in Shares and Underlying Shares of the Company

Name of Director	Capacity	Number of Ordinary Shares held	Underlying Shares Interested (Note 1)	Aggregate Long Position in Shares and Underlying Shares to Issued Share Capital (Note 4)
Cheung Siu Lam	Beneficial owner of 1,720,044,240 ordinary shares and 1,000,000 underlying shares, family interest of 424,812,000 ordinary shares and 1,000,000 underlying shares (Note 2) and interest in controlled corporation of 86,400,000 ordinary shares (Note 3)	2,231,256,240	2,000,000	58.12%
Luo Rui	Beneficial owner	3,390,000	20,000,000	0.60%
Guan Xue Ling	Beneficial owner	–	2,000,000	0.05%
Cheung Chai Hong	Beneficial owner	75,140,000	–	1.96%

#### Notes:

- The number of shares represents the shares in which the directors are deemed to be interested as a result of holding share options.
- By virtue of the SFO, Cheung Siu Lam is deemed to be interested in 424,812,000 ordinary shares and 1,000,000 underlying shares held by his spouse, Lo Wan.
- Arbalice Holdings Limited is beneficially owned as to 60% by Cheung Siu Lam and 40% by his spouse, Lo Wan. By virtue of the SFO, Cheung Siu Lam and Lo Wan are deemed to be interested in 86,400,000 shares held by Arbalice Holdings Limited.
- The percentage is calculated based on the total number of issued shares as at 30 June 2016.

## PERSONS WHO HAVE AN INTEREST OR SHORT POSITION WHICH IS DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, the register of substantial shareholders maintained under section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests and short positions, representing 5% or more of the Company's issued share capital:

### Long Positions in Shares and Underlying Shares of the Company

Name	Capacity	Number of Ordinary Shares held	Underlying Shares Interested (Note 1)	Aggregate Long Position in Shares and Underlying Shares to Issued Share Capital (Note 4)
Lo Wan	Beneficial owner of 424,812,000 ordinary shares and 1,000,000 underlying shares, family interest of 1,720,044,240 ordinary shares and 1,000,000 underlying shares (Note 2) and interest in controlled corporation of 86,400,000 ordinary shares (Note 3)	2,231,256,240	2,000,000	58.12%
China United SME Guarantee Corporation	Beneficial owner of 400,000,000 ordinary shares and 750,000,000 shares pledged by Cheung Siu Lam	1,150,000,000	–	29.93%

#### Notes:

1. The number of shares represents the shares in which the substantial shareholder is deemed to be interested as a result of holding share options.
2. By virtue of the SFO, Lo Wan, being spouse of Cheung Siu Lam, is deemed to be interested in 1,720,044,240 ordinary shares and 1,000,000 underlying shares held by Cheung Siu Lam.
3. Arbalice Holdings Limited is beneficially owned as to 60% by Cheung Siu Lam and 40% by Lo Wan. By virtue of the SFO, Cheung Siu Lam and Lo Wan are deemed to be interested in 86,400,000 shares held by Arbalice Holdings Limited.
4. The percentage is calculated based on the total number of issued shares as at 30 June 2016.

Save as disclosed above, no persons, other than a director of the Company whose interests are set out above had registered interests in the share capital of the Company that was required to be recorded in the register under section 336 of the SFO.

## SHARE OPTION

The Company adopted a share option scheme on 7 June 2004 (the "2004 Scheme") which was terminated on 6 June 2014. The Company adopted a new share option scheme (the "2014 Scheme") at the Company's annual general meeting held on 20 May 2014. Unless otherwise cancelled or amended, the 2014 Scheme will remain in force for 10 years from that date. As at the date of this report, no share options were granted under the 2014 Scheme since it was adopted.

Subsequent to the termination of the 2004 Scheme, no further option can be granted thereunder but in all other respects, the provisions of the 2004 Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

The following share options were outstanding under the 2004 Scheme and the 2014 Scheme for the six months ended 30 June 2016 (the "Reporting Period"):

Director	Date of offer	Exercise price HK\$	Outstanding at 1.1.2016	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2016	Exercise period	Closing price of the securities immediately before the date on which the options were offered HK\$	Fair value of each option at the date of grant HK\$
Cheung Siu Lam	04.10.07	0.479	10,000,000	-	10,000,000	-	-	04.10.07 - 03.10.17	0.460	0.235
	22.10.10	0.359	1,000,000	-	-	-	1,000,000	22.10.10 - 21.10.20	0.360	0.216
Luo Rui	11.04.14	0.660	20,000,000	-	-	-	20,000,000	11.04.14 - 10.04.24	0.630	0.4624
Guan Xue Ling	22.10.10	0.359	2,000,000	-	-	-	2,000,000	22.10.10 - 21.10.20	0.360	0.216
Employees in aggregate	04.10.07	0.479	30,000,000	-	10,000,000	-	20,000,000	04.10.07 - 03.10.17	0.460	0.235
	22.10.10	0.359	3,000,000	-	-	-	3,000,000	22.10.10 - 21.10.20	0.360	0.216
Other eligible grantees	11.04.14	0.660	45,000,000	-	-	45,000,000	-	11.04.14 - 10.04.16	0.630	0.1425
	11.04.14	0.660	10,000,000	-	-	-	10,000,000	11.04.14 - 10.04.18	0.630	0.1998
	11.04.14	0.660	30,000,000	-	-	-	30,000,000	11.04.14 - 10.04.24	0.630	0.4623
	26.08.15	0.546	55,000,000	-	-	-	55,000,000	26.08.15 - 25.08.25	0.490	0.289

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

During the six months ended 30 June 2016, the Company had bought back on the Stock Exchange a total of 44,030,000 shares. A total of 41,752,000 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 <i>HK\$</i>	Lowest Price Per Share <i>HK\$</i>	Aggregate Purchase Price <i>HK\$</i>
January	26,234,000	0.5300	0.5100	13,761,460.60
February	12,102,000	0.5300	0.5100	6,371,741.00
March	3,416,000	0.6300	0.6092	2,132,360.40
June	2,278,000	0.6600	0.6500	1,484,117.00

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

## PLEDGE OF SHARES BY THE CONTROLLING SHAREHOLDER

Mr. Cheung Siu Lam, the Company's controlling shareholder, has entered into a share charge in favour of Sinoguarantee, pursuant to which Mr. Cheung Siu Lam has charged 750 million shares he owns in the Company to Sinoguarantee. The pledge of shares is part of collaterals provided to Sinoguarantee for Sinoguarantee to provide unconditional and irrevocable guarantee to Senior Bonds issued by Golden Bauhinia Investment Holdings Company Limited (the "Issuer"), a wholly-owned subsidiary of the Company.

## LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDER

Pursuant to terms and conditions of the Senior Bonds as stated above, at any time when the shareholding of the controlling shareholder beneficially own less than 50.1% of the issued share capital of the Company, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only, of that holder's Bonds at 101 per cent of their principal amount.

## **INTERIM DIVIDEND**

The Board is pleased to declare an interim dividend of HK1.05 cents per ordinary share of the Company for the six months ended 30 June 2016 (six months ended 30 June 2015: HK1 cent), to the shareholders of the Company whose names are on the register of members on Wednesday, 28 September 2016. The payment of interim dividend will be made on or about 11 October 2016.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Monday, 26 September 2016 to Wednesday, 28 September 2016, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 23 September 2016.

## **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.6.1 and E.1.2:

### **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.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.

### Code Provision E.1.2

Code provision E.1.2 of the CG Code stipulates that the chairman of the Board should attend the annual general meeting.

The chairman has not attended the last annual general meeting since he had another engagement which was important to the Company's business.

## CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of directors since the date of the 2015 annual report of the Company are set out below:

<b>Name of Director</b>	<b>Details of Change</b>
Tsang Kwok Wai	Retired as an independent non-executive director, chairman of the Audit Committee and the Remuneration Committee and member of the Nomination Committee at the conclusion of 2016 annual general meeting on 27 May 2016
Chan Wing Fai	Appointed as an independent non-executive director, chairman of the Audit Committee and the Remuneration Committee and member of the Nomination Committee on 27 May 2016

## **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 six months ended 30 June 2016.

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 three independent non-executive directors, has reviewed the interim results for six months ended 30 June 2016. 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.

On behalf of the Board  
**Cheung Siu Lam**  
*Chairman*

Hong Kong, 25 August 2016