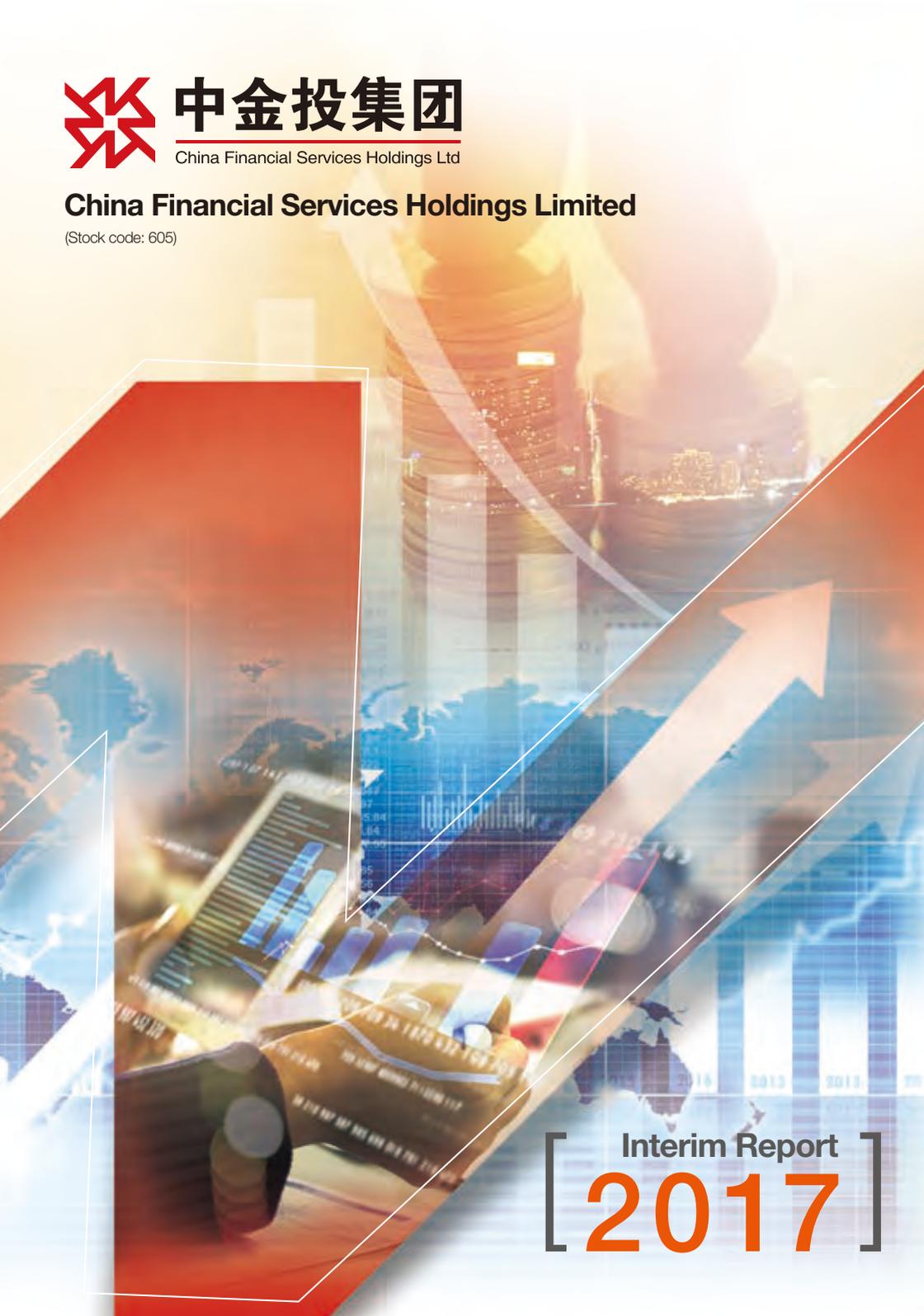




China Financial Services Holdings Ltd

## China Financial Services Holdings Limited

(Stock code: 605)



Interim Report  
**2017**

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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. Chan Yuk Ming (*Chairman*)  
Mr. Cheung Siu Lam  
Mr. Zhou Jian  
Madam Huang Mei

#### **Independent Non-executive Directors**

Mr. Chan Chun Keung  
Mr. Wang Jian Sheng  
Mr. Chan Wing Fai  
Mr. Zhang Xiao Jun

#### **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  
Mr. Zhang Xiao Jun  
Madam Huang Mei

#### **REMUNERATION COMMITTEE**

Mr. Chan Wing Fai (*Chairman*)  
Mr. Chan Chun Keung  
Mr. Wang Jian Sheng  
Mr. Zhang Xiao Jun  
Mr. Zhou Jian

#### **NOMINATION COMMITTEE**

Mr. Chan Yuk Ming (*Chairman*)  
Mr. Chan Chun Keung  
Mr. Wang Jian Sheng  
Mr. Chan Wing Fai  
Mr. Zhang Xiao Jun  
Mr. Zhou Jian

#### **PRINCIPAL BANKER**

Bank of Beijing

#### **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)

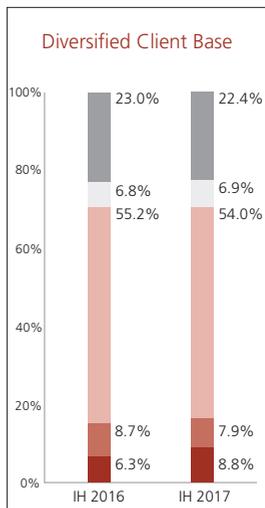
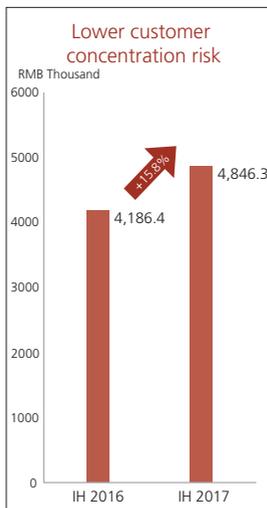
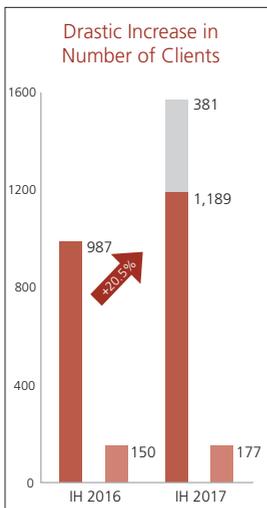
#### **INVESTORS RELATION**

0605ir@cfsh.com.hk

## FINANCIAL HIGHLIGHTS

	<b>Unaudited six months ended 30 June 2017 HK\$'000</b>	Unaudited six months ended 30 June 2016 HK\$'000	Percentage changes
Interest, guarantee and financing consultancy services income	<b>377,488</b>	354,306	6.5%
Profit for the period attributable to equity shareholders of the Company	<b>186,321</b>	181,008	2.9%
Basic earnings per share	<b>HK4.85 cents</b>	HK4.71 cents	3.0%
Underlying net profit attributable to equity shareholders (excluding the effects of share based payment expenses)	<b>189,169</b>	186,873	1.2%
Dividend	<b>HK1.05 cents</b>	HK1.05 cents	—

## CUSTOMER PROFILE



- Number of customers
- Number of returning customers
- Number of customers on asset-light platform

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### INDUSTRY REVIEW

#### Industry overview

In the first half of 2017, the PRC government has set the tone of monetary policy to be prudent and neutral via avoiding excessive liquidity injections. We witnessed a recent wave of monetary regulations that tightened risk control and interbank liquidity in China. This led to tighter overall liquidity in the economy, and hence reduced the availability of credits and funding for most corporates. Difficulty for small and medium enterprises to get access to financing from traditional channels gives rise to more opportunities for non-bank financial services companies like us. The benefit is reflected in both loan volume and loan yield.

Meanwhile, home price growth has slowed down slightly in recent months in major cities due to cooling off measures from the government. Year-on-year price growth in Shenzhen, Shanghai and Beijing has slowed to 2.7%, 8.6% and 10.7%, respectively. However, property markets in major cities are still largely stable, which provides a healthy backdrop for us to conduct loan business using real estate in Beijing and Hong Kong as collateral.

### BUSINESS REVIEW

Our Group is one of the leading integrated financial services providers in Mainland China and Hong Kong. We mainly engage in the provision of short-term financing services to small and medium enterprises, micro-enterprises and individuals. Most mortgage loans granted to customers use real estate as collateral.

The acquisition of Chengdu Vision Credit from Value Partners Group (806 HK) establishes an essential foundation for the Group to capture cross-regional business opportunities through utilizing the National Internet Finance License. The license allows the Group to conduct cross-regional operations immediately as well as engage in multi-dimensional financial services including consumer finance and supply chain finance. Furthermore, it represents a horizontal integration opportunity for the Company that brings synergy to our existing business.

In the first half of 2017, Fosun Group became a strategic shareholder of the Company. We look forward to have more strategic cooperation with renowned financial institutions in the future. Going forward, we will continue to look for more acquisition opportunities that can bring strategic value to the Group. For overseas, we primarily focus on acquiring asset-light platform surrounding global asset allocation needs of Chinese high net worth individuals, aiming to provide dynamic financial services to this growing class of clients. We envisage the Group to continue to move towards becoming an integrated financial service provider.

## **FUTURE PROSPECTS**

Aside from the organic growth in its core business, the Group aims to grasp market opportunities and pursue acquisitions that bring strategic value, with the focus of acquiring asset-light platforms surrounding high-net-worth individuals. The management is confident that the Group will further expand the scope of our financial services to cater to the needs of high-net worth-individuals, thereby taking the Group to the next level. Going forward, we will continue to maximize shareholders' value through continuing to grow our existing business as well as explore new business opportunities.

## **FINANCIAL REVIEW**

For the six months ended 30 June 2017 (the "Reporting Period"), the Group reported a revenue of approximately HK\$377,488,000, an increase of 6.5% as compared to approximately HK\$354,306,000 for the corresponding period in 2016. 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\$186,321,000, up 2.9% as compared to the corresponding period last year. The loans receivable as at 30 June 2017 was about HK\$3,295,454,000, up 14.2% 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\$110,894,000, interest and services income for other loans receivables amounted to approximately HK\$266,594,000.

### **Interest and handling expenses**

Interest and handling expenses represent finance costs for the Reporting Period. The amount was approximately HK\$47,341,000, representing an decrease of 8.5% over the corresponding period in 2016.

### **General and administrative expenses**

General and administrative expenses for the Reporting Period were approximately HK\$66,985,000, 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\$186,321,000, representing an increase of about 2.9% as compared to approximately HK\$181,008,000 for the corresponding period last year. Increase in withholding tax for distribution of dividends from PRC subsidiaries affected the increment of profit for the Reporting Period.

## Financial Resources and Capital Structure

The assets of the Group were mainly comprised of loans receivable of approximately HK\$3,295,454,000, accounting for 68.4% of the total assets of the Group as at 30 June 2017. Other major assets include goodwill of HK\$594,914,000, deposit for acquisition of companies of approximately HK\$56,210,000, accounts receivable of approximately HK\$9,647,000, interests receivable of approximately HK\$18,284,000, other receivables, deposits and prepayments of approximately HK\$452,069,000, available-for-sale investments of approximately HK\$72,736,000, amount due from non-controlling interest of approximately HK\$14,801,000, pledged bank and security deposits paid of approximately HK\$4,778,000 and cash and cash equivalents of approximately HK\$293,300,000.

Current liabilities mainly comprised short term borrowings of approximately HK\$428,946,000, bank loans of approximately HK\$148,262,000, senior and unsecured bonds of approximately HK\$380,951,000, security deposits received of approximately HK\$82,782,000, other payables, deposits received and accruals of approximately HK\$67,796,000, income received in advance of approximately HK\$13,706,000 and tax payable of about HK\$109,150,000. Non-current liabilities includes bonds of approximately HK\$228,090,000 and deferred tax liabilities of about HK\$631,000.

## Employee and Remuneration Policies

As at 30 June 2017, the Group had approximately 211 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\$26,390,000.

## 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 10 to 42 which comprises the consolidated statement of financial position of China Financial Services Holdings Limited (the "Company") as of 30 June 2017 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 2017 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, 30 August 2017

**Yau Hok Hung**  
Practising Certificate Number P04911

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017 – unaudited

		For the six months ended 30 June	
	Note	2017 HK\$'000	2016 HK\$'000
<b>Interest, guarantee and financing consultancy services income</b>	4	<b>377,488</b>	354,306
Interest and handling expenses	4	(47,341)	(51,751)
<b>Net interest income and service income</b>	4	<b>330,147</b>	302,555
Other income	5	17,263	28,307
General and administrative expenses		(66,985)	(68,076)
Share of loss of an associate		–	(1)
<b>Profit before taxation</b>	6	<b>280,425</b>	262,785
Income tax	7	(84,288)	(74,818)
<b>Profit for the period</b>		<b>196,137</b>	187,967
<b>Attributable to:</b>			
Equity shareholders of the Company		186,321	181,008
Non-controlling interests		9,816	6,959
<b>Profit for the period</b>		<b>196,137</b>	187,967
<b>Earnings per share</b>	9	<b>HK cents</b>	<b>HK cents</b>
– Basic		4.85	4.71
– Diluted		4.82	4.70

The notes on pages 16 to 42 form 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 2017 – unaudited

	Note	For the six months ended 30 June	
		2017 HK\$'000	2016 HK\$'000
<b>Profit for the period</b>		<b>196,137</b>	187,967
<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	8	<b>97,536</b>	(60,155)
Available-for-sale investments: net movement in the fair value reserve	8	<b>654</b>	(149)
<b>Other comprehensive income/(loss) for the period, net of nil income tax</b>		<b>98,190</b>	(60,304)
<b>Total comprehensive income for the period</b>		<b>294,327</b>	127,663
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>280,360</b>	123,300
Non-controlling interests		<b>13,967</b>	4,363
<b>Total comprehensive income for the period</b>		<b>294,327</b>	127,663

The notes on pages 16 to 42 form part of this interim financial report.

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017 – unaudited

	Note	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		5,514	4,514
Goodwill		594,914	577,230
Interest in an associate		3,573	3,467
Available-for-sale investments		72,736	26,259
Loans receivable	10	42,533	33,655
Deposit for acquisition of companies		56,210	–
		<b>775,480</b>	<b>645,125</b>
<b>Current assets</b>			
Financial assets at fair value through profit or loss		–	17,817
Loans receivable	10	3,252,921	3,549,974
Accounts receivable	11	9,647	13,428
Interests receivable	12	18,284	11,615
Other receivables, deposits and prepayments	13	452,069	39,490
Amount due from non-controlling interest	20(c)(i)	14,801	6,894
Tax recoverable		100	99
Pledged bank and security deposits paid		4,778	4,615
Cash and cash equivalents		293,300	273,291
		<b>4,045,900</b>	<b>3,917,223</b>
<b>Current liabilities</b>			
Short-term borrowings	14	428,946	580,191
Bank loans	15	148,262	77,076
Senior bonds	16	342,212	–
Unsecured bonds	17	38,739	3,813
Security deposits received		82,782	10,764
Amount due to an associate		3,033	2,942
Other payables, deposits received and accruals		67,796	34,041
Income received in advance		13,706	19,230
Financial derivatives		–	1,032
Tax payable		109,150	112,443
		<b>1,234,626</b>	<b>841,532</b>
<b>Net current assets</b>		<b>2,811,274</b>	<b>3,075,691</b>
<b>Total assets less current liabilities</b>		<b>3,586,754</b>	<b>3,720,816</b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

As at 30 June 2017 – unaudited

	<i>Note</i>	<b>At 30 June 2017 HK\$'000</b>	<b>At 31 December 2016 HK\$'000</b>
<b>Non-current liabilities</b>			
Senior bonds	16	–	334,187
Unsecured bonds	17	<b>228,090</b>	260,153
Deferred tax liabilities		<b>631</b>	3,769
		<b>228,721</b>	598,109
<b>NET ASSETS</b>		<b>3,358,033</b>	3,122,707
<b>EQUITY</b>			
Share capital	18(b)	<b>1,761,671</b>	1,760,956
Reserves		<b>1,465,721</b>	1,233,067
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY</b>		<b>3,227,392</b>	2,994,023
Non-controlling interests		<b>130,641</b>	128,684
<b>TOTAL EQUITY</b>		<b>3,358,033</b>	3,122,707

The interim financial report on pages 10 to 42 were approved and authorised for issue by the board of directors on 30 August 2017 and were signed on its behalf by:

**Chan Yuk Ming**  
*Director*

**Cheung Chai Hong**  
*Director*

The notes on pages 16 to 42 form part of this interim financial report.

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017 – unaudited

Note	Attributable to equity shareholders of the Company							Non-controlling interests HK\$'000	Total equity HK\$'000
	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 2017</b>	1,760,956	41,567	(320,627)	2,293	36,427	1,473,407	2,994,023	128,684	3,122,707
<b>Changes in equity for the six months ended 30 June 2017:</b>									
Profit for the period	-	-	-	-	-	186,321	186,321	9,816	196,137
Other comprehensive income	8	-	93,385	654	-	-	94,039	4,151	98,190
Total comprehensive income	-	-	93,385	654	-	186,321	280,360	13,967	294,327
Equity settled share-based transactions	-	2,848	-	-	-	-	2,848	-	2,848
Shares issued under share option scheme	715	(236)	-	-	-	-	479	-	479
Dividends approved in respect of the previous year	18(a)	-	-	-	-	(50,318)	(50,318)	-	(50,318)
Dividends paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	(12,010)	(12,010)
Transfer to reserve	-	-	-	-	76,918	(76,918)	-	-	-
<b>Balance at 30 June 2017</b>	<b>1,761,671</b>	<b>44,179</b>	<b>(227,242)</b>	<b>2,947</b>	<b>113,345</b>	<b>1,532,492</b>	<b>3,227,392</b>	<b>130,641</b>	<b>3,358,033</b>
<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	8	-	-	-	-	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
Dividends approved in respect of the previous year	18(a)	-	-	-	-	(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>

The notes on pages 16 to 42 form part of this interim report.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017 – unaudited

	For the six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
<b>Operating activities</b>		
Cash generated from operations	400,747	620,169
Tax paid	(94,075)	(100,356)
Tax refund	–	71
<b>Net cash generated from operating activities</b>	<b>306,672</b>	<b>519,884</b>
<b>Investing activities</b>		
Increase in pledged bank deposits	(21)	(12,022)
Increase in amount due from non-controlling interest	(7,573)	–
Deposit for acquisition of companies	(56,210)	–
Other cash flows arising from investing activities	(27,058)	18,331
<b>Net cash (used in)/generated from investing activities</b>	<b>(90,862)</b>	<b>6,309</b>
<b>Financing activities</b>		
Capital contribution from non-controlling shareholders of subsidiary	–	29,117
Payment for repurchase of shares	–	(23,750)
Proceeds from new short-term borrowings	1,084,507	779,450
Repayment of short-term borrowings	(1,247,156)	(1,509,599)
Dividends paid to equity shareholders of the Company	(50,318)	(52,256)
Other cash flows arising from financing activities	10,876	(45,792)
<b>Net cash used in financing activities</b>	<b>(202,091)</b>	<b>(822,830)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>13,719</b>	<b>(296,637)</b>
<b>Effect of foreign exchange rate changes</b>	<b>6,290</b>	<b>(5,566)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>273,291</b>	<b>668,603</b>
<b>Cash and cash equivalents at end of the period</b>	<b>293,300</b>	<b>366,400</b>
Analysis of balances of cash and cash equivalents:		
Cash at banks and in hand	293,300	366,400

The notes on pages 16 to 42 form part of this interim financial report.

## **NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**

*For the six months ended 30 June 2017*

### **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 30 August 2017.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2016 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2017 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 2016 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 in the interim financial report.

The financial information relating to the financial year ended 31 December 2016 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 2016 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 several amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report.

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

## 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	
	2017 HK\$'000	2016 HK\$'000
<b>Interest, guarantee and financing consultancy services income</b>		
Pawn loans, loans receivable from micro-lending and money-lending	110,894	97,774
Other loans receivable	266,594	256,532
	<b>377,488</b>	<b>354,306</b>
<b>Interest and handling expenses arising from:</b>		
Bank loans	(2,587)	(241)
Short-term borrowings	(17,545)	(20,655)
Senior bonds	(8,845)	(11,943)
Unsecured bonds	(12,411)	(12,160)
Other finance costs	(5,953)	(6,752)
	<b>(47,341)</b>	<b>(51,751)</b>
<b>Net interest income and service income</b>	<b>330,147</b>	<b>302,555</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 2017 was (including bank interest income) approximately HK\$378,343,000 (six months ended 30 June 2016: approximately HK\$356,404,000).

5. OTHER INCOME

	For the six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Bank interest income	855	2,098
Dividend income from available-for-sale investments	170	178
Interest income from financial assets at FVTPL	498	207
Interest income from perpetual bond	577	–
Income from government subsidies	10,884	15,694
Available-for-sale investments: reclassified from equity		
– Gain on disposal (note 8)	1,221	105
(Loss)/gain on fair value change of financial assets at FVTPL		
– Change on fair value of financial assets at FVTPL	–	108
– Loss on disposal of financial assets at FVTPL	(18)	–
	(18)	108
Gain on fair value change of financial derivatives in respect of accumulator contract	–	348
Gain on disposal of financial derivatives, at FVTPL	1,032	–
Interest income from designated loan receivable	–	6,782
Exchange (loss)/gain, net	(1,195)	593
Others (see note (i) below)	3,239	2,194
	<b>17,263</b>	<b>28,307</b>

Note:

- (i) During the six months ended 30 June 2017, the Group received consultancy fee income of approximately HK\$2,077,000, which was included in other income, from 北京萬方鑫業投資諮詢有限公司, of which a director of the Company is the legal representative and executive director. The directors of the Company are of the opinion that such transaction was conducted on mutually agreed terms in the ordinary course of business.

## 6. PROFIT BEFORE TAXATION

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

	For the six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
<b>(a) Staff costs (including directors' emoluments):</b>		
Salaries, allowances and other benefits <i>(see note (iv) below)</i>	24,069	21,034
Equity-settled share-based payment expenses <i>(see note (i) below)</i>	257	1,767
Contributions to defined contribution retirement plans	2,064	1,837
	<b>26,390</b>	<b>24,638</b>
<b>(b) Other items:</b>		
Depreciation of property, plant and equipment	1,457	1,295
Operating lease charges in respect of properties <i>(see note (ii) below)</i>	5,264	3,796
Reversal of undue liability and guarantee compensation	–	(59)
Impairment losses		
– loans receivable	824	994
– available-for-sale investments <i>(note 8)</i>	–	596
Consultancy fee <i>(see note (iii) below)</i>	10,215	8,582
Equity-settled share-based payment expenses <i>(see note (i) below)</i>	2,848	5,865

## 6. PROFIT BEFORE TAXATION (Cont'd)

Note:

- (i) Equity-settled share-based payment expense includes HK\$257,000 (six months ended 30 June 2016: HK\$1,767,000) relating to staff costs, which amount is also included in the total amount disclosed in note 6(a) for staff costs.
- (ii) During the six months ended 30 June 2017, the Group paid operating lease charges (in respect of properties) of approximately HK\$729,000 and HK\$1,178,000 (six months ended 30 June 2016: approximately HK\$710,000 and HK\$1,071,000) 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. In addition, as at 30 June 2017, the Group has paid rental deposits of approximately HK\$259,000 and HK\$213,000 (31 December 2016: approximately HK\$252,000 and HK\$207,000) 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, which was included in "Other receivables, deposits and prepayments" in the consolidated statement of financial position.
- (iii) During the six months ended 30 June 2017, the Group paid consultancy fee of approximately HK\$1,916,000 (six months ended 30 June 2016: approximately HK\$1,302,000) to 北京天福號生態科技有限公司, of which a director of the Company is a 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.
- (iv) During the six months ended 30 June 2017, the Group paid operating lease charges (in respect of director's quarter) of approximately HK\$900,000 (six months ended 30 June 2016: HK\$nil) to Anton (H.K.) Limited, in which a director of the Company and his wife have controlling interests. The directors of the Company are of the opinion that such transaction was conducted on mutually agreed terms in the ordinary course of business. Such amount was included in the total amount disclosed in note 6(a) for staff costs. In addition, as at 30 June 2017, rental deposit of HK\$300,000 (31 December 2016: HK\$nil), which was related to this director's quarter, was included in "Other receivables, deposits and prepayments" in the consolidated statement of financial position.

## 7. INCOME TAX

	For the six months ended 30 June	
	2017 HK\$'000	2016 HK\$'000
Current Tax		
Hong Kong Profits Tax	3	57
PRC Income Tax	87,486	74,954
	87,489	75,011
Deferred tax		
Reversal and origination of temporary differences	(3,201)	(193)
	84,288	74,818

### (a) Hong Kong

The provision for the Hong Kong Profits Tax of the subsidiaries established in HK is calculated at 16.5% (2016: 16.5%) of the estimated taxable profit for the six months ended 30 June 2017.

### (b) The PRC

The provision for the PRC Enterprise Income Tax of the subsidiaries established in the PRC is calculated at 25% (2016: 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\$237,852,000 (31 December 2016: HK\$216,478,000) due to unpredictability to future profit streams. The unrecognised tax losses, mainly arising from companies incorporated in Hong Kong, can be carried forward indefinitely.

## 7. INCOME TAX (Cont'd)

### d) *Deferred tax liabilities not recognised*

At 30 June 2017, the aggregate amount of temporary differences associated with undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised was approximately HK\$1,242,534,000 (31 December 2016: approximately HK\$1,124,680,000). No deferred tax liabilities have been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

## 8. OTHER COMPREHENSIVE INCOME/(LOSS)

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

	Note	For the six months ended 30 June 2017 HK\$'000	2016 HK\$'000
<b>Exchange differences on translation into presentation currency</b>		<b>97,536</b>	(60,155)
<b>Available-for-sale investments:</b>			
Changes in fair value recognised during the period		1,875	(640)
Reclassification adjustments for amounts transferred to profit or loss:			
– gain on disposal	5	(1,221)	(105)
– impairment losses	6(b)	–	596
Net movement in fair value reserve during the period recognised in other comprehensive income/(loss)		<u>654</u>	<u>(149)</u>
		<b>98,190</b>	<b>(60,304)</b>

## 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\$186,321,000 (six months ended 30 June 2016: HK\$181,008,000) and the weighted average number of 3,841,012,137 ordinary shares (six months ended 30 June 2016: 3,840,100,962 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\$186,321,000 (six months ended 30 June 2016: HK\$181,008,000) and the weighted average number of 3,864,830,017 ordinary shares (six months ended 30 June 2016: 3,848,001,307 ordinary shares).

## 10. LOANS RECEIVABLE

	At 30 June 2017 <i>HK\$'000</i>	At 31 December 2016 <i>HK\$'000</i>
Pawn loans receivable	264,265	255,281
Loans receivable arising from:		
– Micro-lending	738,732	635,566
– Money-lending	339,881	273,986
Other loans receivable	<u>1,962,606</u>	<u>2,427,716</u>
	<b>3,305,484</b>	3,592,549
Less: Allowance for doubtful debts		
– Collectively assessed	<u>(10,030)</u>	<u>(8,920)</u>
– Individually assessed	–	–
	<b>(10,030)</b>	(8,920)
	<b><u>3,295,454</u></b>	<b><u>3,583,629</u></b>
Amounts due within one year included under current assets	<b>3,252,921</b>	3,549,974
Amounts due after one year included under non-current assets	<u>42,533</u>	<u>33,655</u>
	<b><u>3,295,454</u></b>	<b><u>3,583,629</u></b>

### Notes:

- i) Approximately HK\$2,955,573,000 (31 December 2016: HK\$3,309,643,000) 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 1.0% to 4.3% (31 December 2016: 1.0% to 4.3%), and the loans receivable in Hong Kong carry interest at a monthly effective rate of 0.4% to 3.0% (31 December 2016: 0.6% to 3.0%). As at 30 June 2017 and 31 December 2016, 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 (31 December 2016: 15 days to 15 years).

## 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 2017					At 31 December 2016				
	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	4,091	18,976	47,485	190,139	260,691	11,170	46,897	73,265	883,662	1,014,994
Due after 1 month but within 3 months	58,680	89,640	17,000	525,932	691,252	4,036	41,465	57,890	337,269	440,660
Due after 3 months but within 6 months	78,176	229,283	75,100	502,942	885,501	60,592	133,246	41,400	308,528	543,766
Due after 6 months but within 12 months	123,318	389,311	169,170	743,593	1,425,392	179,483	409,934	71,800	898,257	1,559,474
Due after 12 months	-	11,522	31,126	-	42,648	-	4,024	29,631	-	33,655
Allowance for doubtful debts	(2,643)	(7,387)	-	-	(10,030)	(2,553)	(6,367)	-	-	(8,920)
	261,622	731,345	339,881	1,962,606	3,295,454	252,728	629,199	273,986	2,427,716	3,583,629

## 10. LOANS RECEIVABLE (Cont'd)

### b) Analysed by credit quality

	At 30 June 2017					At 31 December 2016				
	Loans receivable arising from micro-lending		Loans receivable arising from money-lending		Other loans receivable	Loans receivable arising from micro-lending		Loans receivable arising from money-lending		Other loans receivable
	Pawn loans receivable	Total	Pawn loans receivable	Total		Pawn 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
<b>Loans receivable that are not impaired</b>										
- Neither past due nor impaired	-	-	301,596	1,947,841	2,249,437	-	-	210,700	2,292,992	2,503,692
- Less than 1 month past due	-	-	-	8,065	8,065	-	-	-	132,377	132,377
- 1 to 3 months past due	-	-	-	-	-	-	-	-	-	-
- Over 3 months past due	-	-	38,285	6,700	44,985	-	-	63,286	2,347	65,633
	-	-	339,881	1,962,606	2,302,487	-	-	273,986	2,427,716	2,701,702
<b>Loans receivable that are impaired collectively</b>										
- Not past due	264,265	738,075	-	-	1,002,340	255,281	633,889	-	-	889,170
- Less than 1 month past due	-	657	-	-	657	-	1,118	-	-	1,118
- 1 to 3 months past due	-	-	-	-	-	-	559	-	-	559
- Over 3 months past due	-	-	-	-	-	-	-	-	-	-
- Allowance for doubtful debts	(2,643)	(7,387)	-	-	(10,030)	(2,553)	(6,367)	-	-	(8,920)
	261,622	731,345	-	-	992,967	252,728	629,199	-	-	881,927
<b>Total</b>	<b>261,622</b>	<b>731,345</b>	<b>339,881</b>	<b>1,962,606</b>	<b>3,295,454</b>	<b>252,728</b>	<b>629,199</b>	<b>273,986</b>	<b>2,427,716</b>	<b>3,583,629</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

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Accounts receivable	9,647	13,428

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:

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Within 1 month	9,157	8,753
1 to 3 months	337	4,613
3 to 6 months	153	62
Over 6 months	—	—
	<u>9,647</u>	<u>13,428</u>

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

### b) Accounts receivable that are not impaired

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Neither past due nor impaired	9,157	8,753
Less than 1 month past due	205	4,055
1 to 3 months past due	263	592
4 to 6 months past due	22	28
Over 6 months past due	—	—
	<u>9,647</u>	<u>13,428</u>

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 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

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Interests receivable	<b>18,284</b>	11,615

At 30 June 2017, approximately HK\$12,864,000 (31 December 2016: approximately HK\$6,822,000) 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.

### 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:

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Within 1 month	14,283	8,584
1 to 3 months	1,031	1,093
3 to 6 months	1,202	154
Over 6 months	1,768	1,784
	<b>18,284</b>	11,615

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).

### ii) Interests receivable that are not impaired

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Neither past due nor impaired	15,299	8,584
Less than 1 month past due	562	572
1 to 3 months past due	27	572
4 to 6 months past due	724	103
Over 6 months past due	1,672	1,784
	<b>18,284</b>	11,615

## 12. INTERESTS RECEIVABLE (Cont'd)

### ii) *Interests receivable that are not impaired (Cont'd)*

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. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2017 <i>HK\$'000</i>	At 31 December 2016 <i>HK\$'000</i>
Other receivables	36,770	27,242
Amount due from an unrelated Company (see note(i) below)	401,074	–
Amount due from a related Company (note 20(c)(i))	346	335
	<b>438,190</b>	27,577
Prepayments	10,242	9,028
Utility and sundry deposits	3,637	2,885
	<b>452,069</b>	39,490

### Notes:

- (i) During the six months ended 30 June 2017, one of the Group's customers (the "Customer") assigned all its rights and benefits in an amount of RMB348,100,000 (approximately HK\$401,074,000) due from an unrelated Company to the Group for the settlement of loan receivable from the Customer. As at 30 June 2017, this amount is unsecured, non-interest bearing and repayable on or before 31 December 2017. Subsequent to the end of the reporting period, an amount of RMB133,500,000 (approximately HK\$153,816,000) was repaid by the unrelated Company. The directors of the Company believe that the remaining balance due from this related Company will be settled in full on or before 31 December 2017.
- (ii) The amount of utility and sundry deposits expected to be recovered or recognised as expense after more than one year is approximately HK\$2,178,000 (2016: approximately HK\$2,029,000). All of the other receivables (including amounts due from related parties), deposits and prepayments are expected to be recovered or recognised as expense within one year.

#### 14. SHORT-TERM BORROWINGS

	Note	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Borrowings under contractual agreements with:			
– 找銀子	a	1,945	1,883
– 理理貸	b	–	347,379
– 小微財行	c	194,616	172,117
Borrowings from employees	d	6,102	3,034
Borrowings from a shareholder	20(c)(ii)	169,686	8,004
Borrowings from a money lending license corporation	e	15,299	15,299
Borrowings from securities companies	f	–	3,359
Borrowings from a related company	g	34,407	–
Other borrowings	h	6,891	29,116
		<b>428,946</b>	<b>580,191</b>

- a) In 2014, 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. As at 30 June 2017, the borrowings under this platform amounted to approximately HK\$1,945,000 (31 December 2016: approximately HK\$1,883,000), which bore a financing cost measured at an annualised rate of 9%, including platform service charge, (31 December 2016: 11.5%) and were secured by certain of loans receivable of approximately HK\$1,613,000 (31 December 2016: approximately HK\$1,565,000).

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

- b) During the year ended 31 December 2015, 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. As at 31 December 2016, the borrowings under this platform amounted to HK\$347,379,000, which bore a financing cost measured at an annualised rate of a range from 7.5% to 11%, including platform service charge, and were secured by certain of loans receivable of approximately HK\$346,558,000. The amounts were fully repaid during the six months ended 30 June 2017.
- c) During the year ended 31 December 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, “小微財行” 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. As at 30 June 2017, the borrowings under this platform amounted to approximately HK\$194,616,000 (31 December 2016: approximately HK\$172,117,000), which bore a financing cost measured at an annualised rate of a range from 8% to 9%, including platform service charge, (31 December 2016: a range from 8% to 11.5%) and were secured by certain of loans receivable of approximately HK\$198,929,000 (31 December 2016: approximately HK\$182,974,000).
- d) 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. As at 30 June 2017, the borrowing from the Employees amounted to approximately HK\$6,102,000 (31 December 2016: approximately HK\$3,034,000), which bore a financing cost measured at annualised rate of 7.5% (31 December 2016: 7.5%), were repayable within one year and not secured by any assets or guarantees.

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

- e) As at 30 June 2017, the loan bore interest at 7% per annum (at 31 December 2016: 7%), was repayable on 18 September 2017 and secured by corporate guarantee provided by the Company.
- f) As at 31 December 2016, Borrowings from securities companies bore interest at a range of 1.79% to 1.81% per annum, were repayable within one month and secured by legal charges over certain of available-for-sale investments of HK\$7,440,000 (as included in "available-for-sale investments") and equity linked note of HK\$17,817,000 (as included in "Financial assets at fair value through profit or loss") held by the Group in an account maintained with these securities companies. As at 30 June 2017, such borrowings have been fully repaid.
- g) The borrowings from a related company represent the funds borrowed from Geston Limited, in which a director of the Company and his wife have controlling interests. As at 30 June 2017, the borrowings from this related company amounted to approximately HK\$34,407,000 (31 December 2016: HK\$nil), which bore a financing cost measured at HIBOR plus a range of 1.1% to 1.2% per annum and are repayable in or before May 2018 and not secured by any assets or guarantees.
- h) Other borrowings represents third party interests in consolidated structured entity, which consists of third-party unit/shareholders' interests in consolidated structured entity which are reflected as a liability since they can be put back to the Group for cash. The realisation of net assets attributable to third-party unit/shareholders' interests in consolidated structured entity cannot be predicted with accuracy since these represent the interests of third-party unit holders in consolidated investment fund that are subject to the actions of third-party unit holders.
- i) The short-term borrowings of approximately HK\$196,561,000 (31 December 2016: approximately HK\$521,379,000) were arising from the PRC and are denominated in RMB.
- j) All short-term borrowings are carried at amortised cost.

## 15. BANK LOANS

At the end of the reporting period, the bank loans of the Group were repayable as follows:

	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Within 1 year or on demand	<b>148,262</b>	77,076

At the end of the reporting period, the bank loans were secured as follows:

	Note	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Bank loans			
– secured by Sinoguarantee's guarantee	(i)	–	67,076
– secured by an independent third party's guarantee	(ii)	<b>138,262</b>	–
– secured by the Company's corporate guarantee	(iii)	<b>10,000</b>	10,000
		<b>148,262</b>	77,076

- (i) As at 31 December 2016, a bank loan of approximately HK\$67,076,000 was secured by guarantee provided by China United SME Guarantee Corporation ("Sinoguarantee"). The Company, Guan Xue Ling, the director of the Company, and Lu Wei Jun, the senior management of the Group, provided counter-guarantee to Sinoguarantee. In addition, at least HK\$13,415,000 loans receivable and 37.5% of equity interest in 北京中金城開小額貸款有限公司, a subsidiary of the Company, were pledged to Sinoguarantee. During the period ended 30 June 2017, the bank loan has been fully repaid.
- (ii) As at 30 June 2017, the bank loans of approximately HK\$138,262,000 were secured by a guarantee provided by an independent third party. The Company, Guan Xue Ling, the director of the Company, and Lu Wei Jun, the senior management of the Group, provided counter-guarantee to such independent third party. In addition, at least HK\$279,231,000 loans receivable and 30% of equity interest in 北京中金城開小額貸款有限公司, a subsidiary of the Company, were pledged to such independent third party.
- (iii) As at 30 June 2017, another bank loan of HK\$10,000,000 (at 31 December 2016: HK\$10,000,000) was secured by corporate guarantee provided by the Company.
- (iv) The bank loans of approximately HK\$138,262,000 (at 31 December 2016: approximately HK\$67,076,000) were obtained in the PRC and denominated in RMB.
- (v) All of the bank loans are carried at amortised cost.
- (vi) 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 30 June 2017, none of the covenants relating to the bank loans had been breached (at 31 December 2016: Nil).

## 16. SENIOR BONDS

In 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 shareholdings in Zhongjingang, a wholly-owned subsidiary of the Company, 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\$524,910,000 as at 30 June 2017 (at 31 December 2016: approximately HK\$503,793,000).

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 2016	297,892	355,233
Interest charged for the year	20,488	23,992
Interest paid during the year	(19,447)	(22,983)
Exchange realignment	-	(22,055)
At 31 December 2016 and 1 January 2017	298,933	334,187
Interest charged for the period	7,802	8,845
Interest paid during the period	(9,723)	(10,870)
Exchange realignment	-	10,050
At 30 June 2017	297,012	342,212

## 17. UNSECURED BONDS

The Company issued unlisted and unsecured bonds. The details of the due date and coupon rate per annum are shown as below table. All of unsecured bonds are carried at amortised cost. The unsecured bonds are subject to the fulfillment of covenants relating to certain financial ratios, as are commonly found in leading arrangements. If the Group were to breach the covenants, unsecured bonds would become payable on demand. The Group regularly monitors its compliance with these covenants. At 30 June 2017 and 31 December 2016, none of the covenants relating to the unsecured bonds had been breached.

	Coupon rate per annum	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
<b>Current liabilities</b>			
Unsecured bonds of HK\$3,900,000 due 2017 (issued in 2016) ("Bond A")	4.25%	3,887	3,813
Unsecured bonds of HK\$58,000,000 due 2018 (issued in 2015) ("Bond B") – current portion	5.50%	34,852	–
		<b>38,739</b>	<b>3,813</b>
<b>Non-current liabilities</b>			
Non-current portion of Bond B	5.50%	21,117	54,989
Unsecured bonds of HK\$220,000,000 due 2022 (issued in 2015) ("Bond C")	7.00%	189,188	187,610
Unsecured bonds of HK\$10,000,000 due 2022 (issued in 2016) ("Bond D")	5.00%	8,990	8,832
Unsecured bonds of HK\$10,000,000 due 2024 (issued in 2016) ("Bond E")	6.00%	8,795	8,722
		<b>228,090</b>	<b>260,153</b>
		<b>266,829</b>	<b>263,966</b>

## 18. CAPITAL, RESERVES AND DIVIDENDS

### (a) Dividends

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

	2017 HK\$'000	2016 HK\$'000
Interim dividend declared and paid after the interim period of HK1.05 cents per share (2016: HK1.05 cents per share)	<b>40,331</b>	40,321

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:

	For the six months ended 30 June 2017 HK\$'000	2016 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK1.31 cents per share (six months ended 30 June 2016: HK1.36 cents per share)	<b>50,318</b>	52,256

### (b) Share capital

	No. of shares	HK\$'000
<b>Ordinary shares, issued and fully paid:</b>		
At 1 January 2017	3,840,056,336	1,760,956
Shares issued under share option scheme	1,000,000	715
At 30 June 2017	<b>3,841,056,336</b>	<b>1,761,671</b>
At 1 January 2016	3,864,086,336	1,746,674
Shares issued under share option scheme	20,000,000	14,282
Share repurchased	(44,030,000)	-
At 30 June 2016	<b>3,840,056,336</b>	<b>1,760,956</b>

### (c) Equity settled share-based transactions

During the six months ended 30 June 2017 and 2016, no share options were granted under the Company's share option scheme.

1,000,000 and nil options were exercised and lapsed (six months ended 30 June 2016: 20,000,000 and 45,000,000), respectively, during the six months ended 30 June 2017.

## 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 2017 HK\$'000	Fair value measurements as at 30 June 2017 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	17,509	17,509	–	–
Available-for-sale debt securities – Listed	53,324	–	53,324	–

## 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 2016 HK\$'000	Fair value measurements as at 31 December 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	24,356	24,356	–
Financial asset at FVTPL	17,817	–	17,817
Financial liabilities:			
Financial derivatives	1,032	–	1,032

During the six months ended 30 June 2017, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2016: 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) Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of listed debt securities is determined with reference to the quoted price provided by the financial institutions.

#### iii) Information about Level 3 fair value measurements

As at 31 December 2016, the fair values of financial derivatives and financial assets at FVTPL were determined using Monte Carlo Simulations model and the significant unobservable inputs used in the fair value measurement were expected volatility of 11.41% for financial derivatives and a range of 21.41% to 33.66% for financial assets at FVTPL.

As at 31 December 2016, no sensitive analysis is performed on the financial derivatives and financial assets at FVTPL as the impact was 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)

#### iii) 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:

	At 30 June 2017 HK\$'000	At 30 June 2016 HK\$'000
<b>Financial assets at FVTPL:</b>		
At 1 January	17,817	–
Payment for purchases	–	33,000
Proceeds from early redemption	(17,799)	–
Loss on disposal recognised in profit or loss	(18)	–
At 30 June	–	33,000
Total losses for the period included in profit or loss on disposal	(18)	–
<b>Financial derivatives:</b>		
At 1 January	1,032	493
Changes in fair value recognised in profit or loss	–	(348)
Gain on disposal recognised in profit or loss	(1,032)	–
At 30 June	–	145
Total gains for the period included in profit or loss on disposal	1,032	–
Total gains for the period included in profit or loss for assets held at the end of the reporting period	–	348

The (loss)/gain arising from the disposal and 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 were not materially different from their fair values as at 31 December 2016 and 30 June 2017.

## 20. MATERIAL 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</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Key management personnel compensation:		
– Short-term employee benefits	<b>4,742</b>	3,051
– Post-employment benefits	<b>142</b>	60
– Equity compensation benefits	<b>257</b>	1,767
	<b>5,141</b>	4,878

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

### b) Transaction with Sinoguarantee

	<b>For the six months ended 30 June</b>	
	<b>2017</b>	2016
	<b>HK\$'000</b>	HK\$'000
Consultancy fee	–	1,188
Guarantee fee in respect of senior bond	<b>5,782</b>	5,967

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

## 20. MATERIAL RELATED PARTY TRANSACTIONS (Cont'd)

### c) Financing arrangements

- (i) The details of the amounts due from related parties are as follows:

Name	Note	At 30 June 2017 HK\$'000	At 31 December 2016 HK\$'000
Amount due from a related company — 北京萬方達隆物業管理有限公司 (“達隆物業”)	(1), (2)	346	335
Amount due from non-controlling interest — 北京市小鎮發展基金 (有限合夥) (“NCI”)	(3)	<b>14,801</b>	6,894

Notes:

- (1) The amounts due from related parties are unsecured, non-interest-bearing and have no fixed terms of repayment.
- (2) Mr. Cheung Siu Lam (“Mr. Cheung”), a non-executive director of the Company, is the legal representative of 達隆物業. The maximum outstanding balance due from 達隆物業 during the period was approximately HK\$346,000 (the year ended 31 December 2016: approximately HK\$358,000).
- (3) NCI is the non-controlling shareholder of 北京中金城開小額貸款有限公司, a subsidiary of the Company.

## 20. MATERIAL RELATED PARTY TRANSACTIONS (Cont'd)

### c) *Financing arrangements (Cont'd)*

(ii) The details of the amount due to a related party are as follows:

<b>Name</b>	<i>Note</i>	<b>At 30 June 2017 HK\$'000</b>	At 31 December 2016 HK\$'000
<i>Short-term borrowing</i> –Lo Wan	(1), (2)	<b>169,686</b>	8,004

*Notes:*

- (1) The loan from Ms Lo Wan is unsecured, bears interest at 4.8% per annum and is repayable within one year. Related interest expense incurred on this loan during the six months ended 30 June 2017 was approximately HK\$1,757,000 (six months ended 30 June 2016: HK\$nil), which is included in interest and handling expenses (*note 4*).
- (2) Ms. Lo Wan is a shareholder of the Company and the spouse of Mr. Cheung Siu Lam (a non-executive director of the Company).

## 21. 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 30 August 2017.

## OTHER INFORMATION

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

As at 30 June 2017, 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 451,874,000 ordinary shares and 1,000,000 underlying shares (Note 2) and interest in controlled corporation of 86,400,000 ordinary shares (Note 3)	2,258,318,240	2,000,000	58.84%
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	200,000	-	0.01%
Chan Yuk Ming	Beneficial owner	10,000,000	12,000,000	0.57%

*Notes:*

- The number of underlying 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 451,874,000 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 2017.

Save as disclosed above, as at 30 June 2017, none of the 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 (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV 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 contained in the Listing Rules.

### **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 2017, 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**

<b>Name</b>	<b>Capacity</b>	<b>Number of Ordinary Shares held</b>	<b>Underlying Shares Interested (Note 1)</b>	<b>Aggregate Long Position in Shares and Underlying Shares to Issued Share Capital (Note 4)</b>
Lo Wan	Beneficial owner of 451,874,000 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)	2,258,318,240	2,000,000	58.84%
China United SME Guarantee Corporation	Beneficial owner of 643,000,000 ordinary shares and 750,000,000 shares pledged by Cheung Siu Lam	1,393,000,000	–	36.26%
Fosun International Holdings Ltd.	Interest in controlled corporation (Note 4)	371,962,000	–	9.68%
Fosun International Limited	Interest in controlled corporation (Note 4)	371,962,000	–	9.68%
Guo Guangchang	Interest in controlled corporation (Note 4)	371,962,000	–	9.68%
Fosun Hani Securities Limited	Beneficial owner of 85,338,000 ordinary shares and a security interest in 185,000,000 shares (Note 4)	270,338,000	–	7.03%

*Notes:*

1. The number of underlying 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. Guo Guangchang held interests in a total of 371,962,000 shares in the Company through Fosun Hani Securities Limited and Peak Reinsurance Company Limited. Fosun Hani Securities Limited is a wholly-owned subsidiary of Novel Growth Limited, which is in turn wholly owned by Fosun Financial Holdings Limited. Peak Reinsurance Company Limited is a wholly-owned subsidiary of Peak Reinsurance Holdings Limited, which is in turn owned as to 86.93% by Spinel Investment Limited, which is in turn wholly owned by Fosun Financial Holdings Limited. Fosun Financial Holdings Limited is wholly owned by Fosun International Limited, which is in turn owned as to 71.55% by Fosun Holdings Limited, which is in turn wholly owned by Fosun International Holdings Ltd. Fosun International Holdings Ltd is owned as to 64.45% by Guo Guangchang.
5. The percentage is calculated based on the total number of issued shares as at 30 June 2017.

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.

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 2017 (the "Reporting Period"):

Director	Date of offer	Exercise price HK\$	Outstanding at 1.1.2017	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2017	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\$
Chan Yuk Ming	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	2,000,000	-	-	-	2,000,000	22.10.10 - 21.10.20	0.360	0.216
Cheung Siu Lam	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	10,000,000	-	1,000,000	-	9,000,000	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
Other eligible grantees	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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2017.

## 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 2017 (six months ended 30 June 2016: HK1.05 cents), to the shareholders of the Company whose names are on the register of members on Friday, 29 September 2017. The payment of interim dividend will be made on or about 10 October 2017.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Wednesday, 27 September 2017 to Friday, 29 September 2017, 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 Tuesday, 26 September 2017.

## **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 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.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.

## 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 2016 annual report of the Company are set out below:

Name of Director	Details of Change
Zhang Xiaobin	Resigned as a non-executive director of the Company with effect from 13 July 2017
Zhou Jian	Appointed as a non-executive director of the Company, a member of the Remuneration Committee and the Nomination Committee on 13 July 2017
Cheung Siu Lam	Ceased to be the chairman of the Nomination Committee of the Company with effect from 13 July 2017
Chan Yuk Ming	Appointed as the chairman of the Nomination Committee of the Company with effect from 13 July 2017
Huang Mei	Appointed as a member of the Audit Committee of the Company with effect from 13 July 2017

## 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 2017.

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 2017. 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  
**Chan Yuk Ming**  
*Chairman*

Hong Kong, 30 August 2017