



中金投集团

China Financial Services Holdings Ltd

China Financial Services Holdings Limited

(Stock code: 605)

Interim Report 2018



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

PRINCIPAL BANKER

Bank of Beijing

SHARE REGISTRAR

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

REGISTERED OFFICE

Suite 5606
56th Floor
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18 Harbour Road
Wanchai
Hong Kong

STOCK CODE: 605

WEBSITE

www.cfsh.com.hk

INVESTORS RELATION

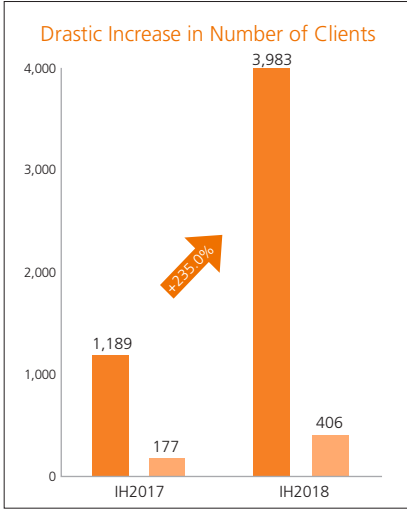
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FINANCIAL HIGHLIGHTS

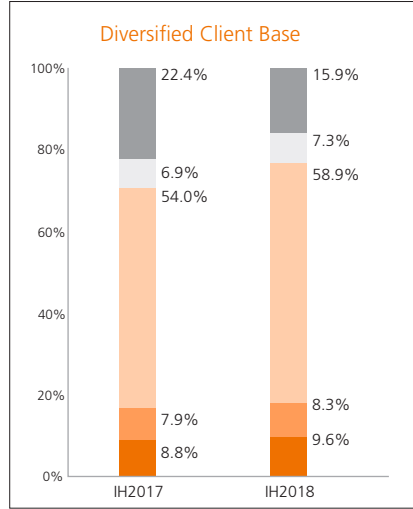
	Unaudited six months ended 30 June 2018 HK\$'000	Unaudited six months ended 30 June 2017 HK\$'000	Percentage changes
Interest and financing consultancy services income	443,128	377,488	17.4%
Profit for the period attributable to equity shareholders of the Company	171,389	186,321	-8.0%
Basic earnings per share	HK3.98 cents	HK4.85 cents	-17.9%
Underlying net profit attributable to equity shareholders (excluding the effects of share based payment expenses)	172,270	189,169	-8.9%
Dividend	HK1 cent	HK1.05 cents	-4.8%



CUSTOMER PROFILE



- Number of customers
- Number of returning customers



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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2018, with financial regulation continued to escalate and the impact on liquidity due to deleveraging, enterprises are facing the problems of increasingly difficult to raise finance as well as cost increase. In the 2018 Second Quarter Regular Meeting of the Monetary Policy Committee of the People's Bank of China, it was pointed out that the government's monetary policy remained neutral, in which it would lead to the reasonable increase of social financing scale while deepening the reform of the financial system at the same time. Along with the increasing financial risk in the course of China economic transformation, the government will focus on regulating and assisting the investment and financing industry for industrial enterprises, and hence the "Notice on Related Matters Concerning the Regulation of Private Lending Activities and Maintaining Economic and Financial Order" was issued in May. Since the regulation is intensifying, recent incidents have occurred one after another regarding the breakdown of capital chain in domestic P2P platforms, and unregulated enterprises are gradually being expelled from the market. This is an important positive sign to those financial companies with full operating licence like the Group as it will also benefit the Group to continue its lending scale expansion when complying with the regulations.

Meanwhile, the nationwide regulation and control on real estate market continued, and quite some cities have already issued various regulating and controlling policies. While mortgage rate has remained at a high level, the mortgage loan interest rate of the first and second housings also increased accordingly. Nevertheless, the housing prices in major cities where the Group are located remained at the same level in PRC and increased moderately in Hong Kong, which is to our favour as real estate is a collateral for our business. Looking forward, the Group will keep close attention to the real estate market's regulating and controlling trend as well as their impact on cities and will conduct risk assessment in time and take corresponding measures accordingly.



BUSINESS REVIEW

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

In the first half of 2018, for the two acquisitions that completed by the Group last year, including the acquisition of the 90% interest of Chengdu Vision Credit last October and the entire loan assets of HK Credit Gain last December, the operations were running very well and while both the loan size and income showed obvious increase, the cost structure of acquired target also seen notable improvement. These achievements are the best evidence of the Group in demonstrating its abilities in acquisition, integration and operation. The loan assets acquisition of HK Credit Gain has also implied that the Group is formally stepping its foothold in the unsecured consumer finance market, marching an important step to become a financial service company with full product line. Moreover, the Group is in the preparation of extending cooperation with external financial technology companies. Through conducting reform on traditional financial products and services and solving the issues of customer information collection and credit risk management using technological measures, it enables the Group's loan business to reach a higher scalable effect to enhance business efficiency and profit maximisation. At the same time, the Group will continue to explore potential acquisition targets of strategic significance, so as to continue broadening its business scale and customer base.

FUTURE PROSPECTS

The management remains optimistic regarding the Group's long-term prospects, and will continue to construct and become an all-round financial service provider in offering more diversified financial products and exploring new opportunities to maximize the values for our shareholders.

FINANCIAL REVIEW

For the six months ended 30 June 2018 (the “Reporting Period”), the Group reported a revenue of approximately HK\$443,128,000, an increase of 17.4% as compared to approximately HK\$377,488,000 for the corresponding period in 2017. The growth in revenue was mainly attributable to an increase in interest and financing consultancy services income from acquisition of loan book asset from Credit Gain Finance Company Limited (“HK Credit Gain”) and Chengdu Vision Credit. Profit attributable to equity shareholders in the Reporting Period was approximately HK\$171,389,000, down 8.0% as compared to the corresponding period last year. The loans receivable as at 30 June 2018 was about HK\$4,734,065,000, up 43.7% as compared to the corresponding period last year. The increase in loan receivable was mainly contributed by acquisition of loan book asset from HK Credit Gain and Chengdu Vision Credit.

Interest and financing consultancy services income

Interest income amounted to approximately HK\$191,974,000, financing consultancy service income amounted to approximately HK\$251,154,000.

Interest and handling expenses

Interest and handling expenses represent finance costs for the Reporting Period. The amount was approximately HK\$84,812,000, representing an increase of 79.2% over the corresponding period in 2017. The increase was mainly attributable to increase in borrowings and other payables in order to cope with the growth lending business in PRC and Hong Kong.

General and administrative expenses

General and administrative expenses for the Reporting Period were approximately HK\$103,566,000, primarily comprised staff costs, legal and professional fee, intermediary handling charges, share based expenses and rental expenses.

Profit for the period

The profit for the period attributable to equity shareholders for the Company was approximately HK\$171,389,000, representing an decrease of about 8.0% as compared to approximately HK\$186,321,000 for the corresponding period last year. There was a significant increase in general and administrative expenses affected our profit for the Reporting Period.



Financial Resources and Capital Structure

The assets of the Group were mainly comprised of loans receivable of approximately HK\$4,734,065,000, accounting for 79.0% of the total assets of the Group as at 30 June 2018. Other major assets include goodwill of approximately HK\$630,209,000, intangible assets of approximately HK\$19,371,000, deposits of HK\$70,000,000, accounts receivable of approximately HK\$4,250,000, interests receivable of approximately HK\$28,034,000, other receivables, deposits and prepayments of approximately HK\$179,188,000, other financial assets of approximately HK\$100,874,000, pledged bank and security deposits paid of approximately HK\$5,840,000 and cash and cash equivalents of approximately HK\$173,687,000.

Current liabilities mainly comprised borrowings and other payables of approximately HK\$801,392,000, bank loans of approximately HK\$230,332,000, unsecured bonds of approximately HK\$16,906,000, security deposits received of approximately HK\$153,481,000, accruals and other deposit received of approximately HK\$48,969,000, income received in advance of approximately HK\$25,237,000 and tax payable of approximately HK\$134,096,000. Non-current liabilities includes borrowings and other payables of HK\$270,000,000, unsecured bonds of approximately HK\$288,374,000 and deferred tax liabilities of approximately HK\$26,650,000.

Use of Proceeds

On 17 May 2017, a subscription agreement was signed between the Company and the subscriber. 243 million new shares were issued to the subscriber at a price of HK\$0.68. The net proceeds obtained from the new issue were approximately HK\$165.0 million. As of 30 June 2018, the net proceeds were utilized in accordance with the purposes disclosed in the announcement dated as set out below:

	Proposed use of proceeds	Actual use of proceeds
Cash consideration for the Acquisition of Brilliant Star Group	HK\$165,000,000	HK\$165,000,000

On 3 July 2017, a placing and subscription agreement was signed between the Company, the controlling shareholder and the placing agent and an investor subscription agreement was signed between the Company and the subscriber. 57 million and 41 million new shares were issued to the placee and subscriber at a price of HK\$0.68. The net proceeds obtained from the new issue were approximately HK\$66.0 million. As of 30 June 2018, the net proceeds were utilized in accordance with the purposes disclosed in the announcement dated as set out below:

	Proposed use of proceeds	Actual use of proceeds
Cash consideration for the Acquisition of Brilliant Star Group	HK\$66,000,000	HK\$47,900,000
Use on lending business in Hong Kong		HK\$10,100,000
Repayment of short-term borrowings		HK\$8,000,000

On 17 July 2017, a subscription agreement was signed between the Company and the subscriber. 23 million new shares were issued to the subscriber at a price of HK\$0.68. The net proceeds obtained from the new issue were approximately HK\$15.5 million. As of 30 June 2018, the net proceeds were utilized in accordance with the purposes disclosed in the announcement dated as set out below:

	Proposed use of proceeds	Actual use of proceeds
Use on lending business in Hong Kong	HK\$15,500,000	HK\$15,500,000

Employee and Remuneration Policies

As at 30 June 2018, the Group had approximately 326 employees in the PRC and Hong Kong. Competitive remuneration packages and performance-based bonuses are structured to commensurate with individual responsibilities, qualifications, experience and performance. The Group also set up a share option scheme for the purpose of providing incentives to eligible grantees. Total staff costs for the Reporting Period were approximately HK\$44,118,000.



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2018 – unaudited

		For the six months ended 30 June	
	Note	2018 HK\$'000	2017 HK\$'000
Interest and financing consultancy services income	4	443,128	377,488
Interest and handling expenses	4	(84,812)	(47,341)
Net interest income and service income	4	358,316	330,147
Education consultancy service income	4	3,647	–
Other income	5	9,978	17,263
General and administrative expenses		(103,566)	(66,985)
Share of loss of associates		(743)	–
Profit before taxation	6	267,632	280,425
Income tax	7	(78,209)	(84,288)
Profit for the period		189,423	196,137
Attributable to:			
Equity shareholders of the Company		171,389	186,321
Non-controlling interests		18,034	9,816
Profit for the period		189,423	196,137
Earnings per share	9	HK cents	HK cents
– Basic		3.98	4.85
– Diluted		3.97	4.82

The notes on pages 17 to 56 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 20(a).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018 – unaudited

	Note	For the six months ended 30 June	
		2018 HK\$'000	2017 HK\$'000
Profit for the period		189,423	196,137
Other comprehensive (loss)/income 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	(50,738)	97,536
Other financial assets: net movement in the fair value reserve	8	–	654
Other comprehensive (loss)/income for the period, net of nil income tax		(50,738)	98,190
Total comprehensive income for the period		138,685	294,327
Attributable to:			
Equity shareholders of the Company		122,884	280,360
Non-controlling interests		15,801	13,967
Total comprehensive income for the period		138,685	294,327

The notes on pages 17 to 56 form part of this interim financial report.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018 – unaudited

		At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Non-current assets			
Property, plant and equipment		9,968	6,569
Goodwill		630,209	635,477
Intangible assets		19,371	19,371
Interest in associates	10	25,183	3,706
Other financial assets	11	100,874	99,041
Loans receivable	12	502,713	458,614
Deposits	15	70,000	70,000
Deferred tax assets		11,749	1,964
		<u>1,370,067</u>	<u>1,294,742</u>
Current assets			
Contingent consideration receivable		1,270	1,270
Loans receivable	12	4,231,352	4,216,901
Accounts receivable	13	4,250	5,605
Interests receivable	14	28,034	17,989
Other receivables, deposits and prepayments	15	179,188	80,969
Pledged bank and security deposits paid		5,840	18,974
Time deposits		–	72,370
Cash and cash equivalents		173,687	662,740
		<u>4,623,621</u>	<u>5,076,818</u>
Current liabilities			
Borrowings and other payables	16	801,392	1,244,853
Bank loans	17	230,332	213,556
Security deposits received		153,481	104,311
Accruals and other deposit received		48,969	32,293
Liabilities arising from loan guarantee contracts		133	134
Amount due to associates		3,086	3,125
Financial derivatives		248	304
Senior bonds	18	–	365,099
Unsecured bonds	19	16,906	57,012
Income received in advance		25,237	13,444
Tax payable		134,096	144,510
		<u>1,413,880</u>	<u>2,178,641</u>
Net current assets		<u>3,209,741</u>	<u>2,898,177</u>
Total assets less current liabilities		<u>4,579,808</u>	<u>4,192,919</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Cont'd)

As at 30 June 2018 – unaudited

		At 30 June 2018 <i>HK\$'000</i>	At 31 December 2017 <i>HK\$'000</i>
	<i>Note</i>		
Non-current liabilities			
Borrowings and other payables	16	270,000	–
Unsecured bonds	19	288,374	273,642
Deferred tax liabilities		26,650	20,665
		<u>585,024</u>	<u>294,307</u>
NET ASSETS		<u>3,994,784</u>	<u>3,898,612</u>
EQUITY			
Share capital	20(b)	2,080,113	2,080,113
Reserves		1,713,323	1,632,365
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		<u>3,793,436</u>	<u>3,712,478</u>
Non-controlling interests		201,348	186,134
TOTAL EQUITY		<u>3,994,784</u>	<u>3,898,612</u>

The interim financial report on pages 10 to 56 were approved and authorised for issue by the board of directors on 29 August 2018 and were signed on its behalf by:

Chan Yuk Ming
Director

Cheung Chai Hong
Director

The notes on pages 17 to 56 form part of this interim financial report.



CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018 – unaudited

Note	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Share-based compensation reserve	Exchange fluctuation reserve	Fair value reserve	Statutory surplus reserve	Retained earnings	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2018	2,080,113	41,038	(113,008)	2,373	129,991	1,571,971	3,712,478	186,134	3,898,612
Impact on initial application of HKFRS 9	-	-	-	(2,373)	-	(2,828)	(5,201)	(587)	(5,788)
Adjusted balance 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 20(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
Balance at 1 January 2017	1,760,956	41,567	(320,627)	2,293	36,427	1,473,407	2,994,023	128,684	3,122,707
Changes in equity for the six months ended 30 June 2017:									
Profit for the period	-	-	-	-	-	186,321	186,321	9,816	196,137
Other comprehensive income	8	-	93,385	654	-	-	94,039	4,151	98,190
Total comprehensive income	-	-	93,385	654	-	186,321	280,360	13,967	294,327
Equity settled share-based transactions	-	2,848	-	-	-	-	2,848	-	2,848
Shares issued under share option scheme	715	(236)	-	-	-	-	479	-	479
Dividends approved in respect of the previous year 20(a)	-	-	-	-	-	(50,318)	(50,318)	-	(50,318)
Dividends paid to non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	(12,010)	(12,010)
Transfer to reserve	-	-	-	-	76,918	(76,918)	-	-	-
Balance at 30 June 2017	1,761,671	44,179	(227,242)	2,947	113,345	1,532,492	3,227,392	130,641	3,358,033

The notes on pages 17 to 56 form part of this interim report.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018 – unaudited

	For the six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Operating activities		
Cash generated from operations	278,049	400,747
Tax paid	(79,554)	(94,075)
Net cash generated from operating activities	198,495	306,672
Investing activities		
Decrease/(increase) in pledged bank deposits	13,128	(21)
Increase in amount due from non-controlling interest	–	(7,573)
Deposit for acquisition of companies	–	(56,210)
Acquisition of an associate	(21,477)	–
Other cash flows arising from investing activities	(4,047)	(27,058)
Net cash used in investing activities	(12,396)	(90,862)
Financing activities		
Payment for repurchase of shares	(7,497)	–
Proceeds from new short-term borrowings	617,819	1,084,507
Repayment of short-term borrowings	(1,096,642)	(1,247,156)
Dividends paid to equity shareholders of the Company	(30,109)	(50,318)
Repayment of senior bond	(365,099)	–
Other cash flows arising from financing activities	220,332	10,876
Net cash used in financing activities	(661,196)	(202,091)



CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Cont'd)

For the six months ended 30 June 2018 – unaudited

	For the six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Net (decrease)/increase in cash and cash equivalents	(475,097)	13,719
Effect of foreign exchange rate changes	(13,956)	6,290
Cash and cash equivalents at beginning of the period	<u>662,740</u>	<u>273,291</u>
Cash and cash equivalents at end of the period	<u>173,687</u>	<u>293,300</u>
Analysis of balances of cash and cash equivalents:		
Cash at banks and in hand	<u>173,687</u>	<u>293,300</u>

The notes on pages 17 to 56 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2018

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 2018.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2017 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2018 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 2017 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with HKFRSs.

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

The financial information relating to the financial year ended 31 December 2017 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 2017 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) Overview

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 9, *Financial instruments*
- HKFRS 15, *Revenue from contracts with customers*
- HK(IFRIC) 22, *Foreign currency transactions and advance consideration*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, except for the amendments to HKFRS 9, *Prepayment features with negative compensation* which have been adopted at the same time as HKFRS 9.

The Group has been impacted by HKFRS 9 in relation to classification of financial assets and measurement of credit losses. Details of the changes in accounting policies are discussed in note 2(b) for HKFRS 9.

Under the transition methods chosen, the Group recognises cumulative effect of the initial application of HKFRS 9 as an adjustment to the opening balance of equity at 1 January 2018. Comparative information is not restated. The following table gives a summary of the opening balance adjustments recognised for each line item in the consolidated statement of financial position that has been impacted by HKFRS 9:

	At 31 December 2017	Impact on initial application of HKFRS 9 (Note 2(b))	At 1 January 2018
	HK\$'000	HK\$'000	HK\$'000
Financial assets classified as available-for-sale under HKAS 39	99,041	5,567	104,608
Loans receivable – non-current portion	458,614	(1,307)	457,307
Deferred tax asset	1,964	7,481	9,445
Total non-current assets	1,294,742	11,741	1,306,483
Cash and cash equivalents	662,740	–	662,740
Contingent consideration receivables	1,270	–	1,270
Loans receivables – current portion	4,216,901	(17,529)	4,199,372
Accounts receivable	5,605	–	5,605
Interests receivable	17,989	–	17,989
Total current assets	5,076,818	(17,529)	5,059,289
Financial derivatives	304	–	304
Tax payable	144,510	–	144,510
Total current liabilities	2,178,641	–	2,178,641
Net current assets	2,898,177	(17,529)	2,880,648
Total assets less current liabilities	4,192,919	(5,788)	4,187,131
Deferred tax liabilities	20,665	–	20,665
Total non-current liabilities	294,307	–	294,307
Net assets	3,898,612	(5,788)	3,892,824
Reserves	1,632,365	(5,788)	1,626,577
Total equity attributable to equity shareholders of the Company	3,712,478	(5,201)	3,707,277
Non-controlling interests	186,134	(587)	185,547
Total equity	3,898,612	(5,788)	3,892,824

Further details of these changes are set out in sub-sections (b) of this note.

2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

b) *HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation*

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group has applied HKFRS 9 retrospectively to items that existed at 1 January 2018 in accordance with the transition requirements. The Group has recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 January 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact at 1 January 2018.

	<i>HK\$'000</i>
Retained earnings	
Recognition relating to financial assets recorded as cost now measured at FVPL	5,567
Recognition of additional expected credit losses on:	
– financial assets measured at amortised cost	(18,836)
Portion relating to non-controlling interests	587
Transfer from fair value reserve relating to financial assets now measured at FVPL	2,373
Related tax	7,481
	<hr/>
Net decrease in retained earnings at 1 January 2018	(2,828)
	<hr/>
Fair value reserve	
Transferred to fair value reserve relating to securities now measured at FVPL and net decrease in fair value reserve at 1 January 2018	(2,373)
	<hr/>
Non-controlling interests	
Recognition of additional expected credit losses on financial assets measured at amortised cost and decrease in non-controlling interests at 1 January 2018	(587)
	<hr/>



2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

b) *HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Cont'd)*

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

(i) Classification of financial assets and financial liabilities

HKFRS 9 categories financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics.

Non-equity investments held by the Group are classified into one of the following measurement categories:

- amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method;
- FVOCI – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss. These securities qualified for designation as measured at FVOCI under HKFRS 9, however, the Group does not elect the option for the designation and measures these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss.
- FVPL, if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

An investment in equity securities is classified as FVPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI (non-recycling), are recognised in profit or loss as other income.

Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

b) **HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Cont'd)**

(i) Classification of financial assets and financial liabilities (Cont'd)

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39	Reclassification	Remeasurement	HKFRS 9
	carrying			carrying
	amount at			amount at
	31 December			1 January
	2017			2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Financial assets carried at amortised cost				
Loans receivable – non-current portion	458,614	–	(1,307)	457,307
Loans receivable – current portion	4,216,901	–	(17,529)	4,199,372
Accounts receivable	5,605	–	–	5,605
Interests receivable	17,989	–	–	17,989
Time deposits	72,370	–	–	72,370
Cash and cash equivalents	662,740	–	–	662,740
	<u>5,434,219</u>	<u>–</u>	<u>(18,836)</u>	<u>5,415,383</u>
Financial assets carried at FVPL				
Equity securities (note (i))	–	11,860	–	11,860
Debt securities (note (i))	–	52,270	–	52,270
Contingent consideration receivable	1,270	–	–	1,270
Unlisted investment funds in PRC (note (iii))	–	29,908	–	29,908
Unlisted investments				
– golf club membership	–	1,903	5,567	7,470
– marina club membership	–	3,100	–	3,100
	<u>1,270</u>	<u>99,041</u>	<u>5,567</u>	<u>105,878</u>
Financial assets classified as available-for-sale under HKAS 39				
	<u>99,041</u>	<u>(99,041)</u>	<u>–</u>	<u>–</u>
Financial liabilities measured at fair value				
Financial derivatives	<u>304</u>	<u>–</u>	<u>–</u>	<u>304</u>

Notes:

- (i) Under HKAS 39, these securities not held for trading were classified as available-for-sale financial assets. These securities are classified as at FVPL under HKFRS 9, unless they are eligible for and designated at FVOCI by the Group. However, the Group does not elect the option for the designation and will measure these securities at fair value with subsequent fair value gains or losses to be recognised in profit or loss.
- (ii) Under HKAS 39, unlisted investment funds were classified as available-for-sale financial assets. They are classified as at FVPL under HKFRS 9.



2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

b) *HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Cont'd)*

(i) Classification of financial assets and financial liabilities (Cont'd)

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts. Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantees issued are initially recognised within "liabilities arising from loan guarantee contracts" at fair value. Subsequent to initial recognition, the amount initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. The Group monitors the risk that the specified debtor will default on the contract and recognises a provision when expected credit losses (ECLs, see note 2(b)(ii)) on the financial guarantees are determined to be higher than the amount carried in "liabilities arising from loan guarantee contracts" in respect of the guarantees (i.e. the amount initially recognised, less accumulated amortisation).

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(b)(ii) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 January 2018 have not been impacted by the initial application of HKFRS 9.

2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

b) *HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Cont'd)*

(ii) Credit losses

The HKFRS 9 impairment requirements are based on an expected credit loss model, replacing the incurred loss methodology model under HKAS 39. Key changes in the Group's accounting policy for impairment of financial assets are listed below.

The Group applies simplified approach to measure expected credit losses ("ECL") on other receivable; and general approach to measure ECL on loans receivable and other financial assets accounted for at amortised cost as well as loan commitment.

Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime ECL.

Under the general approach, financial assets migrate through the following three stages based on the change in credit risk since initial recognition:

Stage 1: 12-months ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.

Stage 2: Lifetime ECL – not credit-impaired

For exposures where there has been a significant increase in credit risk since initial recognition but are not credit impaired, a lifetime ECL (i.e. reflecting the remaining lifetime of the financial asset) is recognised.

Stage 3: Lifetime ECL – credit-impaired

Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred. For exposures that have become credit-impaired, a lifetime ECL is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

At each reporting date, the Group assesses whether there has been a significant increase in credit risk for exposures since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Group considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, forward-looking analysis.

The Group assesses whether the credit risk on an exposure has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial instruments are grouped on the basis of shared credit risk characteristics, taking into account instrument type, remaining term to maturity and other relevant factors.



2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

b) *HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Cont'd)*

(ii) Credit losses (Cont'd)

Stage 3: Lifetime ECL – credit-impaired (Cont'd)

The amount of ECL is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group expects to receive. The amount of the loss is recognized using a provision for doubtful debts account.

If, in a subsequent period, credit quality improves and reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL.

Opening balance adjustment

As a result of this change in accounting policy, the Group has recognised additional ECLs amounting to HK\$18,836,000, which decreased retained earnings by HK\$10,768,000 and non-controlling interests by HK\$587,000 and increased gross deferred tax assets by HK\$7,481,000 at 1 January 2018.

(iii) Transition

Changes in accounting policies resulting from the adoption of HKFRS 9 have been applied retrospectively, except as described below:

- Information relating to comparative periods has not been restated. Differences in the carrying amounts of financial assets resulting from the adoption of HKFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 continues to be reported under HKAS 39 and thus may not be comparable with the current period.
- The following assessments have been made on the basis of the facts and circumstances that existed at 1 January 2018 (the date of initial application of HKFRS 9 by the Group):
 - the determination of the business model within which a financial asset is held; and
 - the designation of certain investments in equity instruments not held for trading to be classified as at FVOCI (non-recycling).
- If, at the date of initial application, the assessment of whether there has been a significant increase in credit risk since initial recognition would have involved undue cost or effort, a lifetime ECL has been recognised for that financial instrument.
- All hedging relationships designated under HKAS 39 at 31 December 2017 met the criteria for hedge accounting under HKFRS 9 at 1 January 2018 and are therefore regarded as continuing hedging relationships. Changes to hedge accounting policies have been applied prospectively.

2. CHANGES IN ACCOUNTING POLICIES (Cont'd)

b) *HKFRS 9, Financial instruments, including the amendments to HKFRS 9, Prepayment features with negative compensation (Cont'd)*

(iii) Transition (Cont'd)

	<i>HK\$ '000</i>
Loss allowance at 31 December 2017 under HKAS 39	38,079
Additional credit loss recognised at 1 January 2018 on:	
– Loans receivable – non-current portion	1,307
– Loans receivable – current portion	17,529
	<hr/>
Loss allowance at 1 January 2018 under HKFRS 9	<u>56,915</u>

(c) *HKFRS 15, Revenue from contracts with customers*

The directors are of the opinion that the adoption of HKFRS 15 does not have any material impact on the financial position and the financial result of the Group.

(d) *HK(IFRIC) 22, Foreign currency transactions and advance consideration*

This interpretation provides guidance on determining “the date of the transaction” for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The Interpretation clarifies that “the date of the transaction” is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC)22 does not have any material impact on the financial position and the financial result of the Group.

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.



3. SEGMENT REPORTING (Cont'd)

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	
	2018 HK\$'000	2017 HK\$'000
Hong Kong	39,961	14,586
The PRC	403,167	362,902
United Kingdom	3,647	–
	446,775	377,488

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

Non-current assets

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
	Hong Kong	98,140
The PRC	613,964	676,358
United Kingdom	42,627	17,781
	754,731	735,123

The above table sets out the information about the geographical location of the Group's property, plant and equipment, goodwill, intangible assets, interest in associates 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 interest in an associate.

4. NET INTEREST INCOME AND SERVICE INCOME

	For the six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Interest and financing consultancy services income	443,128	377,488
Interest and handling expenses arising from:		
Bank loans	(9,956)	(2,587)
Borrowings	(53,942)	(17,545)
Senior bonds	(5,535)	(8,845)
Unsecured bonds	(15,379)	(12,411)
Other finance costs	–	(5,953)
	(84,812)	(47,341)
Net interest income and service income	358,316	330,147
Income arising from:		
Education consultancy service	3,647	–

For the six months ended 30 June 2018, 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\$444,588,000 (2017: approximately HK\$378,343,000).



5. OTHER INCOME

	For the six months ended 30 June	
	2018 HK\$'000	2017 HK\$'000
Bank interest income	1,460	855
Dividend income from other financial assets	93	170
Interest income from financial assets at FVTPL	–	498
Other interest income from debt securities	1,539	577
Income from government subsidies	10,897	10,884
Other financial assets: reclassified from equity		
– Gain on disposal	–	1,221
Gain on disposal of other financial assets	555	–
Loss on fair value change of financial assets at FVTPL	(4,734)	(18)
Gain on fair value change of financial derivatives in respect of decumulator contract	56	–
Gain on disposal of financial derivatives, at FVTPL	–	1,032
Exchange loss, net	(3,445)	(1,195)
Others net gain (see note (i) below)	3,557	3,239
	9,978	17,263

Note:

- (i) For the six months ended 30 June 2018, the Group received consultancy fee income of approximately HK\$nil (2017: HK\$2,077,000), which was included in other income, from 北京萬方鑫業投資諮詢有限公司, of which a director of the Company is the legal representative and executive director. The directors of the Company are of the opinion that such transaction was conducted on mutually agreed terms in the ordinary course of business.

6. PROFIT BEFORE TAXATION

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

	For the six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
(a) Staff costs (including directors' emoluments):		
Salaries, allowances and other benefits (see note (iv) below)	40,345	24,069
Equity-settled share-based payment expenses (see note (i) below)	–	257
Contributions to defined contribution retirement plans	3,773	2,064
	44,118	26,390
(b) Other items:		
Depreciation of property, plant and equipment	1,565	1,457
Operating lease charges in respect of properties (see note (ii) below)	8,753	5,264
Impairment losses – loans receivable	2,257	824
Consultancy fee (see note (iii) below)	15,141	10,215
Equity-settled share-based payment expenses (see note (i) below)	881	2,848

Note:

- (i) Equity-settled share-based payment expense includes HK\$nil (six months ended 30 June 2017: HK\$257,000) relating to staff costs, which amount is also included in the total amount disclosed in note 6(a) for staff costs.
- (ii) During the six months ended 30 June 2018, the Group paid operating lease charges (in respect of properties) of approximately HK\$789,000, HK\$111,000 and HK\$1,085,000 (six months ended 30 June 2017: approximately HK\$729,000, HK\$1,178,000 and HK\$nil) 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 2018, the Group has paid rental deposits of approximately HK\$267,000, HK\$47,000 and HK\$172,000 (31 December 2017: approximately HK\$225,000, HK\$40,000 and HK\$nil) 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.



6. PROFIT BEFORE TAXATION (Cont'd)

Note: (Cont'd)

- (iii) For the six months ended 30 June 2018, the Group paid consultancy fee of approximately HK\$2,075,000 and HK\$1,080,000 (2017: approximately HK\$1,916,000 and HK\$nil) to 北京天福號生態科技有限公司 and Tiger One Holdings Limited, respectively, of which a director of the Company is a legal representative. The directors of the Company are of the opinion that such transactions were conducted on mutually agreed terms in the ordinary course of business.
- (iv) For the six months ended 30 June 2018, the Group paid operating lease charges (in respect of director's quarter) of approximately HK\$900,000 (2017: 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. Such amount was included in the total amount disclosed in note 6(a) for staff costs. In addition, as at 30 June 2018, rental deposit of HK\$300,000 (31 December 2017: 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.

7. INCOME TAX

	For the six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Current Tax		
Hong Kong Profits Tax	1,008	3
PRC Income Tax	73,144	87,486
	74,152	87,489
Deferred tax		
Current tax	4,529	–
Reversal and origination of temporary differences	(472)	(3,201)
	78,209	84,288

(a) Hong Kong

The provision for the Hong Kong Profits Tax of the subsidiaries established in HK is calculated at 16.5% (2017: 16.5%) of the estimated taxable profit for the six months ended 30 June 2018.

7. INCOME TAX (Cont'd)

(b) The PRC

The provision for the PRC Enterprise Income Tax of the subsidiaries established in the PRC is calculated at 25% (2017: 25%) of the estimated taxable profits for the reporting period.

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

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

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

(c) Deferred tax assets not recognised

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

The Group has not recognised the deferred tax assets in respect of the tax losses of HK\$280,560,000 (31 December 2017: HK\$250,702,000) due to unpredictability to future profit streams. The unrecognised tax losses, mainly arising from companies incorporated in Hong Kong, can be carried forward indefinitely.

d) Deferred tax liabilities not recognised

At 30 June 2018, the aggregate amount of temporary differences associated with undistributed profits of subsidiaries for which deferred tax liabilities have not been recognised was approximately HK\$705,073,978 (31 December 2017: approximately HK\$523,877,000). 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:

	<i>Note</i>	For the six months ended 30 June 2018 HK\$'000	2017 HK\$'000
Exchange differences on translation into presentation currency		(50,738)	97,536
Other financial assets			
Changes in fair value recognised during the period		–	1,875
Reclassification adjustments for amounts transferred to profit or loss:			
– gain on disposal	5	–	(1,221)
Net movement in fair value reserve during the period recognised in other comprehensive income/(loss)		–	654
		(50,738)	98,190

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\$171,389,000 (2017: HK\$186,321,000) and the weighted average number of 4,307,245,634 ordinary shares (2017: 3,841,012,137 ordinary shares) in issue during the interim period.

b) *Diluted earnings per share*

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$171,389,000 (2017: HK\$186,321,000) and the weighted average number of 4,321,592,580 ordinary shares (2017: 3,864,830,017 ordinary shares) in issue during the interim period.

10. INTERESTS IN ASSOCIATES

	2018 HK\$'000	2017 HK\$'000
Share of net assets	25,183	3,706

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

Name of associate	Place of incorporation and business	Particulars of registered 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 commence operation
KGH Holdings Limited ("KGH") (note (ii))	Republic of Seychelles	100 ordinary shares	40%	-	Investment holding
Thetford Grammar School Limited ("Grammar School")	United Kingdom	4,760,480 ordinary shares	40%	-	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 31 December 2017 and 2016, 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).

Note (ii): During the six months ended 30 June 2018, the Group acquired 40% equity interest in KGH from the independent third parties for a consideration of GBP 2,200,000 (approximately HK\$22,946,000). KGH held 100% equity interest in Grammar School.



11. OTHER FINANCIAL ASSETS

At 30 June 2018

	<i>HK\$'000</i>
Financial assets measured at FVPL:	
Equity securities listed in Hong Kong, at fair value	5,331
Designated at fair value through profit or loss:	
Debt securities listed in Hong Kong, at fair value	45,403
Unlisted investment funds in PRC, at fair value	31,714
Unlisted investments:	
– Golf club memberships, at fair value	7,470
– Marina club membership, at fair value	3,100
– Cove club membership, at fair value	7,856
Total	<u>100,874</u>

At 31 December 2017

	<i>HK\$'000</i>
Available-for-sale:	
Equity securities listed in Hong Kong, at fair value	11,860
Debt securities listed in Hong Kong, at fair value	52,270
Unlisted investment funds in PRC, at fair value	29,908
Unlisted investments:	
– Golf club memberships, at cost	1,903
– Marina club membership, at cost	3,100
Total	<u>99,041</u>

12. LOANS RECEIVABLE

	At 30 June 2018 <i>HK\$'000</i>	At 31 December 2017 <i>HK\$'000</i>
Pawn loans receivable	289,783	372,925
Loans receivable arising from:		
– Micro-lending	1,267,809	1,028,787
– Money-lending	777,728	712,383
Other loans receivable	2,457,689	2,599,499
	4,793,009	4,713,594
Less: Allowance for doubtful debts	(58,944)	(38,079)
	4,734,065	4,675,515
Amounts due within one year included under current assets	4,231,352	4,216,901
Amounts due after one year included under non-current assets	502,713	458,614
	4,734,065	4,675,515

Notes:

- i) Approximately HK\$3,980,184,000 (31 December 2017: HK\$3,976,001,000) 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 0.24% to 4.29% (31 December 2017: 0.24% to 4.29%), and the loans receivable in Hong Kong carry interest at a monthly effective rate of 0.35% to 4.46% (31 December 2017: 0.31% to 4.46%). As at 30 June 2018 and 31 December 2017, in the opinion of the Company's directors, 92% of loans receivable were secured by collaterals which the values are higher than the carrying amounts of the loans receivable and 8% of loans receivable were unsecured.
- ii) A typical loan generally has a term of 30 days to 30 years (31 December 2017: 1 days to 30 years).



12. 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 2018					At 31 December 2017				
	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	35,542	64,253	55,315	427,919	583,029	34,193	18,855	124,579	471,125	648,752
Due after 1 month but within 3 months	59,661	148,375	66,524	434,052	708,612	66,036	176,275	8,431	347,405	598,147
Due after 3 months but within 6 months	82,790	301,686	79,878	745,048	1,209,402	40,255	294,459	78,798	617,232	1,030,744
Due after 6 months but within 12 months	111,790	623,374	202,012	850,670	1,787,846	232,441	460,418	120,296	1,163,737	1,976,892
Due after 12 months	-	130,121	373,999	-	504,120	-	78,780	380,279	-	459,059
Allowance for doubtful debts	(2,898)	(8,556)	(37,103)	(10,387)	(58,944)	(3,729)	(10,371)	(23,979)	-	(38,079)
	286,885	1,259,253	740,625	2,447,302	4,734,065	369,196	1,018,416	688,404	2,599,499	4,675,515

b) Analysed by credit quality

At 30 June 2018

	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 impaired					
- Not past due	289,783	1,260,304	688,347	2,457,689	4,696,123
- Less than 1 month past due	-	1,427	22,873	-	24,300
- 1 to 3 months past due	-	318	4,365	-	4,683
- Over 3 months past due	-	5,760	62,143	-	67,903
- Allowance for doubtful debts	(2,898)	(8,556)	(37,103)	(10,387)	(58,944)
Total	286,885	1,259,253	740,625	2,447,302	4,734,065

12. LOANS RECEIVABLE (Cont'd)

b) Analysed by credit quality (Cont'd)

At 31 December 2017

	Pawn loans receivable HK\$'000	Loans receivable arising from micro-lending HK\$'000	Loans receivable arising from money-lending HK\$'000	Other loans receivable HK\$'000	Total HK\$'000
Loans receivable that are not impaired					
- Neither past due nor impaired	-	-	655,013	2,599,499	3,254,512
- Less than 1 month past due	-	-	6,342	-	6,342
- 1 to 3 months past due	-	-	4,629	-	4,629
- Over 3 months past due	-	-	22,420	-	22,420
	<u>-</u>	<u>-</u>	<u>688,404</u>	<u>2,599,499</u>	<u>3,287,903</u>
Loans receivable that are impaired collectively and individually					
- Not past due	372,925	1,027,260	-	-	1,400,185
- Less than 1 month past due	-	164	-	-	164
- 1 to 3 months past due	-	202	-	-	202
- Over 3 months past due	-	1,161	23,979	-	25,140
- Allowance for doubtful debts	(3,729)	(10,371)	(23,979)	-	(38,079)
	<u>369,196</u>	<u>1,018,416</u>	<u>-</u>	<u>-</u>	<u>1,387,612</u>
Total	<u>369,196</u>	<u>1,018,416</u>	<u>688,404</u>	<u>2,599,499</u>	<u>4,675,515</u>

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.



12. LOANS RECEIVABLE (Cont'd)

c) Movements in provisions/impairment allowances on loans and advances and receivables

	30 June 2018 (Unaudited)			Total HK\$'000
	12 months expected credit loss (Stage 1) HK\$'000	Lifetime expected credit loss not credit impaired (Stage 2) HK\$'000	Lifetime expected credit loss credit impaired (Stage 3) HK\$'000	
As at 31 December 2017 (Reported)				38,079
Impact of adopting HKFRS 9				18,836
Restated opening balance under HKFRS 9 as at 1 January 2018	23,386	9,550	23,979	56,915
New loans/financing originated	14,941	-	-	14,941
Loans/financing derecognised or repaid during the period (other than write-offs)	(17,984)	(1,513)	-	(19,497)
Net transfer between stages	(2,074)	2,074	-	-
Movements due to changes in credit risk	4,226	2,587	-	6,813
Exchange differences	(228)	-	-	(228)
As at 30 June 2018	22,267	12,698	23,979	58,944

2017
HK\$'000

Provision for impairment

As at 1 January 2017	8,920
Impairment charged to profit or loss during the period	824
Exchange alignment	286
As at 30 June 2017	10,030

13. ACCOUNTS RECEIVABLE

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Accounts receivable	4,250	5,605

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 2018 HK\$'000	At 31 December 2017 HK\$'000
Within 1 month	3,727	4,662
1 to 3 months	336	891
3 to 6 months	187	52
	4,250	5,605

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

b) Accounts receivable that are not impaired

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Neither past due nor impaired	3,161	4,662
Less than 1 month past due	601	605
1 to 3 months past due	301	338
4 to 6 months past due	187	–
	4,250	5,605

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

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



14. INTERESTS RECEIVABLE

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Interests receivable	28,034	17,989

At 30 June 2018, approximately HK\$14,816,000 (31 December 2017: approximately HK\$9,362,000) 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 2018 HK\$'000	At 31 December 2017 HK\$'000
Within 1 month	17,916	11,294
1 to 3 months	1,415	2,327
3 to 6 months	1,363	1,223
Over 6 months	7,340	3,145
	28,034	17,989

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

ii) Interests receivable that are not impaired

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Neither past due nor impaired	14,941	10,541
Less than 1 month past due	2,958	1,958
1 to 3 months past due	1,432	1,188
4 to 6 months past due	1,363	1,157
Over 6 months past due	7,340	3,145
	28,034	17,989

14. INTERESTS RECEIVABLE (Cont'd)

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

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

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

15. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Non-current		
Deposits <i>(note (i))</i>	70,000	70,000
Current		
Other receivables	35,501	45,016
Amount due from related company	–	359
Amount due from non-controlling interests	124,221	7,377
	159,722	52,752
Prepayments	14,169	22,522
Utility and sundry deposits <i>(note (ii))</i>	5,297	5,695
	179,188	80,969

Notes:

- (i) The amount represents the deposits for the acquisitions of certain companies which are engaged in money lending business in the PRC and engaged in properties holding and provision of services in Hong Kong.
- (ii) The amount of utility and sundry deposits expected to be recovered or recognised as expense after more than one year is approximately HK\$2,227,000 (31 December 2017: approximately HK\$2,958,000). 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.



16. BORROWINGS AND OTHER PAYABLES

	Note	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Current:			
Borrowings under contractual agreements with:			
– 找銀子	a	1,664	1,678
– 理理貸	b	299,821	790,521
– 小微財行	c	180,031	196,455
Borrowings from employees	d	16,996	11,764
Borrowings from related parties	22(d)(ii)	193,345	146,108
Borrowings from related companies	e	90,460	90,631
Other payables	f	19,075	7,696
		801,392	1,244,853
Non-current:			
Note payable	g	270,000	–

- a) In 2014, 北京中金港資產管理有限公司 (“Zhongjingang”) and 北京融信嘉資產管理有限公司 (“Rongxinjia”), both of which are subsidiaries of the Company, separately entered into a strategic cooperation agreement with an independent third party, which would establish and operate online lending platform (namely, “找銀子” or “Zhaoyinzi”), in the launch of internet finance so as to invite investors to invest in the loans receivable of the Group. In this regard, the Group shall assign all its rights and benefits in the invested receivables to the investors and shall guarantee the due recoverability of such receivables. At the expiry of the investment period, the Group shall repay all the proceeds received to the investors. As at 30 June 2018, the borrowings under this platform amounted to approximately HK\$1,664,000 (31 December 2017: approximately HK\$1,678,000), which bore a financing cost measured at an annualised rate of 9%, including platform service charge, (31 December 2017: 9%) and were secured by certain of loans receivable of approximately HK\$1,661,000 (31 December 2017: approximately HK\$1,675,000).

16. BORROWINGS AND OTHER PAYABLES (Cont'd)

- b) During the year ended 31 December 2015, the Group entered into a strategic cooperation agreement with another independent third party, which would establish and operate an integrated finance information service platform (namely, “理理貸” or “Li Li Dai”), in the launch of internet finance so as to provide investors to invest in the loans receivable of the Group. In this regard, the Group shall assign all its rights and benefits in the invested receivables to the investors and shall guarantee the due recoverability of such receivables. At the expiry of the investment period, the Group shall repay all the proceeds received to the investors. As at 30 June 2018, the borrowings under this platform amounted to HK\$296,525,000 (31 December 2017: HK\$790,521,000), which bore a financing cost measured at an annualised rate of a range from 9% to 9.1% (31 December 2017: 8% to 9.1%), including platform service charge, and were secured by certain of loans receivable of approximately HK\$296,525,000 (31 December 2017: HK\$547,906,000).
- c) During the year ended 31 December 2016, Zhongjingang and Rongxinjia entered into a strategic cooperation agreement with another independent third party, which would establish and operate an integrated finance information service platform (namely, “小微財行” or “Xiaoweicaihang”), in the launch of internet finance so as to provide investors to invest in the loans receivable of the Group. In this regards, the Group shall assign all its right and benefits in the invested receivables to the investors and shall guarantee the due recoverability of such receivables. At the expiry of the investment period, the Group shall repay all the proceeds received to the investors. As at 30 June 2018, the borrowings under this platform amounted to approximately HK\$180,031,000 (31 December 2017: approximately HK\$196,455,000), which bore a financing cost measured at an annualised rate of 9%, including platform service charge, (31 December 2017: a range from 8% to 9%) and were secured by certain of loans receivable of approximately HK\$165,591,000 (31 December 2017: approximately HK\$207,003,000).
- d) The borrowings from employees represent the funds borrowed from its employees (together with their relatives or friends, the “Employees”) based in Hong Kong for the development of its money lending business. As at 30 June 2018, the borrowing from the Employees amounted to approximately HK\$16,996,000 (31 December 2017: approximately HK\$11,764,000), which bore a financing cost measured at annualised rate of 5.5% to 7.5% (31 December 2017: 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 2017 and period ended 30 June 2018, 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 2018, the borrowings from the related parties amounted to approximately HK\$90,460,000 (31 December 2017: HK\$30,000,000) and HK\$nil (31 December 2017: HK\$60,631,000) respectively, which bore a finance cost measured at annualized rate of 4.8% (31 December 2017: 4.8%), were repayable within one year and not secured by any assets or guarantees.



16. BORROWINGS AND OTHER PAYABLES (Cont'd)

- f) Other payables 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 held by the Group and personal guarantee given by Mr Cheung and Ms Lo. Mr Cheung and Ms Lo 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 of approximately HK\$1,043,727,000 (31 December 2017: approximately HK\$988,654,000) were arising from the PRC and are denominated in RMB.
- i) All borrowings are carried at amortised cost.

17. BANK LOANS

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

	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Within 1 year or on demand	230,332	213,556

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

	<i>Note</i>	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Bank loans			
– secured by the Group's loan receivable	<i>(i)</i>	48,000	30,000
– secured by an independent third party's guarantee	<i>(ii)</i>	142,332	143,556
– secured by the Company's corporate guarantee	<i>(iii)</i>	20,000	20,000
– secured by the subsidiary's corporate guarantee and pledged deposit	<i>(iv)</i>	20,000	20,000
		230,332	213,556

17. BANK LOANS (Cont'd)

- (i) As at 30 June 2018, a bank loan of HK\$48,000,000 (31 December 2017: HK\$30,000,000) were secured by loans receivable of HK\$105,494,000 (31 December 2017: HK\$120,424,000), security deposit of HK\$Nil (31 December 2017: HK\$214,000) and corporate guarantee provided by the Company.
- (ii) As at 30 June 2018, the bank loans of approximately HK\$142,332,000 (31 December 2017: HK\$143,556,000) 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\$287,451,073 (31 December 2017: HK\$200,911,000) loans receivable and 60% 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 2018, a bank loan of HK\$20,000,000 (31 December 2017: HK\$20,000,000) was secured by corporate guarantee provided by the Company.
- (iv) As at 30 June 2018, a bank loan of HK\$20,000,000 (31 December 2017: HK\$20,000,000) was secured by corporate guarantee provided by a subsidiary and the pledged bank deposit of HK\$5,060,000 (31 December 2017: HK\$17,976,000).
- (v) All of the bank loans are carried at amortised cost.
- (vi) All of the Group's bank loans are subject to the fulfilment of covenants commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the bank loans would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 30 June 2018, none of the covenants relating to the bank loans had been breached (at 31 December 2017: Nil).



18. SENIOR BONDS

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

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

Below collaterals were provided to Sinoguarantee:

- Mr. Cheung Siu Lam, the Company's controlling shareholder, has entered into a share charge in favour of Sinoguarantee, pursuant to which Mr. Cheung Siu Lam has pledged 750 million shares he owns in the Company to Sinoguarantee;
- the Company has entered into a share charge in favour of Sinoguarantee, pursuant to which it has pledged all of its shareholdings in Zhongjingang, a wholly-owned subsidiary of the Company, to Sinoguarantee; and
- Zhongjingang, Rongxinjia, 北京惠豐融金小額貸款有限公司 and 北京中金投典當行有限公司, all of which are subsidiaries of the Company, have each entered into an agreement to pledge certain receivables to Sinoguarantee of approximately HK\$538,335,000 as at 31 December 2017.

The directors of the Company considered that no derivatives were embedded in the Senior Bonds and it is appropriate to use amortised cost method to record the Senior Bonds in the consolidated statement of financial position. The Senior Bonds were settled in full on 5 March 2018.

19. 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 2018 and 31 December 2017, none of the covenants relating to the unsecured bonds had been breached.

	Coupon rate per annum	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Current liabilities			
Unsecured bonds of HK\$58,000,000 due 2018 (issued in 2015)	5.50%	16,906	57,012
Non-current liabilities			
Unsecured bonds of HK\$220,000,000 due 2022 (issued in 2015)	7.00%	192,625	190,879
Unsecured bonds of HK\$10,000,000 due 2022 (issued in 2016)	5.00%	9,099	9,010
Unsecured bonds of HK\$10,000,000 due 2024 (issued in 2016)	6.00%	8,946	8,873
Unsecured bonds of HK\$55,000,000 due 2019 (issued in 2017)	6.00%	55,120	54,727
Unsecured bonds of HK\$11,413,000 due 2021 (issued in 2017)	4.00%	10,316	10,153
Unsecured bonds of HK\$14,146,000 due 2024 (issued in 2018)	5.00%	12,268	–
		288,374	273,642
		305,280	330,654



20. CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Interim dividend declared and paid after the interim period of HK1.00 cent per share (2017: HK1.05 cents per share)	43,000	40,331

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 2018 <i>HK\$'000</i>	2017 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the following interim period, of HK0.70 cent per share (six months ended 30 June 2017: HK1.31 cents per share)	30,109	50,318

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

(b) Share capital

	No. of shares	HK\$'000
Ordinary shares, issued and fully paid:		
At 1 January 2017	3,840,056,336	1,760,956
Shares issued under share option scheme	1,000,000	715
At 30 June 2017 and 1 July 2017	3,841,056,336	1,761,671
Shares issued under share option scheme	15,000,000	10,710
Shares issued under acquisition agreement	91,527,011	61,323
Shares issued under subscription agreement dated 17 May 2017	243,000,000	164,983
Shares issued under the placing and subscription agreement dated 3 July 2017	57,000,000	38,206
Shares issued under the investor subscription agreement dated 3 July 2017	41,000,000	27,670
Shares issued under subscription agreement dated 17 July 2017	23,000,000	15,550
At 31 December 2017 and 1 January 2018	4,311,583,347	2,080,113
Shares repurchased (<i>note (i)</i>)	(11,580,000)	–
At 30 June 2018	4,300,003,347	2,080,113

(i) Purchase of own shares

For the six months ended 30 June 2018, the Company repurchased its own shares on The Stock Exchange of Hong Kong Limited as follows:

Month/year	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate price paid HK\$'000
April 2018	10,254,000	0.66	0.64	6,609
May 2018	1,326,000	0.67	0.67	888
				7,497

The repurchase was governed by section 257 of the Hong Kong Companies Ordinance. The total amount paid on the repurchased shares of HK\$7,497,000 was paid wholly out of retained earnings.

(c) Equity settled share-based transactions

For the six months ended 30 June 2018 and 2017, no share options were granted under the Company's share option scheme.

Nil and 10,000,000 options were exercised and lapsed (six months ended 30 June 2017: 1,000,000 and nil), respectively, for the six months ended 30 June 2018.



21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

a) *Financial assets and liabilities measured at fair value*

i) Fair value hierarchy

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

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

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

	Fair value at 30 June 2018 HK\$'000	Fair value measurements as at 30 June 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	5,331	5,331	–	–
– Debt securities, listed	45,403	–	45,403	–
– Investment funds, unlisted	31,714	–	–	31,714
– Other unlisted investments	18,426	–	18,426	–
Contingent consideration receivable	1,270	–	–	1,270
Liabilities:				
Financial derivatives	248	–	–	248

21. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (Cont'd)

a) Financial assets and liabilities measured at fair value (Cont'd)

i) Fair value hierarchy (Cont'd)

	Fair value at 31 December 2017 HK\$'000	Fair value measurements as at 31 December 2017 categorised into		
		Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000
Recurring fair value measurements				
Assets:				
Other financial assets				
– Equity securities, listed	11,860	11,860	–	–
– Debt securities, listed	52,270	–	52,270	–
– Investment funds, unlisted	29,908	–	–	29,908
Contingent consideration receivable	1,270	–	–	1,270
Liabilities:				
Financial derivatives	304	–	–	304

For the six months ended 30 June 2018, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3 (2017: Nil). The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

ii) Valuation techniques and inputs used in Level 2 fair value measurements

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

The fair value of other unlisted investments are determined with market comparable approach.

iii) Information about Level 3 fair value measurements

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

	At 30 June 2018 HK\$'000	At 30 June 2017 HK\$'000
Financial assets at FVPL:		
At 1 January	–	17,817
Proceeds from early redemption	–	(17,799)
Loss on disposal recognised in profit or loss	–	(18)
At 30 June	–	–
Total losses for the period included in profit or loss on disposal	–	(18)



21. 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 2018 <i>HK\$'000</i>	At 30 June 2017 <i>HK\$'000</i>
Contingent consideration receivable:		
At 1 January	1,270	–
Fair value change recognised in general and administrative expenses in profit or loss	–	–
At 30 June	1,270	–
Total 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 2018 <i>HK\$'000</i>	At 30 June 2017 <i>HK\$'000</i>
Investment fund in the PRC, unlisted:		
At 1 January	29,908	–
Fair value change recognised in general and administrative expenses in profit or loss	1,806	–
At 30 June	31,714	–
Total 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	–

21. 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 2018 HK\$'000	At 30 June 2017 HK\$'000
Financial derivatives:		
At 1 January	(304)	1,032
Changes in fair value recognised in profit or loss	56	–
Gain on disposal recognised in profit or loss	–	(1,032)
	(248)	–
At 30 June		
Total gains for the period included in profit or loss on disposal	–	1,032
Total gains for the period included in profit or loss for assets held at the end of the reporting period	56	–

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

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2017 and 30 June 2018.



22. 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	
	2018	2017
	HK\$'000	HK\$'000
Key management personnel compensation:		
– Short-term employee benefits	4,220	4,742
– Post-employment benefits	175	142
– Equity compensation benefits	–	257
	4,395	5,141

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

b) Transaction with Sinoguarantee

	For the six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
Guarantee fee in respect of senior bond	–	5,782

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

c) Transaction with a related party

	For the six months ended 30 June	
	2018	2017
	HK\$'000	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.

22. MATERIAL RELATED PARTY TRANSACTIONS (Cont'd)

d) Financing arrangements

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

Name	Note	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
Amount due from a related company — 北京萬方達隆物業管理有限公司 (“達隆物業”)	(1), (2)	—	359

Notes:

- (1) The amounts due from related parties are unsecured, non-interest-bearing and have no fixed terms of repayment.
- (2) Mr. Cheung Siu Lam (“Mr. Cheung”), a non-executive director of the Company, is the legal representative of 達隆物業. The maximum outstanding balance due from 達隆物業 during the period was approximately HK\$359,000 (the year ended 31 December 2017: approximately HK\$359,000).
- (ii) The details of the amount due to a related party are as follows:

Name	Note	At 30 June 2018 HK\$'000	At 31 December 2017 HK\$'000
<i>Short-term borrowings</i>			
— Lo Wan (“Ms. Lo”)	(1), (2)	188,343	141,044
— Cheung Siu Hung (“Ms. Cheung”)	(3), (4)	5,002	5,064
		193,345	146,108

Notes:

- (1) At 31 December 2017, the loan of HK\$141,044,000 from Ms Lo Wan is unsecured, bears interest at 4.8% per annum and is repayable on 20 April 2018 and 8 May 2018. Related interest expense incurred on this loan during the six months ended 30 June 2017 was HK\$1,757,000, which is included in interest and handling expenses (*note 4*).

At 30 June 2018, the loans of HK\$188,343,000 from Ms Lo Wan are unsecured, bear interest at 4.8% per annum and are repayable on the date after six months to 1 year of drawdown dates. Related interest expense incurred on this loan during the six months ended 30 June 2018 was HK\$4,065,271, which is included in interest and handling expenses (*note 4*).



22. MATERIAL RELATED PARTY TRANSACTIONS

d) *Financing arrangements (Cont'd)*

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

Notes: (Cont'd)

- (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 2017: 7%) per annum and is repayable on 26 October 2018 (31 December 2017: 25 April 2018). Related interest expense incurred on this loan during the six months ended 30 June 2018 was approximately HK\$174,000 (six months ended 30 June 2017: nil), 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.

23. COMPARATIVE FIGURES

The Group has initially applied HKFRS 9 at 1 January 2018. Under the transition methods chosen, comparative information is not restated. Further details of the changes in accounting policies are disclosed in *note 3*.

24. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE SIX MONTHS ENDED 30 JUNE 2018

A number of amendments and new standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted any new or amended standards in preparing this interim financial report.

The Group has the following update about the possible impacts of the new standards issued but not yet effective which may have a significant impact on the Group's consolidated financial statements.

HKFRS 16, Leases

As discussed in the 2017 annual financial statements, currently the Group classifies leases into finance leases and operating leases and accounts for the lease arrangements differently, depending on the classification of the lease. Upon the adoption of HKFRS 16, where the Group is the lessee under the lease the Group will be required to account for all leases in a similar way to current finance lease accounting, i.e. recognise and measure a lease liability at the present value of the minimum future lease payments and recognise a corresponding "right-of-use" asset at the commencement date of the lease, subject to practical expedients. HKFRS 16 will primarily affect the Group's accounting as a lessee of leases for items of property, plant and equipment which are currently classified as operating leases.

HKFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group has decided not to early adopt HKFRS 16 in its 2018 consolidated financial statements.

25. 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 2018.

OTHER INFORMATION

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

As at 30 June 2018, 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 504,566,000 ordinary shares and 1,000,000 underlying shares (Note 2) and interest in controlled corporation of 86,400,000 ordinary shares (Note 3)	2,311,010,240	2,000,000	53.79%
Luo Rui	Beneficial owner	3,390,000	20,000,000	0.54%
Guan Xue Ling	Beneficial owner	–	2,000,000	0.05%
Cheung Chai Hong	Beneficial owner	200,000	–	0.004%
Chan Yuk Ming	Beneficial owner	20,000,000	2,000,000	0.51%

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 504,566,000 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 2018.



Save as disclosed above, as at 30 June 2018, 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 2018, the register of substantial shareholders maintained under section 336 of the SFO shows that the Company had been notified of the following substantial shareholders' interests and short positions, representing 5% or more of the Company's issued share capital:

Long Positions in Shares and Underlying Shares of the Company

Name	Capacity	Number of Ordinary Shares held	Underlying Shares Interested (Note 1)	Aggregate Long Position in Shares and Underlying Shares to Issued Share Capital (Note 4)
Lo Wan	Beneficial owner of 504,566,000 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)	2,311,010,240	2,000,000	53.79%
China United SME Guarantee Corporation	Beneficial owner of 643,000,000 ordinary shares	643,000,000	–	14.95%
Fosun International Holdings Ltd.	Interest in controlled corporation (Note 4)	371,962,000	–	8.65%
Fosun International Limited	Interest in controlled corporation (Note 4)	371,962,000	–	8.65%
Guo Guangchang	Interest in controlled corporation (Note 4)	371,962,000	–	8.65%
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	–	6.29%

Notes:

1. The number of underlying shares represents the shares in which the substantial shareholder is deemed to be interested as a result of holding share options.
2. By virtue of the SFO, Lo Wan, being spouse of Cheung Siu Lam, is deemed to be interested in 1,720,044,240 ordinary shares and 1,000,000 underlying shares held by Cheung Siu Lam.
3. Arbalice Holdings Limited is beneficially owned as to 60% by Cheung Siu Lam and 40% by Lo Wan. By virtue of the SFO, Cheung Siu Lam and Lo Wan are deemed to be interested in 86,400,000 shares held by Arbalice Holdings Limited.
4. Guo Guangchang held interests in a total of 371,962,000 shares in the Company through Fosun Hani Securities Limited and Peak Reinsurance Company Limited. Fosun Hani Securities Limited is a wholly-owned subsidiary of Novel Growth Limited, which is in turn wholly owned by Fosun Financial Holdings Limited. Peak Reinsurance Company Limited is a wholly-owned subsidiary of Peak Reinsurance Holdings Limited, which is in turn owned as to 86.93% by Spinel Investment Limited, which is in turn wholly owned by Fosun Financial Holdings Limited. Fosun Financial Holdings Limited is wholly owned by Fosun International Limited, which is in turn owned as to 71.55% by Fosun Holdings Limited, which is in turn wholly owned by Fosun International Holdings Ltd. Fosun International Holdings Ltd is owned as to 64.45% by Guo Guangchang.
5. The percentage is calculated based on the total number of issued shares as at 30 June 2018.

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 1.1.2018	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30.6.2018	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	10,000,000	-	-	10,000,000	-	11.04.14 – 10.04.18	0.630	0.1998
	11.04.14	0.660	30,000,000	-	-	-	30,000,000	11.04.14 – 10.04.24	0.630	0.4623
	26.08.15	0.546	55,000,000	-	-	-	55,000,000	26.08.15 – 25.08.25	0.490	0.289

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

During the Reporting Period, the Company had bought back on the Stock Exchange a total of 11,580,000 shares. A total of 11,580,000 shares have been cancelled.

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

Month of Buy-back	Number of Shares Bought Back	Highest Price Per Share HK\$	Lowest Price Per Share HK\$	Aggregate Purchase Price HK\$
April	10,254,000	0.6600	0.6400	6,608,800.00
May	1,326,000	0.6700	0.6700	888,420.00

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

INTERIM DIVIDEND

The Board is pleased to declare an interim dividend of HK1 cent per ordinary share of the Company for the six months ended 30 June 2018 (six months ended 30 June 2017: HK1.05 cents), to the shareholders of the Company whose names are on the register of members on Friday, 28 September 2018. The payment of interim dividend will be made on or about 9 October 2018.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to the interim dividend, the register of members of the Company will be closed from Wednesday, 26 September 2018 to Friday, 28 September 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares, accompanied by the relevant share certificates, must be lodged with the Company's share registrar, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 24 September 2018.

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.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of directors since the date of the 2017 annual report of the Company are set out below:

Name of Director	Details of Change
Dong Yibing	Appointed as a non-executive director, a member of the Remuneration Committee and the Nomination Committee of the Company with effect from 6 April 2018
Zhou Jian	Resigned as a non-executive director, a member of the Remuneration Committee and the Nomination Committee of the Company with effect from 6 April 2018
Wang Jian Sheng	Retired as an independent non-executive director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company at the conclusion of 2018 annual general meeting on 21 May 2018
Zhan Lili	Appointed as an independent non-executive director, a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company on 21 May 2018

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 2018. 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 2018