



China Financial Services Holdings Ltd

China Financial Services Holdings Limited

(Stock code: 605)

2019 INTERIM
REPORT

CONTENTS

	<i>Page</i>
Corporate Information	2
Financial Highlights	3
Management Discussion and Analysis	4
Consolidated Statement of Profit or Loss	8
Consolidated Statement of Profit or Loss and Other Comprehensive Income	9
Consolidated Statement of Financial Position	10
Condensed Consolidated Statement of Changes in Equity	12
Condensed Consolidated Statement of Cash Flows	13
Notes to the Unaudited Interim Financial Report	15
Other Information	62



CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Chan Yuk Ming (*Chairman*)
Mr. Cheung Siu Lam
Mr. Dong Yibing
Madam Huang Mei

Independent Non-executive Directors

Mr. Chan Chun Keung
Mr. Chan Wing Fai
Dr. Zhang Xiao Jun
Madam Zhan Lili

COMPANY SECRETARY

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

AUDITORS

Crowe (HK) CPA Limited

AUDIT COMMITTEE

Mr. Chan Wing Fai (*Chairman*)
Mr. Chan Chun Keung
Dr. Zhang Xiao Jun
Madam Huang Mei
Madam Zhan Lili

REMUNERATION COMMITTEE

Mr. Chan Wing Fai (*Chairman*)
Mr. Chan Chun Keung
Mr. Dong Yibing
Dr. Zhang Xiao Jun
Madam Zhan Lili

NOMINATION COMMITTEE

Mr. Chan Yuk Ming (*Chairman*)
Mr. Chan Chun Keung
Mr. Chan Wing Fai
Mr. Dong Yibing
Dr. Zhang Xiao Jun
Madam Zhan Lili

PRINCIPAL BANKER

Bank of Beijing

SHARE REGISTRAR

Tricor Tengis Limited
Level 54
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

INVESTORS RELATION

0605ir@cfsh.com.hk

FINANCIAL HIGHLIGHTS

	Unaudited six months ended 30 June 2019 HK\$'000	Unaudited six months ended 30 June 2018 HK\$'000	Percentage changes
Interest, guarantee and financing consultancy services income	415,301	443,128	-6.3%
Profit for the period attributable to equity shareholders of the Company	138,579	171,389	-19.1%
Basic earnings per share	HK3.32 cents	HK3.98 cents	-16.6%
Underlying net profit attributable to equity shareholders (excluding the effects of share based payment expenses)	138,579	172,270	-19.6%
Dividend	Nil	HK1 cent	N/A

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

Despite global economic growth slowed down recently and Sino-US trade conflict escalated, China's economic development still maintained sound momentum. In January 2019, the central bank lowered the reserve requirement ratio (RRR) on two occasions and started to implement a lower RRR for small and medium-sized banks on 15 May 2019. In April 2019, the State Council proposed that China will further reduce the finance costs of SMEs and increase the support to the real economy. This policy will also further foster the size of financing for private enterprises.

Currently, the principal business of the Group is loan services, especially mortgages. The liquidity that released by the two RRR reductions will provide further support for social financing, and enable the Group to maintain the loan-to-value ratio within a safe range.

BUSINESS REVIEW

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

In April 2019, the Group completed the acquisition of Shenzhen Credit Gain Finance Company Limited ("Shenzhen Credit Gain") (深圳市領達小額貸款有限公司), organizational structure enhancement, addition of professional staff, and upgrade of Information Technology system have since commenced. As such, the expenses of Shenzhen Credit Gain recorded a temporary increase, but we are confident its profitability will substantially improve with the gradual expansion of the Group's loan business.

In the first half of 2019, due to the Sino-US trade conflict, the loan business segment of the Group was slightly affected, but still remained stable in general. At the end of first half year, the Group realized interest, guarantee and financing consultancy services income of approximately HK\$415.3 million, down by 6.27% as compared to the corresponding period of last year. The loan management size amounted to HK\$4,524 million, down by 4.4% as compared to the corresponding period of last year. On the other hand, the development of the online loan platform jointly established by the Group and Enova, a subsidiary of NYSE-listed Enova International (NYSE: ENVA), is progressing well and is expected to be launched in the fourth quarter. The online platform will become an important growth driver in the Group's business expansion.

FUTURE PROSPECTS

In the second half of 2019, the Group will continue to restructure the business process and organizational structure of Shenzhen Credit Gain, focusing on the vast personal loan and SME markets in order to establish stable business growth as soon as possible. The Group also expects to complete the acquisition of Chongqing Credit Gain Finance Company Limited (重慶兩江新區領達小額貸款有限公司) in the second half of 2019. On the other hand, the Group will continue to cooperate with various companies on the financial technology front to supplement its existing financial products and services, thus further improving the Group's profitability.

For the Hong Kong market, with the slowdown of the global economic growth, the local economy faces certain challenges. The Group will adjust its business strategy when necessary, to improve its business competitiveness and enhance its operation efficiency so as to maintain the Group's core value and the interests of its investors.

The management team remains optimistic on the Group's long-term prospects. With the target of building an all-rounded financial services provider, the Group will continue to enhance its service quality and efficiency by actively leveraging on financial technology. In addition, the Group will continue to seek cooperation with other financial institutions, so as to improve asset turnover of the Group, and to maximize the value for our shareholders.



FINANCIAL REVIEW

For the six months ended 30 June 2019 (the “Reporting Period”), the Group reported interest, guarantee and financing consultancy services income of approximately HK\$415,301,000, a decrease of 6.3% as compared to approximately HK\$443,128,000 for the corresponding period in 2018. The decrease in revenue was mainly attributable due to the continuous depreciation of Renminbi (“RMB”). In addition, Group had reserved funding for the completion of Shenzhen Credit Gain hence no interest guarantee and financing consultancy services income was generated by the reserved funds. Profit attributable to equity shareholders in the Reporting Period was approximately HK\$138,579,000, down 19.1% as compared to the corresponding period last year. The loans receivable as at 30 June 2019 was about HK\$4,524,196,000, down 4.4% as compared to the corresponding period last year.

Interest and handling expenses

Interest and handling expenses represent finance costs for the Reporting Period. The amount was approximately HK\$79,388,000, representing a decrease of 6.4% over the corresponding period in 2018. The decrease in finance costs was caused by repayment of some bank loan during the Reporting Period.

General and administrative expenses

General and administrative expenses for the Reporting Period were approximately HK\$140,438,000, primarily comprised staff costs, consultancy fee, insurance, intermediary handling charges and legal and professional fee. The management will continue to act on its stringent measures on costs control to maintain general and administrative expenses at a reasonable level.

Profit for the period

The profit for the period attributable to equity shareholders for the Company was approximately HK\$138,579,000, representing a decrease of about 19.1% as compared to approximately HK\$171,389,000 for the corresponding period last year. The decrease was mainly attributable to the continuous depreciation of RMB and increase in general and administrative expenses after completion of Shenzhen Credit Gain.

Financial Resources and Capital Structure

The assets of the Group were mainly comprised of loans receivable of approximately HK\$4,524,196,000, accounting for 72.9% of the total assets of the Group as at 30 June 2019. Other major non-current assets include goodwill of approximately HK\$604,056,000, property, plant and equipment of approximately HK\$24,804,000, deposits of approximately HK\$25,000,000, intangible assets of approximately HK\$19,371,000, other financial assets of approximately HK\$106,143,000, deferred tax assets of approximately HK\$24,564,000 and interests in associates of approximately HK\$20,557,000.

Current assets mainly comprised of accounts receivable of approximately HK\$9,027,000, interests receivable of approximately HK\$23,450,000, contingent consideration receivables of approximately HK\$15,238,000, other financial assets of approximately HK\$56,840,000, other receivables, deposits and prepayments of approximately HK\$37,456,000, amount due from an associate of approximately HK\$7,272,000, pledged bank and security deposits paid of approximately HK\$11,129,000 and cash and cash equivalents of approximately HK\$697,360,000.

Current liabilities mainly comprised of borrowings and other payables of approximately HK\$1,426,785,000, bank loans of approximately HK\$228,208,000, security deposits received of approximately HK\$60,973,000, unsecured bonds of approximately HK\$64,032,000, accruals and other deposit received of approximately HK\$153,474,000, amount due to an associate of approximately HK\$2,947,000, income received in advance of approximately HK\$22,055,000, lease liabilities of approximately HK\$9,752,000 and tax payable of approximately HK\$88,772,000.

Non-current liabilities includes unsecured bonds of approximately HK\$260,427,000, lease liabilities of approximately HK\$2,150,000 and deferred tax liabilities of approximately HK\$29,328,000.

Employee and Remuneration Policies

As at 30 June 2019, the Group had approximately 395 employees in the PRC and Hong Kong. Competitive remuneration packages and performance-based bonuses are structured to commensurate with individual responsibilities, qualifications, experience and performance. The Group also set up share option scheme and share award scheme for the purpose of providing incentives to eligible grantees. Total staff costs for the Reporting Period were approximately HK\$38,294,000.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the six months ended 30 June 2019 – unaudited*

		For the six months ended 30 June	
	<i>Note</i>	2019	2018
		HK\$'000	HK\$'000
Interest, guarantee and financing consultancy services income	<i>4</i>	415,301	443,128
Interest and handling expenses	<i>4</i>	(79,388)	(84,812)
Net interest income and service income	<i>4</i>	335,913	358,316
Education consultancy service income	<i>4</i>	3,089	3,647
Other income, net	<i>5</i>	27,206	9,978
General and administrative expenses		(140,438)	(103,566)
Share of losses of associates		(1,408)	(743)
Share of losses of joint ventures		(473)	–
Profit before taxation	<i>6</i>	223,889	267,632
Income tax	<i>7</i>	(64,656)	(78,209)
Profit for the period		159,233	189,423
Attributable to:			
Equity shareholders of the Company		138,579	171,389
Non-controlling interests		20,654	18,034
Profit for the period		159,233	189,423
Earnings per share	<i>9</i>	HK cents	HK cents
– Basic		3.32	3.98
– Diluted		3.32	3.97

The notes on pages 15 to 61 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 22(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019 – unaudited

	Note	For the six months ended 30 June	
		2019 HK\$'000	2018 HK\$'000
Profit for the period		159,233	189,423
Other comprehensive income/(loss) for the period, net of nil income tax			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation into presentation currency	8	(23,638)	(50,738)
Net gain on debt securities at fair value through other comprehensive income (recycling)	8	6,640	–
Other comprehensive loss for the period, net of nil income tax		(16,998)	(50,738)
Total comprehensive income for the period		142,235	138,685
Attributable to:			
Equity shareholders of the Company		122,357	122,884
Non-controlling interests		19,878	15,801
Total comprehensive income for the period		142,235	138,685

The notes on pages 15 to 61 form part of this interim financial report.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*As at 30 June 2019 – unaudited*

	<i>Note</i>	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Non-current assets			
Property, plant and equipment	10	24,804	11,564
Goodwill	11	604,056	603,707
Intangible assets		19,371	19,371
Interests in associates	12	20,557	17,925
Interests in joint ventures	13	1,527	–
Other financial assets	14	106,143	90,844
Loans receivable	15	845,521	620,488
Deposits	18	25,000	165,908
Deferred tax assets		24,564	10,304
		1,671,543	1,540,111
Current assets			
Contingent consideration receivables		15,238	15,238
Other financial assets	14	56,840	–
Loans receivable	15	3,678,675	3,984,541
Accounts receivable	16	9,027	3,471
Interests receivable	17	23,450	24,535
Other receivables, deposits and prepayments	18	37,456	30,154
Amount due from an associate		7,272	15,810
Amounts due from joint ventures		47	–
Tax recoverable		157	157
Pledged bank and security deposits paid		11,129	29,211
Cash and cash equivalents		697,360	540,184
		4,536,651	4,643,301
Current liabilities			
Borrowings and other payables	19	1,426,785	1,251,183
Bank loans	20	228,208	132,478
Security deposits received		60,973	107,433
Accruals and other deposit received		153,474	75,929
Liabilities arising from loan guarantee contracts		1,054	429
Amount due to an associate		2,947	2,970
Unsecured bonds	21	64,032	56,443
Income received in advance		22,055	18,038
Lease liabilities		9,752	–
Tax payable		88,772	101,288
		2,058,052	1,746,191
Net current assets		2,478,599	2,897,110
Total assets less current liabilities		4,150,142	4,437,221

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

As at 30 June 2019 – unaudited

	Note	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Non-current liabilities			
Borrowings and other payables	19	–	271,231
Unsecured bonds	21	260,427	245,579
Lease liabilities		2,150	–
Deferred tax liabilities		29,328	26,342
		291,905	543,152
NET ASSETS			
		3,858,237	3,894,069
EQUITY			
Share capital	22(b)	2,080,113	2,080,113
Reserves		1,695,344	1,629,890
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY			
		3,775,457	3,710,003
Non-controlling interests		82,780	184,066
TOTAL EQUITY			
		3,858,237	3,894,069

The interim financial report on pages 8 to 61 were approved and authorised for issue by the board of directors on 29 August 2019 and were signed on its behalf by:

Chan Yuk Ming
Director

Cheung Chai Hong
Director

The notes on pages 15 to 61 form part of this interim financial report.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 30 June 2019 – unaudited*

Note	Attributable to equity shareholders of the Company									
	Share capital HK\$'000	Shares-based compensation reserve HK\$'000	Shares held under the share award scheme HK\$'000	Exchange fluctuation reserve HK\$'000	Fair value reserve HK\$'000	Statutory surplus reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
Balance at 1 January 2019	2,080,113	40,216	-	(268,555)	(11,501)	158,550	1,711,170	3,710,003	184,066	3,894,069
Changes in equity for the six months ended 30 June 2019:										
Profit for the period	-	-	-	-	-	-	138,579	138,579	20,654	159,233
Other comprehensive loss	8	-	-	(22,862)	6,640	-	-	(16,222)	(776)	(16,998)
Total comprehensive income	-	-	-	(22,862)	6,640	-	138,579	122,357	19,878	142,235
Purchase of shares under share award scheme	23	-	(49,365)	-	-	-	-	(49,365)	-	(49,365)
Step acquisition from non-controlling interest		-	-	(7,712)	-	-	12,968	5,256	(121,164)	(115,908)
Dividends approved in respect of the previous year	22(a)	-	-	-	-	-	(12,768)	(12,768)	-	(12,768)
Shares repurchased		-	-	-	-	-	(26)	(26)	-	(26)
Transfer to reserve		-	-	-	-	18,604	(18,604)	-	-	-
Balance at 30 June 2019	2,080,113	40,216	(49,365)	(299,129)	(4,861)	177,164	1,831,319	3,775,457	82,780	3,858,237
At 1 January 2018	2,080,113	41,038	-	(113,008)	-	129,991	1,569,143	3,707,277	185,547	3,892,824
Changes in equity for the six months ended 30 June 2018:										
Profit for the period	-	-	-	-	-	-	171,389	171,389	18,034	189,423
Other comprehensive loss	8	-	-	(48,505)	-	-	-	(48,505)	(2,233)	(50,738)
Total comprehensive income	-	-	-	(48,505)	-	-	171,389	122,884	15,801	138,685
Equity settled share-based transactions	-	881	-	-	-	-	-	881	-	881
Lapse of share options		(1,996)	-	-	-	-	1,996	-	-	-
Dividends approved in respect of the previous year	22(a)	-	-	-	-	-	(30,109)	(30,109)	-	(30,109)
Shares repurchased		-	-	-	-	-	(7,497)	(7,497)	-	(7,497)
Transfer to reserve		-	-	-	-	5,127	(5,127)	-	-	-
Balance at 30 June 2018	2,080,113	39,923	-	(161,513)	-	135,118	1,699,795	3,793,436	201,348	3,994,784

The notes on pages 15 to 61 form part of this interim report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019 – unaudited

	For the six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Operating activities		
Cash generated from operations	403,568	278,049
Tax paid	(75,182)	(79,554)
Tax refunded	4	–
Net cash generated from operating activities	328,390	198,495
Investing activities		
Decrease in pledged bank deposits	18,079	13,128
Acquisition of a subsidiary	8,486	–
Acquisition of an associate	–	(21,477)
Purchase of other financial asset	(67,191)	–
Investment in joint ventures	(2,000)	–
Other cash flows arising from investing activities	(3,140)	(4,047)
Net cash used in investing activities	(45,766)	(12,396)
Financing activities		
Payment for repurchase of shares	(26)	(7,497)
Proceeds from new borrowings	369,148	617,819
Repayment of borrowings	(471,143)	(1,096,642)
Dividends paid to equity shareholders of the Company	(12,768)	(30,109)
Repayment of senior bonds	–	(365,099)
Purchase of shares under share award scheme	(49,365)	–
Capital element of lease rentals paid	(4,890)	–
Interest element of lease rentals paid	(339)	–
Other cash flows arising from financing activities	59,887	220,332
Net cash used in financing activities	(109,496)	(661,196)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)*For the six months ended 30 June 2019 – unaudited*

	For the six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Net increase/(decrease) in cash and cash equivalents	173,128	(475,097)
Effect of foreign exchange rate changes	(15,952)	(13,956)
Cash and cash equivalents at beginning of the period	540,184	662,740
Cash and cash equivalents at end of the period	697,360	173,687
Analysis of balances of cash and cash equivalents:		
Cash at banks and in hand	697,360	173,687

The notes on pages 15 to 61 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2019

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 29 August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the adoption of new accounting policies which are relevant to the Group and the accounting policy changes that are expected to be reflected in the 2019 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 2018 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 Hong Kong Financial Reporting Standards (“HKFRSs”).

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

The financial information relating to the financial year ended 31 December 2018 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 2018 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

A. *Adoption of new accounting policies*

Joint ventures

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

On the acquisition of an interest in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

When the Group's share of losses exceeds its interest in the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the joint venture.

Unrealised profits and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in a joint venture becomes an investment in an associate or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have a joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

A. *Adoption of new accounting policies (Cont'd)*

Shares held under the share award scheme

Own equity instruments which are reacquired (shares held under the share award scheme) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in equity.

Share-based payments to employees under share award scheme

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The cost of equity-settled transactions is recognised, together with a corresponding increase in the "share award reserve" under equity, over the period in which the performance and/or service conditions are fulfilled in share-based compensation expense. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

B. *Impact of amendments, new standards and interpretations issued and effective for the six months ended 30 June 2019*

The HKICPA has issued a new HKFRS, HKFRS 16 "Leases", and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16 "Leases", none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented 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.

HKFRS 16, Leases

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

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

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

(a) Changes in the accounting policies

(i) New definition of a lease

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

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

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

2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

B. *Impact of amendments, new standards and interpretations issued and effective for the six months ended 30 June 2019 (Cont'd)*

HKFRS 16, Leases (Cont'd)

(a) *Changes in the accounting policies (Cont'd)*

(ii) Lessee accounting

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

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

B. *Impact of amendments, new standards and interpretations issued and effective for the six months ended 30 June 2019 (Cont'd)*

HKFRS 16, Leases (Cont'd)

(a) *Changes in the accounting policies (Cont'd)*

(ii) Lessee accounting (Cont'd)

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for the following types of right-of-use asset:

- right-of-use assets that meet the definition of investment property are carried at fair value;
- right-of-use assets related to leasehold land and buildings where the Group is the registered owner of the leasehold interest are carried at fair value; and
- right-of-use assets related to interests in leasehold land where the interest in the land is held as inventory are carried at the lower of cost and net realisable value.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) *Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies*

(i) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

B. Impact of amendments, new standards and interpretations issued and effective for the six months ended 30 June 2019 (Cont'd)

HKFRS 16, Leases (Cont'd)

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3.72%-6.74%.

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

- (i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019;
- (ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and
- (iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 31 December 2018 as an alternative to performing an impairment review.

2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

B. Impact of amendments, new standards and interpretations issued and effective for the six months ended 30 June 2019 (Cont'd)

HKFRS 16, Leases (Cont'd)

(c) Transitional impact (Cont'd)

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

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

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

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and presents lease liabilities separately in the consolidated statement of financial position.

2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

B. Impact of amendments, new standards and interpretations issued and effective for the six months ended 30 June 2019 (Cont'd)

HKFRS 16, Leases (Cont'd)

(c) Transitional impact (Cont'd)

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

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

The analysis of the carrying value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	At 30 June 2019 <i>HK\$'000</i>	At 1 January 2019 <i>HK\$'000</i>
Included in "Property, plant and equipment":		
Other properties leased for own use, carried at depreciated cost	11,717	16,782

2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

B. Impact of amendments, new standards and interpretations issued and effective for the six months ended 30 June 2019 (Cont'd)

HKFRS 16, Leases (Cont'd)

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30 June 2019		At 1 January 2019	
	Present value of the minimum lease payments <i>HK\$'000</i>	Total minimum lease payments <i>HK\$'000</i>	Present value of the minimum lease payments <i>HK\$'000</i>	Total minimum lease payments <i>HK\$'000</i>
Within 1 year	9,752	10,085	9,887	10,448
After 1 year but within 2 years	1,963	2,007	6,108	6,253
After 2 years but within 5 years	187	190	787	800
	2,150	2,197	6,895	7,053
	<u>11,902</u>	<u>12,282</u>	<u>16,782</u>	<u>17,501</u>
Less: total future interest expenses		(380)		(719)
Present value of lease liabilities		<u>11,902</u>		<u>16,782</u>

2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

B. Impact of amendments, new standards and interpretations issued and effective for the six months ended 30 June 2019 (Cont'd)

HKFRS 16, Leases (Cont'd)

(e) Impact on the financial result and cash flows of the Group

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

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

The following tables may give an indication of the estimated impact of adoption of HKFRS 16 on the Group's financial result, segment results and cash flows for the six months ended 30 June 2019, by adjusting the amounts reported under HKFRS 16 in these interim financial statements to compute estimates of the hypothetical amounts that would have been recognised under HKAS 17 if this superseded standard had continued to apply to 2019 instead of HKFRS 16, and by comparing these hypothetical amounts for 2019 with the actual 2018 corresponding amounts which were prepared under HKAS 17.

	2019			2018	
	Amounts reported under HKFRS 16 (A) HK\$'000	Add back: HKFRS 16 depreciation and interest expense (B) HK\$'000	Deduct: Estimated amounts related to operating leases as if under HKAS 17 (note 1) (C) HK\$'000	Hypothetical amounts for 2019 as if under HKAS 17 (D = A + B - C) HK\$'000	Compared to amounts reported for 2018 under HKAS 17 HK\$'000
Financial result for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:					
Interest and handling expenses	(79,388)	339	–	(79,049)	(84,812)
General and administrative expenses	(140,438)	5,076	(5,229)	(140,591)	(103,566)
Profit before taxation	223,889	5,415	(5,229)	224,075	267,632
Profit for the period	159,233	5,415	(5,229)	159,419	189,423

2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

B. Impact of amendments, new standards and interpretations issued and effective for the six months ended 30 June 2019 (Cont'd)

HKFRS 16, Leases (Cont'd)

(e) Impact on the financial result and cash flows of the Group (Cont'd)

	2019			2018
	Amounts reported under HKFRS 16	Estimated amounts related to operating leases as if under HKAS 17 (notes 1 & 2)	Hypothetical amounts for 2019 as if under HKAS 17	Compared to amounts reported under HKAS 17
	(A)	(B)	(C = A + B)	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Line items in the condensed consolidated statement of cash flows for the six months ended 30 June 2019 impacted by the adoption of HKFRS 16:				
Cash generated from operations	403,568	(5,229)	398,339	278,049
Net cash generated from operating activities	328,390	(5,229)	323,161	198,495
Capital element of lease rentals paid	(4,890)	4,890	–	–
Interest element of lease rentals paid	(339)	339	–	–
Net cash used in financing activities	(109,496)	5,229	(104,267)	(661,196)

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

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

3. SEGMENT REPORTING

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

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

a) *Operating segment information*

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

b) *Geographic information*

Revenue from external customers

	For the six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Hong Kong	38,089	39,961
The PRC	377,212	403,167
United Kingdom	3,089	3,647
	418,390	446,775

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

3. SEGMENT REPORTING (Cont'd)

b) *Geographic information (Cont'd)*

Non-current assets

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Hong Kong	57,754	82,699
The PRC	602,753	710,941
United Kingdom	34,808	24,835
	695,315	818,475

The above table sets out the information about the geographical location of the Group's property, plant and equipment, goodwill, intangible assets, interests in associates, interests in joint ventures and deposits ("Specified non-current assets"). The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation to which they are allocated, in the case of intangible assets, goodwill and deposits and the location of operation, in the case of interests in associates and interests in joint ventures.

4. NET INTEREST INCOME AND SERVICE INCOME

	For the six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Interest, guarantee and financing consultancy services income	415,301	443,128
Interest and handling expenses arising from:		
Bank loans	(5,531)	(9,956)
Borrowings and other payables	(60,278)	(53,942)
Senior bonds	–	(5,535)
Unsecured bonds	(13,240)	(15,379)
Lease liabilities	(339)	–
	(79,388)	(84,812)
Net interest income and service income	335,913	358,316
Income arising from:		
Education consultancy service	3,089	3,647

For the six months ended 30 June 2019, the total amount of interest income on financial assets not at fair value through profit or loss including bank and interest income from debt securities was approximately HK\$417,682,000 (2018: approximately HK\$444,588,000).

5. OTHER INCOME, NET

	For the six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Bank interest income	2,381	1,460
Dividend income from other financial assets	68	93
Other interest income from debt securities	1,539	1,539
Income from government subsidies	17,227	10,897
Gain on disposal of other financial assets	15	555
Loss on fair value change of financial assets at FVTPL	(311)	(4,734)
Gain on fair value change of financial derivatives in respect of decumulator contract	–	56
Exchange gain/(loss), net	705	(3,445)
Others net gain	5,582	3,557
	27,206	9,978

6. PROFIT BEFORE TAXATION

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

	For the six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
(a) Staff costs (including directors' emoluments):		
Salaries, allowances and other benefits	34,855	40,345
Contributions to defined contribution retirement plans	3,439	3,773
	38,294	44,118
(b) Other items:		
Depreciation of property, plant and equipment		
– self-owned assets	2,880	1,565
– right-of-use assets	5,076	–
Impairment losses		
– loans receivable	13,015	2,257
Consultancy fee (see note (ii) below)	22,898	15,141
Equity-settled share-based payment expenses (see note (i) below)	–	881

Notes:

- (i) Equity-settled share-based payment expense includes HK\$nil (2018: HK\$881,000) relating to share options issued to consultants in exchange for goods or services.
- (ii) For the six months ended 30 June 2019, the Group paid consultancy fee of approximately HK\$nil and HK\$2,218,000 (2018: approximately HK\$2,075,000 and HK\$1,080,000) to 北京天福號生態科技有限公司 (“北京天福號”) and Tiger One Holdings Limited (“Tiger One”), respectively, of which a director of the Company is a legal representative of 北京天福號 and is the sole shareholder of Tiger One. 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

	For the six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Current Tax		
Hong Kong Profits Tax	(409)	1,008
PRC Income Tax	62,948	73,144
	62,539	74,152
Deferred tax		
Origination and reversal of temporary differences	2,117	4,057
	64,656	78,209

(a) Hong Kong

The provision for the Hong Kong Profits Tax of the subsidiaries established in HK is calculated at 16.5% (2018: 16.5%) of the estimated taxable profit for the six months ended 30 June 2019, except for QL Credit Gain Finance Company Limited, a subsidiary of the Company which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2018.

(b) The PRC

The provision for the PRC Enterprise Income Tax of the subsidiaries established in the PRC is calculated at 25% (2018: 25%) of the estimated taxable profits for the reporting period.

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

Pursuant the Enterprise Income Tax Law and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008. In addition, under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident will be liable for withholding tax at the rate of 5% for dividend income derived from the PRC if the Hong Kong tax resident is the "beneficial owner" and holds 25% or more of the equity interests of the PRC enterprise.

For the purpose of the interim financial report, the directors determined that the management of the Group can control the quantum and timing of distribution of profits of their PRC subsidiaries. Deferred tax liabilities have been provided for in this regard based on the expected dividends to be distributed from the Group's PRC subsidiaries in the foreseeable future in respect of profits generated since 1 January 2008.

7. INCOME TAX (Cont'd)**(c) BVI, Cayman Islands and United Kingdom**

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

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

(d) 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 cumulative tax losses of HK\$386,390,000 (31 December 2018: HK\$318,814,000) due to unpredictability to future profit streams. The unrecognised tax losses, mainly arising from companies incorporated in Hong Kong, can be carried forward indefinitely.

(e) Deferred tax liabilities not recognised

At 30 June 2019, the aggregate amount of temporary differences associated with undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised was approximately HK\$1,002,130,000 (31 December 2018: approximately HK\$957,240,000). 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:

	For the six months ended 30 June	
	2019 HK\$'000	2018 HK\$'000
Exchange differences on translation into presentation currency	(23,638)	(50,738)
Net gain on debt securities at fair value through other comprehensive income (recycling)	6,640	—
	(16,998)	(50,738)

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\$138,579,000 (30 June 2018: HK\$171,389,000) and the weighted average number of 4,176,254,596 (30 June 2018: 4,307,245,634) ordinary shares in issue less shares held under the Company's share award scheme of the interim period.

b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$138,579,000 (30 June 2018: HK\$171,389,000).

The calculation of diluted earnings per share is based on the profit for the period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of number of ordinary shares for the purpose of diluted earnings per share is as follows:

	For the six months ended 30 June	
	2019	2018
	<i>No. of shares</i>	<i>No. of shares</i>
Weighted average number of ordinary shares in issue less shares held for the share award scheme used in the basic earnings per share calculation	4,176,254,596	4,307,245,634
Effect of dilution – weighted average number of ordinary shares: Share options under the share option scheme	1,952,493	14,346,945
Number of ordinary shares for the purpose of diluted earnings per share	4,178,207,089	4,321,592,579

10. PROPERTY, PLANT AND EQUIPMENT***Right-of-use assets***

As discussed in note 2, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Further details of the carrying value of the Group's right-of-use assets by class of underlying assets are set out in note 2.

11. GOODWILL

	<i>HK\$'000</i>
At 1 January 2019	603,707
Arising on acquisition of a subsidiary (determined on a provisional basis, see note 25)	2,667
Exchange adjustment	<u>(2,318)</u>
At 30 June 2019	<u>604,056</u>

Goodwill has been allocated for impairment testing purposes to the following CGUs.

- Financing business in Beijing, PRC ("Division A")
- Education business in United Kingdom ("Division B")
- Financing business in Shenzhen, PRC ("Division C")

The carrying amounts of goodwill as at 30 June 2019 and 31 December 2018 allocated to these units are as below:

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Division A	583,608	585,926
Division B	17,781	17,781
Division C (determined on a provisional basis, see note 25)	<u>2,667</u>	<u>–</u>
	<u>604,056</u>	<u>603,707</u>

12. INTERESTS IN ASSOCIATES

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Carrying amount in the consolidated statement of financial position	20,557	17,925

The following list contains the particulars of associates, which are an unlisted corporate entities whose quoted market price are not available.

Name of associate	Place of incorporation/ registration and operation	Particulars of issued and paid-up capital/ registered share capital	Proportion of ownership interest		Principal activity
			Group's effective interest	Held by the Company	
北京中匯豐源融資租賃有限公司 (note (i))	The PRC	Registered capital USD10,000,000	25%	25%	Not yet commenced operation
KGH Holdings Limited	Republic of Seychelles	100 ordinary shares	40%	–	Investment holding
Thetford Grammar School Limited	United Kingdom	5,760,480 ordinary shares	40%	–	Provision of education services

Note:

- (i) 北京中匯豐源融資租賃有限公司 is established in the PRC in the form of sino-foreign equity enterprise.

The Company shall contribute an amount of US\$2,500,000 as its capital contribution, representing 25% equity interest in the associate. As at 30 June 2019 and 31 December 2018, the Company had contributed US\$500,000 (equivalent to approximately HK\$3,900,000). The Company has an obligation to settle the remaining amount of US\$2,000,000 (equivalent to approximately HK\$15,600,000).

13. INTERESTS IN JOINT VENTURES

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Carrying amount in the consolidated statement of financial position	1,527	–

The following list contains the particulars of joint ventures, which are an unlisted corporate entities whose quoted market price are not available.

Name of joint venture	Place of incorporation/ registration and operation	Particulars of issued capital	Proportion of ownership interest		Principal activity
			Group's effective interest	Held by the Company	
Oyster Pie Group Limited	Hong Kong	400 ordinary shares	50%	–	Investment holding
Oyster Pie Solutions Limited	Hong Kong	100 ordinary shares	50%	–	Not yet commenced operation

14. OTHER FINANCIAL ASSETS

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Non-current		
Financial assets measured at FVOCI		
– Debt securities listed in Hong Kong	49,738	43,098
Financial assets carried at FVTPL		
– Equity securities listed in Hong Kong	4,157	4,742
– Unlisted investment funds in the PRC	40,537	31,567
– Unlisted investments:		
– Golf club membership	7,911	7,646
– Marina club membership	3,800	3,791
	56,405	47,746
Sub-total	106,143	90,844
Current		
Financial assets carried at FVTPL		
– Unlisted investment funds in the PRC	56,840	–
Total	162,983	90,844

15. LOANS RECEIVABLE

	At 30 June 2019 <i>HK\$'000</i>	At 31 December 2018 <i>HK\$'000</i>
Pawn loans receivable	229,854	321,525
Loans receivable arising from:		
– Micro-lending	1,202,330	1,124,664
– Money-lending	625,542	589,054
Other loans receivable	2,545,603	2,642,681
	4,603,329	4,677,924
Less: Allowance for doubtful debts	(79,133)	(72,895)
	4,524,196	4,605,029
Amounts due within one year included under current assets	3,678,675	3,984,541
Amounts due after one year included under non-current assets	845,521	620,488
	4,524,196	4,605,029

Notes:

- i) Approximately HK\$3,938,457,000 (31 December 2018: HK\$4,050,283,000) 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 0.32% to 4.42% (31 December 2018: 0.24% to 4.29%), and the loans receivable in Hong Kong carry interest at a monthly effective rate of 0.33% to 4.83% (31 December 2018: 0.31% to 4.98%). As at 30 June 2019 and 31 December 2018, the carrying amounts of loans receivable of approximately of HK\$4,367,721,000 (31 December 2018: HK\$4,481,460,000) are secured by collaterals. In the opinion of the Company's directors, the Group held collateral with value not less than the carrying amount of the secured loans receivable.
- ii) A typical loan generally has a term of 30 days to 30 years (31 December 2018: 25 days to 30 years).
- iii) At 30 June 2019, loans receivable of approximately HK\$185,297,000 were pledged to the vendor to secure the completion of the acquisition and the payment of consideration as mentioned in note 25. Such loans receivable will be released upon the Group pays the consideration to the vendor in full.

15. 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 2019					At 31 December 2018				
	Pawn loans receivable	Loans receivable arising from micro-lending	Loans receivable arising from money-lending	Other loans receivable	Total	Pawn loans receivable	Loans receivable arising from micro-lending	Loans receivable arising from money-lending	Other loans receivable	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Due within 1 month or on demand	827	110,735	54,769	226,436	392,767	51,359	66,211	21,014	423,849	562,433
Due after 1 month but within 3 months	4,547	95,831	27,620	470,636	598,634	40,744	219,851	11,684	221,250	493,529
Due after 3 months but within 6 months	70,880	390,533	25,192	1,246,220	1,732,825	60,306	273,862	25,532	535,710	895,410
Due after 6 months but within 12 months	101,858	319,402	182,040	419,468	1,022,768	169,116	415,960	50,118	1,461,872	2,097,066
Due after 12 months	51,742	285,829	335,921	182,843	856,335	-	148,780	480,706	-	629,486
Allowance for doubtful debts	(1,625)	(11,967)	(47,350)	(18,191)	(79,133)	(2,107)	(8,096)	(45,212)	(17,480)	(72,895)
	228,229	1,190,363	578,192	2,527,412	4,524,196	319,418	1,116,568	543,842	2,625,201	4,605,029

b) *Analysed by credit quality*

At 30 June 2019

	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
Loans receivable that are credit impaired					
- Not past due	229,854	1,142,066	536,564	2,545,603	4,454,087
- Less than 1 month past due	-	12,100	29,629	-	41,729
- 1 to 3 months past due	-	9,269	962	-	10,231
- Over 3 months past due	-	38,895	58,387	-	97,282
- Allowance for doubtful debts	(1,625)	(11,967)	(47,350)	(18,191)	(79,133)
Total	228,229	1,190,363	578,192	2,527,412	4,524,196

15. LOANS RECEIVABLE (Cont'd)

b) *Analysed by credit quality (Cont'd)*

At 31 December 2018

	Pawn loans receivable <i>HK\$'000</i>	Loans receivable arising from micro-lending <i>HK\$'000</i>	Loans receivable arising from money-lending <i>HK\$'000</i>	Other loans receivable <i>HK\$'000</i>	Total <i>HK\$'000</i>
Loans receivable that are credit impaired					
– Not past due	321,525	1,114,636	452,199	2,642,681	4,531,041
– Less than 1 month past due	–	4,110	59,262	–	63,372
– 1 to 3 months past due	–	243	3,823	–	4,066
– Over 3 months past due	–	5,675	73,770	–	79,445
Allowance for doubtful debts	(2,107)	(8,096)	(45,212)	(17,480)	(72,895)
	319,418	1,116,568	543,842	2,625,201	4,605,029

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.

15. LOANS RECEIVABLE (Cont'd)

c) Reconciliation of gross exposure and allowances for loans receivable

	30 June 2019							
	Non credit-impaired				Credit-impaired		Total	
	Stage 1		Stage 2		Stage 3		Gross exposure for ECL HK\$'000	Allowance for ECL HK\$'000
	Gross exposure for ECL HK\$'000	Allowance for ECL HK\$'000	Gross exposure for ECL HK\$'000	Allowance for ECL HK\$'000	Gross exposure for ECL HK\$'000	Allowance for ECL HK\$'000		
As at 1 January 2019	4,531,041	(34,103)	67,438	(2,466)	79,445	(36,326)	4,677,924	(72,895)
Transfers of financial instruments:								
– transfers to Stage 2	(32,046)	286	32,046	(286)	–	–	–	–
– transfers to Stage 3	(13,567)	90	(1,771)	61	15,338	(151)	–	–
Net remeasurement of								
ECL arising from transfer of stage	–	–	–	(429)	–	(7,412)	–	(7,841)
Net new and further lending/(repayment)	(19,781)	1,015	(45,736)	1,975	9,245	(384)	(56,272)	2,606
Changes to risk parameters (model inputs)	–	(6,795)	–	(630)	–	(355)	–	(7,780)
Asset written off	–	–	–	–	(6,724)	6,724	(6,724)	6,724
Foreign exchange and others	(11,560)	50	(17)	1	(22)	2	(11,599)	53
As at 30 June 2019	4,454,087	(39,457)	51,960	(1,774)	97,282	(37,902)	4,603,329	(79,133)

	31 December 2018							
	Non credit – impaired				Credit – impaired		Total	
	Stage 1		Stage 2		Stage 3		Gross exposure for ECL HK\$'000	Allowance for ECL HK\$'000
	Gross exposure for ECL HK\$'000	Allowance for ECL HK\$'000	Gross exposure for ECL HK\$'000	Allowance for ECL HK\$'000	Gross exposure for ECL HK\$'000	Allowance for ECL HK\$'000		
At 1 January 2018	4,654,697	(30,459)	6,743	(233)	52,154	(26,223)	4,713,594	(56,915)
Transfers of financial instruments:								
– transfers to Stage 2	(21,515)	227	21,515	(227)	–	–	–	–
– transfers to Stage 3	(30,507)	295	(270)	2	30,777	(297)	–	–
Net remeasurement of								
ECL arising from transfer of stage	–	–	–	(489)	–	(9,619)	–	(10,108)
Net new and further lending/(repayment)	99,550	(1,726)	39,761	(1,515)	(1,938)	167	137,373	(3,074)
Changes to risk parameters (model inputs)	–	(3,340)	–	(145)	–	(491)	–	(3,976)
Foreign exchange and others	(171,184)	900	(311)	141	(1,548)	137	(173,043)	1,178
At 31 December 2018	4,531,041	(34,103)	67,438	(2,466)	79,445	(36,326)	4,677,924	(72,895)

15. LOANS RECEIVABLE (Cont'd)

d) *Loans and advances three-staging exposure*

Loans and advances to customers by five-tier loan classification and three-staging analysed as follows:

	As at 30 June 2019			Total HK\$'000
	Stage 1 (12-month ECL) HK\$'000	Stage 2 (Lifetime ECL) HK\$'000	Stage 3 (Lifetime ECL – impaired) HK\$'000	
Pass	4,454,087	–	–	4,454,087
Special-mention	–	51,960	–	51,960
Substandard	–	–	21,143	21,143
Doubtful	–	–	31,570	31,570
Loss	–	–	44,569	44,569
Subtotal	4,454,087	51,960	97,282	4,603,329
Allowance for doubtful debts	(39,457)	(1,774)	(37,902)	(79,133)
Total	4,414,630	50,186	59,380	4,524,196

	As at 31 December 2018			Total HK\$'000
	Stage 1 (12-month ECL) HK\$'000	Stage 2 (Lifetime ECL) HK\$'000	Stage 3 (Lifetime ECL – impaired) HK\$'000	
Pass	4,531,041	–	–	4,531,041
Special-mention	–	67,438	–	67,438
Substandard	–	–	726	726
Doubtful	–	–	37,150	37,150
Loss	–	–	41,569	41,569
Subtotal	4,531,041	67,438	79,445	4,677,924
Allowance for doubtful debts	(34,103)	(2,466)	(36,326)	(72,895)
Total	4,496,938	64,972	43,119	4,605,029

16. ACCOUNTS RECEIVABLE

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Accounts receivable	9,027	3,471

All of the Group's accounts receivable were arising from the PRC and are denominated in Renminbi ("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 2019 HK\$'000	At 31 December 2018 HK\$'000
Within 1 month	5,558	2,177
1 to 3 months	1,787	1,000
3 to 6 months	915	294
Over 6 months	767	-
	9,027	3,471

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

b) Accounts receivable that are not credit impaired

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Neither past due nor credit impaired	5,558	2,177
Less than 1 month past due	1,199	636
1 to 3 months past due	966	637
4 to 6 months past due	537	21
Over 6 months past due	767	-
	9,027	3,471

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

Accounts receivable that were past due but not credit 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.

17. INTERESTS RECEIVABLE

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Interests receivable	23,450	24,535

At 30 June 2019, approximately HK\$14,816,000 (31 December 2018: approximately HK\$10,107,000) 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 2019 HK\$'000	At 31 December 2018 HK\$'000
Within 1 month	12,299	12,464
1 to 3 months	3,761	2,936
3 to 6 months	1,713	292
Over 6 months	5,677	8,843
	23,450	24,535

Interests receivable are due within 30 days from the date of billing (or on maturity date of loans receivable according to the relevant loan agreements).

ii) Interests receivable that are not credit impaired

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Neither past due nor credit impaired	10,458	10,422
Less than 1 month past due	2,802	4,209
1 to 3 months past due	1,437	907
4 to 6 months past due	734	154
Over 6 months past due	8,019	8,843
	23,450	24,535

17. INTERESTS RECEIVABLE (Cont'd)

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

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

Interests receivable that were past due but not credit 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.

18. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Non-current		
Deposits (note (i))	25,000	165,908
Current		
Other receivables	21,387	17,472
Prepayments	10,360	8,270
Utility and sundry deposits (note (ii))	5,709	4,412
	37,456	30,154

Notes:

- (i) As at 30 June 2019, the amount of HK\$25,000,000 represent the deposit for the acquisitions of certain companies which are engaged in money lending business in the PRC. The transactions were subject to the approval of relevant PRC government authorities.

As at 31 December 2018, the amounts of HK\$50,000,000 and HK\$115,908,000 represent the deposit for the acquisitions of certain companies which are engaged in money lending business in the PRC, and the deposit paid to a non-controlling interest of a subsidiary for acquiring 20% equity interest of that subsidiary, respectively. The transactions were subject to the approval of relevant PRC government authorities.

- (ii) The amount of utility and sundry deposits expected to be recovered or recognised as expense after more than one year is approximately HK\$1,380,000 (31 December 2018: approximately HK\$1,551,000). Except for the non-current deposits, all of the other receivables, deposits and prepayments are expected to be recovered or recognised as expense within one year.

19. BORROWINGS AND OTHER PAYABLES

	Note	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Current:			
Borrowings under contractual agreements with:			
– Platform A	19(a)	1,595	1,601
– Platform B	19(b)	598,812	829,522
Borrowings from employees	19(d)	41,596	30,645
Borrowings from shareholders	27(c)(i)	28,573	60,797
Borrowings from related companies	19(e)	130,763	90,508
Note payable	19(g)	271,202	–
		1,072,541	1,013,073
Payable to interest holders of consolidated structured entity – investment fund	19(f)	10,765	20,967
Payable to interest holders of consolidated structured entity – trust	19(c)	343,479	217,143
		354,244	238,110
		1,426,785	1,251,183
Non-current:			
Note payable	19(g)	–	271,231

Notes:

- 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 (“Platform A”), 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 2019, the borrowings under this platform amounted to approximately HK\$1,595,000 (31 December 2018: approximately HK\$1,601,000), which bore a financing cost measured at an annualised rate of 9%, including platform service charge, (31 December 2018: 9%) and were secured by certain of loans receivable of approximately HK\$1,592,000 (31 December 2018: approximately HK\$1,598,000).

19. BORROWINGS AND OTHER PAYABLES (Cont'd)

Notes: (Cont'd)

- b) During the year ended 31 December 2017, the Group entered into a strategic cooperation agreement with another independent third party, which would establish and operate an integrated finance information service platform ("Platform B"), 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 30 June 2019, the borrowings under this platform amounted to HK\$598,812,000 (31 December 2018: HK\$829,522,000), which bore a financing cost measured at an annualised rate of a range from 9.1% to 11.5% (31 December 2018: 9.1%) and were secured by certain of loans receivable of approximately HK\$595,685,000 (31 December 2018: HK\$826,295,000).
- c) The amount represents third party interests in a 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 redeemed 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 structured entity that are subject to the actions of third-party unit holders.
- d) During the year ended 31 December 2018 and period ended 30 June 2019, the Group borrowed funds 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 2019, the borrowing from the Employees amounted to approximately HK\$41,596,000 (31 December 2018: approximately HK\$30,645,000), which bore a financing cost measured at annualised rate of 5.5% to 8.5% (31 December 2018: 5.5% to 7.5%), were repayable within one year and not secured by any assets or guarantees.
- e) During the year ended 31 December 2018 and period ended 30 June 2019, the Group borrowed funds from Geston Limited and South Asian Power Investment Limited, related parties of the Group. Cheung Siu Lam, a director of the Company, controls those companies. As at 30 June 2019, the borrowings from the related parties amounted to approximately HK\$130,763,000 (31 December 2018: HK\$90,508,000) and HK\$nil (31 December 2018: HK\$nil) respectively, which bore a finance cost measured at annualized rate of 4.8% to 6% (31 December 2018: 4.8%), were repayable within one year and not secured by any assets or guarantees.

19. BORROWINGS AND OTHER PAYABLES (Cont'd)

Notes: (Cont'd)

- f) The amount 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 redeemed 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.
- g) In February 2018, the Company issued note payable with principal amount of HK\$270,000,000. The note bear interest at 8% per annum and was secured by equity interest of Brilliant Star Capital (Cayman) Limited, a wholly-owned subsidiary of the Group, and personal guarantee given by Mr Cheung Siu Lam and Ms. Lo Wan. Mr. Cheung Siu Lam and Ms. Lo Wan should deposit at least 930,000,000 shares of the Company into a specific account with the safe keeping agent. The note was repayable in February 2020.
- h) The borrowings and other payables of approximately HK\$600,407,000 and HK\$343,479,000 respectively (31 December 2018: approximately HK\$831,123,000 and HK\$217,143,000 respectively) were arising from the PRC and are denominated in RMB.
- i) All borrowings are carried at amortised cost.

20. BANK LOANS

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

	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Within 1 year or on demand	228,208	132,478

20. BANK LOANS (Cont'd)

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

	Note	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Bank loans			
– secured by the Group's loan receivable	(i)	50,000	30,000
– secured by an independent third party's guarantee	(ii)	68,208	68,478
– secured by the Company's corporate guarantee	(iii)	20,000	20,000
– secured by the subsidiary's corporate guarantee and pledged deposit	(iv)	–	14,000
– secured by the share mortgage and guarantee	(v)	35,000	–
– secured by Group's bank deposits	(vi)	20,000	–
– secured by related company's property	(vii)	35,000	–
		228,208	132,478

The ranges of effective interest rates on the Groups bank loans are as follows:

	At 30 June 2019	At 31 December 2018
Effective interest rate:		
Bank loans	2.50% – 6.53% per annum	2.75% – 6.53% per annum

Notes:

- (i) As at 30 June 2019, a bank loan of HK\$50,000,000 (31 December 2018: HK\$30,000,000) were secured by loans receivable of HK\$101,820,000 (31 December 2018: HK\$100,600,000), security deposit of HK\$11,000 (31 December 2018: HK\$1,381,000) and corporate guarantee provided by the Company.
- (ii) As at 30 June 2019, the bank loans of approximately HK\$68,208,000 (31 December 2018: HK\$68,478,000) were secured by a guarantee provided by a guarantor, an independent third party. The Company, Guan Xue Ling, a director of the Company, Lu Wei Jun, a senior management of the Group, and certain subsidiaries provided counterguarantee to the guarantor. In addition, approximately HK\$136,416,000 (31 December 2018: HK\$137,469,000) loans receivable and 30% (31 December 2018: 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 the guarantor.
- (iii) As at 30 June 2019, a bank loan of HK\$20,000,000 (31 December 2018: HK\$20,000,000) was secured by corporate guarantee provided by the Company.

20. BANK LOANS (Cont'd)

Notes: (Cont'd)

- (iv) As at 31 December 2018, a bank loan of HK\$14,000,000 was secured by corporate guarantee provided by a subsidiary and the pledged bank deposit of HK\$27,079,000.
- (v) As at 30 June 2019, a bank loan of HK\$35,000,000 (31 December 2018: HK\$Nil) was secured by (i) a share mortgage from the Group over its 40% equity interest of KGH Holdings Limited; (ii) corporate guarantee provided by the Company and Geston Limited, a related party of the Group; and (iii) personal guarantee provided by Mr. Cheung Siu Lam, a director of the Company and Ms. Lo Wan, a shareholder of the Company and the spouse of Mr. Cheung Siu Lam.
- (vi) As at 30 June 2019, a bank loan of HK\$20,000,000 (31 December 2018: HK\$Nil) was secured by Group's bank deposits of HK\$10,367,000 (31 December 2018: HK\$Nil).
- (vii) As at 30 June 2019, a bank loan of HK\$35,000,000 (31 December 2018: HK\$Nil) was secured by the first mortgage for the property held by Fortuna Grace Limited, a company owned by Cheung Siu Lam, a director of the Company.
- (viii) The bank loans of approximately HK\$68,208,000 (31 December 2018: HK\$68,478,000) were obtained in the PRC and denominated in RMB.
- (ix) All of the bank loans are carried at amortised cost.
- (x) 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 2019, none of the covenants relating to the bank loans had been breached (at 31 December 2018: Nil).

21. 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 2019 and 31 December 2018, none of the covenants relating to the unsecured bonds had been breached.

	Coupon rate per annum	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
Current liabilities			
Unsecured bonds of HK\$55,000,000 due 2019 (issued in 2017)	6.00%	55,282	54,883
Unsecured bonds of HK\$1,560,000 due 2019 (issued in 2018)	4.50%	1,560	1,560
Unsecured bonds of HK\$7,190,000 due 2020 (issued in 2019)	1.50%	7,190	—
		64,032	56,443
Non-current liabilities			
Unsecured bonds of HK\$220,000,000 due 2022 (issued in 2015)	7.00%	196,419	194,489
Unsecured bonds of HK\$10,000,000 due 2022 (issued in 2016)	5.00%	9,278	9,189
Unsecured bonds of HK\$10,000,000 due 2024 (issued in 2016)	6.00%	9,097	9,024
Unsecured bonds of HK\$11,413,000 due 2021 (issued in 2017)	4.00%	10,651	10,482
Unsecured bonds of HK\$14,145,800 due 2024 (issued in 2018)	5.00%	12,571	12,395
Unsecured bonds of HK\$10,000,000 due 2025 (issued in 2018)	4.50%	10,000	10,000
Unsecured bonds of HK\$14,000,000 due 2021 (issued in 2019)	2.00%	12,411	—
		260,427	245,579
		324,459	302,022

22. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	2019 HK\$'000	2018 HK\$'000
Interim dividend declared and paid after the interim period of HK Nil cent per share (2018: HK1.00 cents per share)	—	43,000

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 2019 HK\$'000	2018 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK0.30 cent per share (six months ended 30 June 2018: HK0.70 cents per share)	12,768	30,109

22. CAPITAL, RESERVES AND DIVIDENDS (Cont'd)

(b) Share capital

	<i>No. of shares</i>	<i>HK\$'000</i>
Ordinary shares, issued and fully paid:		
At 1 January 2018	4,311,583,347	2,080,113
Shares repurchased and cancelled	<u>(11,580,000)</u>	<u>–</u>
At 30 June 2018 and 1 July 2018	4,300,003,347	2,080,113
Shares repurchased and cancelled	(7,196,000)	–
Shares repurchased but not yet cancelled <i>(note (i))</i>	<u>–</u>	<u>–</u>
At 31 December 2018 and 1 January 2019	4,292,807,347	2,080,113
Shares cancelled <i>(note (i))</i>	(36,668,000)	–
Shares repurchased and cancelled <i>(note (i))</i>	<u>(50,000)</u>	<u>–</u>
At 30 June 2019	<u>4,256,089,347</u>	<u>2,080,113</u>

Note:

- (i) Shares cancelled and shares repurchased and cancelled

Month/year	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$'000
Shares cancelled				
January 2019	36,668,000	0.6300	0.4850	19,725
Shares repurchased and cancelled				
February 2019	50,000	0.5200	0.5200	26

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. During the six months ended 30 June 2019, the total amount paid on the repurchased shares of HK\$26,000 was paid wholly out of retained earnings.

22. CAPITAL, RESERVES AND DIVIDENDS (Cont'd)**(c) Equity settled share-based transactions**

For the six months ended 30 June 2019 and 2018, no share options were granted under the Company's share option scheme.

No options were exercised and lapsed (six months ended 30 June 2018: Nil and 10,000,000), respectively, for the six months ended 30 June 2019.

23. SHARE AWARD SCHEME

On 14 January 2019, the directors of the Company adopted a share award scheme (the "Scheme") to recognise the contribution by any employee(s), director(s) or advisor(s) of any member of the Group (the "Grantees") and to give incentives thereto in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group.

	2019	
	No. of shares	HK\$'000
At 1 January	–	–
Purchased during the period	89,754,000	49,365
At 30 June	89,754,000	49,365

During the six months ended 30 June 2019, the trustee acquired 89,754,000 ordinary shares (2018: Nil) of the Company for the Scheme through purchases in the open market, at a total cost, including related transaction costs at approximately HK\$49,365,000 (six months ended 30 June 2018: HK\$ Nil)

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

24. EQUITY TRANSACTION WITH NON-CONTROLLING INTEREST

During the six months ended 30 June 2019, the Group has the following equity transaction with non-controlling interest of a subsidiary that do not result in a loss of control.

Acquisition of additional interest in a subsidiary

During the six months ended 30 June 2019, the Group acquired an additional 20% equity interest of 北京中金融開小額貸款有限公司 ("中金融開") from the non-controlling shareholder at cash consideration of HK\$115,908,000. Such amount was paid to the non-controlling shareholder of 中金融開 as deposit as at 31 December 2018. This resulted in an increase in the Group's equity interest in 中金融開 from 80% to 100%. Approximately HK\$12,968,000 representing the difference between the carrying amounts of the interest acquired of approximately HK\$121,164,000, the exchange fluctuation reserve attributable to non-controlling shareholder of approximately HK\$7,712,000 and the consideration paid for the acquisition of additional interest of approximately HK\$115,908,000, which was recognised in retained earnings.

25. ACQUISITION OF A SUBSIDIARY

During the six months ended 30 June 2019, the Group acquired the entire equity interest in Shenzhen Credit Gain Finance Company Limited ("SZ Credit Gain") at a consideration of approximately RMB230,771,000 (or equivalent to approximately HK\$269,319,000, subject to adjustment) by cash. SZ Credit Gain is established in the PRC with limited liability and is principally engaged in micro-finance business in Shenzhen, the PRC. The Group acquired SZ Credit Gain to extend its financial services business in the PRC. The acquisition was completed on 12 April 2019.

The fair value of the assets acquired and liabilities assumed have been determined on a provisional basis, awaiting the finalisation of professional valuations.

Assets acquired and liabilities assumed at the date of acquisition (determined on a provisional basis):

	<i>HK\$'000</i>
Consideration:	
Cash paid	143,292
Deposit paid	25,000
Consideration payable (<i>note i</i>)	101,027
	<u>269,319</u>
The fair values of the identifiable assets acquired and liabilities assumed at the date of acquisition (determined on a provisional basis) were as follows:	
Property, plant and equipment	3,165
Deferred tax assets	13,628
Loans receivable	100,232
Interest receivable	6,190
Prepayments, deposits and other receivables	4,718
Cash and bank balances	151,778
Other payable, accruals and other deposit received	(13,059)
	<u>266,652</u>
Provisional goodwill arising on acquisition (<i>note ii</i>)	2,667
	<u>269,319</u>
Net cash inflow arising on acquisition:	
Cash consideration paid	(143,292)
Cash and cash equivalents acquired	151,778
	<u>8,486</u>

Notes:

- (i) Consideration of approximately HK\$101,027,000 was unsettled and was presented under "Accruals and other payables" in the consolidated statement of financial position.
- (ii) The initial accounting for the above acquisition has been determined provisionally as the Group is awaiting the completion of independent professional valuations in relation to the identification of separable intangible assets and the provisional fair value of identifiable assets acquired. It may be adjusted upon the completion of initial accounting year which shall not exceed one year from the completion date.

The goodwill arising from the acquisition of SZ Credit Gain is attributable to the future growth and profitability in relation to the micro-financing business in Shenzhen, the PRC. None of the goodwill recognised is expected to be deductible for income tax purposes.

25. ACQUISITION OF A SUBSIDIARY (Cont'd)

During the period from the date of acquisition to the end of the reporting period, SZ Credit Gain contributed HK\$9,778,000 to the revenue of the Group and a loss of HK\$17,316,000 to the profit of the Group for the six months ended 30 June 2019. Had the acquisition occurred on 1 January 2019, the revenue and income of the Group for the six months ended 30 June 2019 would have been HK\$421,432,000 and HK\$140,526,000, respectively. The pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operation of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future results.

In addition, loans receivable of approximately HK\$185,297,000 were pledged to the vendor to secure the completion of the acquisition and the payment of consideration. Such loans receivable will be released upon the Group pays the consideration to the vendor in full.

Acquisition related costs amounting to HK\$955,000 have been excluded from the consideration and have been recognised as general and administrative expenses in the consolidated statement of profit or loss for the year ended 31 December 2018.

The fair value of loans receivables, interest receivable and other receivables (determined on a provisional basis) at the date of acquisition approximated their gross contractual amounts and were expected to be fully recovered in the future.

26. 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 which are categorised into Level 3 of the fair value hierarchy. Valuation reports with analysis of changes in fair value measurement 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 dates.

26. 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 30 June 2019 HK\$'000	Fair value measurements as at 30 June 2019 categorised into		
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurement			
Assets:			
Other financial assets			
– Equity securities, listed	4,157	–	–
– Debt securities, listed	49,738	49,738	–
– Investment funds, unlisted	97,377	–	97,377
– Other unlisted investments	11,711	11,711	–
Contingent consideration receivable	15,238	–	15,238

Fair value at 31 December 2018 HK\$'000	Fair value measurements as at 31 December 2018 categorised into		
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurement			
Assets:			
Other financial assets			
– Equity securities, listed	4,742	–	–
– Debt securities, listed	43,098	43,098	–
– Investment funds, unlisted	31,567	–	31,567
– Other unlisted investments	11,437	11,437	–
Contingent consideration receivables	15,238	–	15,238

For the six months ended 30 June 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2018: 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 debt securities in Level 2 is determined by using quoted price from financial institutions.

26. 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

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

	At 30 June 2019 HK\$'000	At 30 June 2018 HK\$'000
Contingent consideration receivable:		
At 1 January	15,238	1,270
Fair value change recognised in general and administrative expenses in profit or loss	—	—
At 30 June	15,238	1,270
Total gain/(loss) for the period included in profit or loss for assets held at the end of the reporting period recognised in general and administrative expenses in profit or loss	—	—
	At 30 June 2019 HK\$'000	At 30 June 2018 HK\$'000
Investment funds in the PRC, unlisted:		
At 1 January	31,567	29,908
Payment for purchase of investments	67,191	—
Fair value change recognised in general and administrative expenses in profit or loss	—	1,806
Exchange differences	(1,381)	—
At 30 June	97,377	31,714
Total gain/(loss) for the period included in profit or loss for assets held at the end of the reporting period recognised in general and administrative expenses in profit or loss	—	1,806

26. 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)

	At 30 June 2019 HK\$'000	At 30 June 2018 HK\$'000
Financial derivatives:		
At 1 January	–	(304)
Changes in fair value recognised in profit or loss	–	56
Gain on disposal recognised in profit or loss	–	–
At 30 June	–	(248)
Total gain/(loss) for the period included in profit or loss for assets held at the end of the reporting period	–	56

The (loss)/gain arising from the remeasurement of the financial derivatives 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 2018 and 30 June 2019.

27. 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:

	For the six months ended 30 June 2019 HK\$'000	2018 HK\$'000
Key management personnel compensation:		
– Short-term employee benefits	3,437	4,220
– Post-employment benefits	175	175
	<u>3,612</u>	<u>4,395</u>

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

b) Transaction with a related party

	For the six months ended 30 June 2019 HK\$'000	2018 HK\$'000
Consultancy fee paid to a related company	–	2,860

The above transaction represents the financial public relation services expense paid to 北京嘉潤智德國際投資諮詢有限公司, related party of the Group. Mr. Cheung Siu Lam (“Mr. Cheung”), a non-executive director of the Company, is the legal representative of 北京嘉潤智德國際投資諮詢有限公司.

27. MATERIAL RELATED PARTY TRANSACTIONS (Cont'd)

c) *Financing arrangements*

- (i) The details of the borrowings from shareholders included in borrowings and other payables are as follows:

Name	Note	At 30 June 2019 HK\$'000	At 31 December 2018 HK\$'000
<i>Short-term borrowings</i>			
– Lo Wan	(1), (2)	24,321	56,543
– Cheung Siu Hung	(3), (4)	4,252	4,254
		28,573	60,797

Notes:

- (1) At 30 June 2019, the loan from Ms Lo Wan is unsecured, bears interest at annualised rate of 4.8% to 6% (31 December 2018: 4.8%) per annum and is repayable on 16 December 2019 and 26 December 2019 (31 December 2018: 8 May 2019 and 26 June 2019). Related interest expense incurred on this loan during the six months ended 30 June 2019 was approximately HK\$1,636,000 (six months ended 30 June 2018: HK\$4,065,000), 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.
- (3) The loan from Ms. Cheung Siu Hung is unsecured, bears interest at 7% (31 December 2018: 7%) per annum and is repayable on 26 October 2019 (31 December 2018: 26 October 2019). Related interest expense incurred on this loan during the six months ended 30 June 2019 was approximately HK\$146,000 (six months ended 30 June 2018: HK\$174,000), which is included in interest and handling expenses (*note 4*).
- (4) Ms. Cheung Siu Hung is sister of Mr. Cheung Siu Lam, a non-executive director of the Company.

- d) During the six months ended 30 June 2019, the Group paid minimum lease payments (in respect of properties) of approximately HK\$620,000, HK\$nil and HK\$1,188,000 (2018: approximately HK\$789,000, HK\$111,000 and HK\$1,085,000) to 北京元長厚茶葉有限公司, 北京東皇物業管理有限公司 and 北京萬方後海前企業經營管理有限公司, 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 2019, the Group has paid rental deposits of approximately HK\$225,000, HK\$nil and HK\$185,000 (31 December 2018: approximately HK\$225,000, HK\$40,000 and HK\$145,000) to 北京元長厚茶葉有限公司, 北京東皇物業管理有限公司 and 北京萬方後海前企業經營管理有限公司, respectively, which was included in "Other receivables, deposits and prepayments" in the consolidated statement of financial position.

27. MATERIAL RELATED PARTY TRANSACTIONS (Cont'd)

- e) During the six months ended 30 June 2019, the Group paid minimum lease payments (in respect of director's quarter) of approximately HK\$900,000 (2018: HK\$900,000) 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. In addition, as at 30 June 2019, rental deposit of HK\$540,000 (31 December 2018: HK\$300,000), which was related to this director's quarter, was included in "Other receivables, deposits and prepayments" in the consolidated statement of financial position.

28. COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1 January 2019 using the modified retrospective method. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.

29. POSSIBLE IMPACT OF AMENDMENTS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2019

Up to the date of issue of these interim financial statements, the HKICPA has issued a number of amendments which are not yet effective for the six months ended 30 June 2019 and which have not been adopted in these interim financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 and HKAS 8, "Definition of materials"	1 January 2020
Amendments to HKFRS 3, "Business"	1 January 2020*
* <i>Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.</i>	

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements for the year ending 31 December 2019.

30. 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 29 August 2019.

OTHER INFORMATION

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

As at 30 June 2019, 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 506,842,000 ordinary shares and 1,000,000 underlying shares (Note 2) and interest in controlled corporation of 86,400,000 ordinary shares (Note 3)	2,313,286,240	2,000,000	54.40%
Luo Rui	Beneficial owner	3,390,000	20,000,000	0.55%
Guan Xue Ling	Beneficial owner	-	2,000,000	0.047%
Cheung Chai Hong	Beneficial owner	200,000	-	0.0047%
Chan Yuk Ming	Beneficial owner	20,000,000	2,000,000	0.52%

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 506,842,000 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 2019.

Save as disclosed above, as at 30 June 2019, 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 2019, 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 5)
Lo Wan	Beneficial owner of 506,842,000 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)	2,313,286,240	2,000,000	54.40%
China United SME Guarantee Corporation	Beneficial owner of 636,696,000 ordinary shares	636,696,000	–	14.96%
Fosun International Holdings Ltd.	Interest in controlled corporation (Note 4)	270,338,000	–	6.35%
Fosun International Limited	Interest in controlled corporation (Note 4)	270,338,000	–	6.35%
Guo Guangchang	Interest in controlled corporation (Note 4)	270,338,000	–	6.35%
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	–	6.35%

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 270,338,000 shares in the Company through Fosun Hani Securities 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. Fosun Financial Holdings Limited is wholly owned by Fosun International Limited, which is in turn owned as to 70.72% by Fosun Holdings Limited, which is in turn wholly owned by Fosun International Holdings Ltd. Fosun International Holdings Ltd is owned as to 85.29% by Guo Guangchang.
5. The percentage is calculated based on the total number of issued shares as at 30 June 2019.

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 Reporting Period:

Director	Date of offer	Exercise price HK\$	Outstanding at 1.1.2019	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2019	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	22.10.10	0.359	1,000,000	-	-	-	1,000,000	22.10.10 – 21.10.20	0.360	0.216
Chan Yuk Ming	22.10.10	0.359	2,000,000	-	-	-	2,000,000	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	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	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

SHARE AWARD SCHEME

On 14 January 2019 (the “Adoption Date”), the Company adopted the share award scheme (the “Share Award Scheme”) in which any employees, directors, consultants or advisors of any member of the Group (the “Grantee”) will be entitled to participate.

The purposes of the Share Award Scheme are to recognise the contributions by certain Grantees and to give incentives thereto in order to retain them for the continuing operation and development of the Group, and to attract suitable personnel for further development of the Group.

The Share Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules.

The Share Award Scheme will remain in force for a period of 10 years commencing on its Adoption Date.

The maximum number of awarded shares throughout the duration of the Share Award Scheme is 429,280,734 Shares, being 10% of the issued shares of the Company as at the Adoption Date. The maximum number of shares which may be awarded to a selected Grantee under the Share Award Scheme during any 12-month period is 42,928,073 shares, being 1% of the issued shares of the Company as at the Adoption Date. Details of the Share Award Scheme are set out in the announcement of the Company dated 14 January 2019.

During the Reporting Period, the trustee acquired 89,754,000 ordinary shares (six months ended 30 June 2018: Nil) of the Company for the Share Award Scheme through purchases in the open market, at a total cost, including related transaction costs at approximately HK\$49,365,000 (six months ended 30 June 2018: HK\$Nil).

Up to the date of this report, no awarded shares have been granted or agreed to be granted under Share Award Scheme.

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

During the Reporting Period, the Company had bought back on the Stock Exchange a total of 50,000 shares and those 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	50,000	0.52	0.52	26,000

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

INTERIM DIVIDEND

The Board do not recommend the payment of any interim dividend for the Reporting Period (six months ended 30 June 2018: HK1 cent).

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code (the "CG Code") as set out in Appendix 14 of the Listing Rules throughout the Reporting Period, except for code provisions A.1.1, A.2.1, A.4.1 and A.6.1:

Code Provision A.1.1

Code provision A.1.1 of the CG Code stipulates that regular board meetings should be held at least 4 times a year at approximately quarterly intervals with active participation of majority of directors, either in person or through other electronic means of communication.

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

Code Provision A.2.1

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

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

Code provision A.4.1

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

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

Code Provision A.6.1

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

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

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee"), which comprises one non-executive director and four independent non-executive directors, has reviewed the interim results for six months ended 30 June 2019. 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, 29 August 2019