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# 中金投集团

China Financial Services Holdings Ltd

## China Financial Services Holdings Limited

(Incorporated in Hong Kong with limited liability)

(Stock Code: 605)

### INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

#### FINANCIAL HIGHLIGHTS

	<b>Unaudited six months ended 30 June 2021 HK\$'000</b>	<b>Unaudited six months ended 30 June 2020 HK\$'000 (Restated)</b>	<b>Percentage changes %</b>
Interest and services income	<b>158,976</b>	395,657	(59.8)
Loss for the period attributable to owners of the Company	<b>(100,636)</b>	(236,362)	(57.4)
	<b>HK\$ (Adjusted)</b>	<b>HK\$ (Adjusted) (Restated)</b>	
Basic loss per share	<b>(0.50)</b>	<b>(1.14)</b>	<b>(56.1)</b>

## FINANCIAL RESULTS

The board of directors (the “Board” or “Directors”) of China Financial Services Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2021 (the “Reporting Period”) together with the comparative figures as follows:

### CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Unaudited	
		Six months ended 30 June	
		2021	2020
	Note	HK\$'000	HK\$'000
			(Restated)
<b>Interest, guarantee and financing consultancy services income</b>	3	<b>158,976</b>	395,657
Interest and handling expenses	3	<b>(113,067)</b>	(165,455)
<b>Net interest income and service income</b>	3	<b>45,909</b>	230,202
Education consultancy service income	3	<b>2,778</b>	2,447
Other income and other gains and losses	4	<b>(5,626)</b>	33,643
Impairment losses on financial instruments	5	<b>(1,648)</b>	(453,499)
Impairment losses on goodwill		<b>(66,670)</b>	–
General and administrative expenses		<b>(66,533)</b>	(126,454)
Share of results of associates		<b>1,613</b>	(778)
Share of results of joint ventures		<b>(276)</b>	(289)
<b>Loss before taxation</b>	6	<b>(90,453)</b>	(314,728)
Income tax	7	<b>(8,437)</b>	(66,240)
<b>Loss for the period</b>		<b>(98,890)</b>	(380,968)
<b>Attributable to:</b>			
Owners of the Company		<b>(100,636)</b>	(236,362)
Non-controlling interests		<b>1,746</b>	(144,606)
<b>Loss for the period</b>		<b>(98,890)</b>	(380,968)
<b>Loss per share</b>	8	<b>HK\$</b>	<b>HK\$</b>
		<b>(Adjusted)</b>	<b>(Adjusted)</b>
			<b>(Restated)</b>
– Basic and diluted		<b>(0.50)</b>	(1.14)

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

*For the six months ended 30 June 2021*

	<b>Unaudited</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
<b>Loss for the period</b>	<b>(98,890)</b>	(380,968)
<b>Other comprehensive income/(expenses) for the period, net of income tax</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	<b>14,005</b>	(53,931)
Reclassification of cumulative translation reserve upon disposal of a foreign operation	<b>(434)</b>	–
Financial assets measured at fair value through other comprehensive income (“FVTOCI”)		
Fair value loss on debt securities at FVTOCI	–	(321)
Reclassification of fair value reserve upon disposal	–	2,816
	–	2,495
<b>Other comprehensive income/(expense) for the period, net of income tax</b>	<b>13,571</b>	(51,436)
<b>Total comprehensive expense for the period</b>	<b>(85,319)</b>	(432,404)
<b>Attributable to:</b>		
Owners of the Company	<b>(88,097)</b>	(281,218)
Non-controlling interests	<b>2,778</b>	(151,186)
<b>Total comprehensive expense for the period</b>	<b>(85,319)</b>	(432,404)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		At 30 June 2021	At 31 December 2020
	<i>Note</i>	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		25,216	33,575
Goodwill		439,393	500,726
Intangible assets		33,473	34,547
Interests in associates		20,538	19,369
Interests in joint ventures		79	355
Other financial assets		15,026	23,134
Loan receivables	10	320,115	467,906
Deposits		35,000	35,000
Deferred tax assets		14,057	8,522
		<u>902,897</u>	<u>1,123,134</u>
<b>Current assets</b>			
Contingent consideration receivables		8,665	10,216
Loan receivables	10	1,909,453	2,134,916
Account receivables		199	520
Interest receivables	11	9,655	24,356
Other receivables, deposits and prepayments		83,900	94,310
Amounts due from associates		60,603	54,455
Amounts due from joint ventures		685	630
Tax recoverable		81	81
Pledged bank and security deposits		10,207	10,205
Cash and cash equivalents		685,724	595,495
		<u>2,769,172</u>	<u>2,925,184</u>

		At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
<b>Current liabilities</b>			
Borrowings and loan payables	12	1,521,610	1,619,401
Bank loans		25,500	32,000
Security deposits received		7,512	9,588
Consideration payables		96,143	98,346
Other payables, accruals and deposit received		93,097	81,741
Liabilities arising from loan guarantee contracts		119,820	118,459
Amount due to an associate		3,089	3,059
Unsecured bonds		111,721	52,329
Income received in advance		1,196	2,925
Lease liabilities		10,769	14,327
Tax payables		171,713	189,781
		<u>2,162,170</u>	<u>2,221,956</u>
<b>Net current assets</b>		<u>607,002</u>	<u>703,228</u>
<b>Total assets less current liabilities</b>		<u>1,509,899</u>	<u>1,826,362</u>
<b>Non-current liabilities</b>			
Borrowings and loan payables	12	169,371	206,550
Consideration payables		–	96,512
Unsecured bonds		154,636	246,892
Lease liabilities		6,267	9,751
Deferred tax liabilities		38,990	37,465
		<u>369,264</u>	<u>597,170</u>
<b>NET ASSETS</b>		<u><u>1,140,635</u></u>	<u><u>1,229,192</u></u>
<b>EQUITY</b>			
Share capital		2,080,113	2,080,113
Reserves		(1,024,501)	(936,404)
<b>TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<u>1,055,612</u>	<u>1,143,709</u>
Non-controlling interests		<u>85,023</u>	<u>85,483</u>
<b>TOTAL EQUITY</b>		<u><u>1,140,635</u></u>	<u><u>1,229,192</u></u>

*Notes:*

## **1. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

These unaudited condensed consolidated interim financial information for the six months ended 30 June 2021 has been prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The unaudited condensed consolidated interim financial information and notes does not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”). The unaudited condensed consolidated interim financial information should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2020. The Group’s policies on financial risk management were set out in the financial statements included in the Company’s 2020 annual report and there have been no significant changes in these policies for the six months ended 30 June 2021, except as described below.

In the current interim period, the Group has applied, for the first time, certain new and revised HKFRSs issued by the HKICPA. The application of the new and revised HKFRSs in the current interim period has had no significant effect on the amounts reported and/or disclosures set out in these condensed consolidated interim financial information.

## **2. SIGNIFICANT INCIDENTS DURING THE PERIOD**

The unaudited condensed consolidated interim financial information for the period ended 30 June 2021 has taken into the consideration of the financial impact related to the Incidents. The below is the table showing the correction of financial impacts related to the Incidents during the period ended 30 June 2021 and 30 June 2020.

The definition of Incidents, background of the Incidents and the below table should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2020 note 3.1 and 3.2 accordingly.

## 2.1 Adjustments to the consolidated statement of profit or loss (extracted):

### For the period ended 30 June 2021

	Adjustments			Adjusted Balance HK\$'000
	Balance before the Incidents HK\$'000	(ii) HK\$'000	(iv) HK\$'000	
Interest and handling expenses	(33,074)	(79,993)	–	(113,067)
Impairment loss on financial instruments	(835)	–	(813)	(1,648)
	<u>(33,909)</u>	<u>(79,993)</u>	<u>(813)</u>	<u>(114,715)</u>

### For the period ended 30 June 2020

	As previously reported HK\$'000	Adjustments					As restated HK\$'000
		(i) HK\$'000	(ii) HK\$'000	(iii) HK\$'000	(iv) HK\$'000	(v) HK\$'000	
Interest, guarantee and financing consultancy service income	307,732	87,925	–	–	–	–	395,657
Interest and handling expenses	(70,959)	–	(94,496)	–	–	–	(165,455)
Net interest income and service income	236,773	87,925	(94,496)	–	–	–	230,202
Impairment loss on financial instruments	(36,514)	–	–	–	(416,985)	–	(453,499)
General and administrative expenses	(116,148)	–	–	(10,306)	–	–	(126,454)
Profit/(loss) before taxation	119,134	87,925	(94,496)	(10,306)	(416,985)	–	(314,728)
Income tax	(44,259)	–	–	–	–	(21,981)	(66,240)
Profit/(loss) for the period	74,875	87,925	(94,496)	(10,306)	(416,985)	(21,981)	(380,968)
Profit/(loss) for the period attributable to:							
Owners of the Company	70,567	79,755	(92,809)	(10,306)	(263,630)	(19,939)	(236,362)
Non-controlling interests	4,308	8,170	(1,687)	–	(153,355)	(2,042)	(144,606)
Profit/(loss) for the period	<u>74,875</u>	<u>87,925</u>	<u>(94,496)</u>	<u>(10,306)</u>	<u>(416,985)</u>	<u>(21,981)</u>	<u>(380,968)</u>

*Notes:*

- (i) Being adjustment on the omission of the Unauthorised Loan Receivables and related interest receivables and interest income during the Incidents Period that resulted in an understatement of loan receivables and interest receivables and interest income during the period.
- (ii) Being adjustment on the omission of the Unauthorised Loans and related interest payables and interest expenses during the Incidents Period that resulted in an understatement of loan payables and interest payables and interest expenses and handing expenses during the period.
- (iii) Being adjustment on general and administrative expenses that has been wrongly recorded in loan receivables that resulted in overstatement of other receivables and understatement of general and administrative expenses during the period.
- (iv) Being adjustment on the recognition on impairment loss on loan receivables and interest receivables related to Unauthorised Loan Receivables and interest receivables.
- (v) Being adjustment on the recognition of income tax expenses derived from the Incidents.

## **2.2 Outbreak of COVID-19 pandemic**

The COVID-19 pandemic started since December 2019 with the prolonged effect, has brought about additional uncertainties in the Group's operating environment and has impacted the Group's operations and financial position.

In preparing these condensed consolidated financial information, the Group has taken into account the increased risks caused by COVID-19 on impairment of the Group's financial and non-financial assets when assessing assets impairment.

Management has been closely monitoring the development of the COVID-19 outbreak and considered that, save as disclosed elsewhere in the condensed consolidated financial information and except for the Incidents noted in Note 2.1, there are no other matters that would result in a significant adverse impact on the Group's results and financial position as at the reporting date as result of the COVID-19. The Group has been closely monitoring the impact of the developments on the Group's business and has put in place contingency measures accordingly.

## **2.3 Other significant incident during the Reporting Period**

The trading of the Company's shares on the Main Board of the Stock Exchange has been halted since 29 March 2021 pending the Company to fulfill the Resumption Guidance set out by the Stock Exchange on 28 June 2021.



### 3. REVENUE AND SEGMENT REPORTING

#### a) Revenue

The amount of each significant category of revenue during the periods is as follows:

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
<b>Interest, guarantee and financing consultancy services income from:</b>		
Pawn loans, loan receivables from micro-lending and money-lending	121,533	207,773
Loan receivables from the Incidents	–	87,925
Other loan receivables	37,443	99,959
	<u>158,976</u>	<u>395,657</u>
<b>Interest and handling expenses from:</b>		
Bank loans	(443)	(5,910)
Borrowings and loan payables	(18,161)	(44,547)
Loan payables from the Incidents	(79,993)	(94,496)
Unsecured bonds	(12,687)	(13,536)
Lease liabilities	(497)	(414)
Other finance costs	(1,286)	(6,552)
	<u>(113,067)</u>	<u>(165,455)</u>
<b>Net interest income and service income</b>	<u>45,909</u>	<u>230,202</u>
<b>Income recognised over time under HKFRS 15:</b>		
Education consultancy service	<u>2,778</u>	<u>2,447</u>

b) **Segmental Information**

***Operating segment information***

The Directors have determined that the Group has only one reportable segment as the Group is principally engaged in providing financing service which is the basis to allocate resources and assess performance of the Group for both periods.

There was no customer who individually contributed over 10% of the Group's revenue for the Reporting Period (2020: Nil).

4. **OTHER INCOME AND OTHER GAINS AND LOSSES**

a) **Other Income**

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Bank interest income	2,252	2,671
Dividend income from financial assets at FVTPL	13,530	–
Income from government subsidies	2,798	15,373
Other consultancy service income	118	14,973
Others	3,474	3,855
	<u>22,172</u>	<u>36,872</u>

b) **Other Gains and Losses**

	<b>For the six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Gain on deregistration of subsidiaries	2,186	–
Loss from changes in fair value of financial assets at FVTPL, net	(7,779)	(2,408)
Loss from changes in fair value of contingent consideration receivables	(1,551)	–
Exchange (loss)/gain, net	(210)	1,995
Loss on disposal of financial assets at FVTOCI	–	(2,816)
Impairment loss on intangible assets	(20,444)	–
	<u>(27,798)</u>	<u>(3,229)</u>
Total	<u><u>(5,626)</u></u>	<u><u>33,643</u></u>

## 5. IMPAIRMENT LOSSES ON FINANCIAL INSTRUMENTS

	For the six months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited) (Restated)
Impairment loss on loan and interest receivables from the Incidents <i>(Note 2)</i>	813	416,985
Impairment loss on loan and other receivables	835	36,514
	<u>1,648</u>	<u>453,499</u>

## 6. LOSS BEFORE TAXATION

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

	For the six months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited) (Restated)
<b>(a) Staff costs (including directors' emoluments):</b>		
Salaries, allowances and other benefits	37,257	45,182
Contributions to defined contribution retirement plans	3,104	1,602
	<u>40,361</u>	<u>46,784</u>
<b>(b) Other items:</b>		
Depreciation of property, plant and equipment		
– self-owned assets	1,770	2,029
– right-of-use assets	5,743	6,971
	<u>5,743</u>	<u>6,971</u>

## 7. INCOME TAX

Taxation in the consolidated statement of profit or loss represents:

	For the six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited) (Restated)
<b>Current tax – PRC Enterprise Income Tax</b>		
Provision for the period	17,872	68,205
Over-provision in respect of prior periods	(5,704)	–
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<u>(3,731)</u>	<u>(1,965)</u>
	<b><u>8,437</u></b>	<b><u>66,240</u></b>

## 8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to owners of the Company of HK\$100,636,000 (2020 (restated): HK\$236,362,000) and the weighted average number of ordinary shares in issue less shares held under the Company's share award scheme during the period of 202,323,367 (2020: 207,340,322).

Pursuant to an ordinary resolution passed by shareholders at the special general meeting held on 7 January 2021, every twenty issued existing shares be consolidated into one consolidated share and to round down the number of consolidated shares in the issued share capital of the Company to the nearest whole number by disregarding each and every fractional consolidated share which would otherwise arise therefrom.

The weighted average number of shares for calculating basic and diluted loss per shares have been adjusted retrospectively on the assumption that the Share Consolidation have been effective in both periods.

Diluted loss per share is not presented as the Company does not have any dilutive potential ordinary share for both periods.

## 9. DIVIDENDS

The Board does not recommend the payment of any interim dividend for the Reporting Period (2020: Nil).

## 10. LOAN RECEIVABLES

	At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
Pawn loan receivables	179,335	236,115
Loan receivables arising from:		
– Micro-lending	1,308,258	1,276,216
– Money-lending	397,638	532,088
Loan receivables from Incidents	1,354,200	1,323,725
Other loan receivables	<u>472,567</u>	<u>651,201</u>
	3,711,998	4,019,345
<i>Less: Impairment</i>	<u>(1,482,430)</u>	<u>(1,416,523)</u>
	<u><u>2,229,568</u></u>	<u><u>2,602,822</u></u>
Amounts due within one year	1,909,453	2,134,916
Amounts due after one year	<u>320,115</u>	<u>467,906</u>
	<u><u>2,229,568</u></u>	<u><u>2,602,822</u></u>

## 11. INTEREST RECEIVABLES

	At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
Interest receivables	<u>9,655</u>	<u>24,356</u>

All of the interest receivables are expected to be recovered within one year.

## 12. BORROWINGS AND LOAN PAYABLES

	At 30 June 2021 <i>HK\$'000</i> (Unaudited)	At 31 December 2020 <i>HK\$'000</i> (Audited)
Borrowings from employees and independent third parties	65,385	80,541
Borrowings from shareholders	24,814	4,051
Borrowings from related parties	8,622	22,279
Loan payables arising from the Incidents	1,383,914	1,464,876
Note payables	208,246	246,582
Payable to interest holders of consolidated structured entity – investment fund	<u>–</u>	<u>7,622</u>
	<u>1,690,981</u>	<u>1,825,951</u>
Amounts due within one year	1,521,610	1,619,401
Amounts due after one year	<u>169,371</u>	<u>206,550</u>
	<u>1,690,981</u>	<u>1,825,951</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **INDUSTRY REVIEW**

The global economy has been significantly impacted by COVID-19 since 2020. However, since the beginning of 2021, the Chinese economy has shown significant rebound with GDP growing by 12.7% year-on-year. Retail consumption has been the major contributor of the strong GDP growth.

After the government enacted a “three red lines’ rule to regulate leverage taken on by developers, many property developers were affected, leading to uncertainties in the property sector in terms of both transaction volumes and prices towards the latter part of 2021. The Group’s principal business is loan services, with mortgages as the main revenue stream. Uncertainty in the property sector has brought challenges to the Group’s business.

### **BUSINESS REVIEW**

The Group adopted a conservative approach in the first half of 2021 in all of the regions it was operating in. For Mainland Chinese cities, uncertainties in real estate market have led the Group to tighten risk management; meanwhile in Hong Kong, property prices were relatively stable in 2021 so our mortgage business was stable as well.

The Group has been working on growing its operations in Chengdu, Hong Kong and Shenzhen in order to achieve further geographical diversification. The adoption of financial technology via the launch of Oyster Pie, a 100% online loan application platform, in Hong Kong has brought enhanced user experience to our clients while driving significant improvements in our efficiency and productivity.

### **FUTURE PROSPECTS**

On 29 March 2021, shares of the Company have suspended trading pending release of the Company’s annual results. The Company has been working on fulfilling the Resumption Guidance set out by the Hong Kong Stock Exchange on 25 June 2021.

In terms of risk management amid macro uncertainties, the Group aims to further improve its risk resistance capacity by further strengthening the management of net credit exposure and the stress testing of solvency and loan-to-value ratio. The Group will continue to improve our business to become an all-rounded financial services provider, thereby maximizing the value for our shareholders.

## **FINANCIAL REVIEW**

### **Interest and services income**

For the six months ended 30 June 2021 (the “Reporting Period”), the Group reported interest, guarantee and financing consultancy services income of approximately HK\$158,976,000, a decrease of 59.8% as compared to approximately HK\$395,657,000 for the corresponding period in 2020. Decrease in revenue was mainly due to (i) the Group has tighten risk management and took a conservative approach on granting new loans, (ii) cash received from repayment of clients was used to repay borrowings and bank loans.

### **Interest and handling expenses**

Interest and handling expenses represent finance costs for the Reporting Period. The amount was approximately HK\$113,067,000, representing a decrease of 31.6% over the corresponding period in 2020. The decrease in finance costs was caused by repayment of borrowings and loan payables and some bank loans during the Reporting Period.

### **General and administrative expenses**

General and administrative expenses for the Reporting Period were approximately HK\$66,533,000, primarily comprised staff costs and related expenses, consultancy fee and general office expenses. The management will closely monitor on costs control to ensure general and administrative expenses are maintained at a reasonable level.

### **Loss for the period**

Loss for the Reporting Period attributable to equity shareholders for the Company was approximately HK\$100,636,000, representing a decrease of about 57.4% as compared to approximately HK\$236,362,000 for the corresponding period in 2020.



## **Financial Resources and Capital Structure**

The major non-current assets of the Group were mainly comprised of property, plant and equipment of approximately HK\$25,216,000, loan receivables of approximately HK\$320,115,000, goodwill of approximately HK\$439,393,000, intangible assets of approximately HK\$33,473,000, deposits of approximately HK\$35,000,000, other financial assets of approximately HK\$15,026,000, deferred tax assets of approximately HK\$14,057,000 and interests in associates of approximately HK\$20,538,000.

Current assets mainly comprised of loan receivables of approximately HK\$1,909,453,000, account receivables of approximately HK\$199,000, interest receivables of approximately HK\$9,655,000, contingent consideration receivables of approximately HK\$8,665,000, other receivables, deposits and prepayments of approximately HK\$83,900,000, amounts due from associates of approximately HK\$60,603,000 and cash and cash equivalents of approximately HK\$685,724,000.

Current liabilities mainly comprised of borrowings and loan payables of approximately HK\$1,521,610,000, liabilities arising from loan guarantee contracts of approximately HK\$119,820,000, consideration payables of approximately HK\$96,143,000, security deposits received of approximately HK\$7,512,000, unsecured bonds of approximately HK\$111,721,000, other payables, accruals and deposit received of approximately HK\$93,097,000, amount due to an associate of approximately HK\$3,089,000, income received in advance of approximately HK\$1,196,000, lease liabilities of approximately HK\$10,769,000 and tax payables of approximately HK\$171,713,000.

Non-current liabilities includes borrowings and loan payables of approximately HK\$169,371,000, unsecured bonds of approximately HK\$154,636,000, lease liabilities of approximately HK\$6,267,000 and deferred tax liabilities of approximately HK\$38,990,000.

## **Employee and Remuneration Policies**

As at 30 June 2021, the Group had approximately 167 employees in the PRC and Hong Kong. Competitive remuneration packages and performance-based bonuses are structured to commensurate with individual responsibilities, qualifications, experience and performance. The Group also set up share option scheme and share award scheme for the purpose of providing incentives to eligible grantees. Total staff costs for the Reporting Period were approximately HK\$40,361,000.

## **Charge on assets**

As at 30 June 2021, the Group pledged the entire equity interest of Brilliant Star Capital (Cayman) Limited and KP Financial Holdings Limited, wholly owned subsidiaries of the Company, to secure the issue of the note payable with principal amount of HK\$243,000,000. As at 30 June 2021, the Group had pledged its mortgage loan receivables with net book value of approximately HK\$10,800,000 to secure loan facilities granted to the Group.

## **Capital Management**

The Group's primary objectives when managing capital are to safeguard the group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The capital structure of the Group consists of net debt, which includes the borrowings and loan payables, bank loans, security deposits received, consideration payables, amount due to an associate, unsecured bonds and loan liabilities disclosed in respective notes, net of cash and cash equivalents and equity attributable to owners of the Company, comprising share capital and other reserves.

Based on the Group's current and anticipated level of operation, the Group's future operations and capital requirements will be mainly financial through borrowings and share capital. There were no significant commitments for capital expenditure as at 30 June 2021.

## **Fair Value Estimation**

The carrying amounts less impairment provision of the financial assets and the carrying amounts of the financial liabilities are assumed to approximate their fair values.

## **Contingent Liabilities**

The Directors consider that the Group had no material contingent liabilities.

## **FOREIGN EXCHANGE AND CURRENCY RISKS**

The Group's monetary assets, liabilities and transactions are principally denominated in Renminbi ("RMB") and Hong Kong Dollars ("HKD"). The Group, with HKD as its presentation currency, is exposed to foreign currency risk arising from the exposure of HKD against RMB. The Group has a net exchange exposure to RMB as the Group's assets are principally located in the PRC. The Group manages and monitors foreign exchange exposures to ensure appropriate measures are implemented on a timely and effective manner. The Group did not engage in any derivative activities and did not commit to any financial instruments to hedge its statement of financial position exposure to fluctuations in exchange rates as at 30 June 2021.

## **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 6 January 2023.

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

There was no purchase, sale or redemption by the Company or any of its subsidiaries of its securities during the six months ended 30 June 2021.

## **SHARE AWARD SCHEME**

During the Reporting Period, there were 6,962,700 shares held in trust by the trustee under the Share Award Scheme and no awards have been granted or agreed to be granted under Share Award Scheme.

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

## **INTERIM DIVIDEND**

The Board does not recommend the payment of any interim dividend for the Reporting Period (six months ended 30 June 2020: Nil).

## **CORPORATE GOVERNANCE**

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

### **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 officer 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.

On the date of this announcement Mr. Zhang Min is the chief executive officer of the Company and assume the duties of chairman of the Board temporarily until a new chairman has been elected.

### **Code Provision A.6.1**

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

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

### **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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

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

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

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

## **AUDIT COMMITTEE**

The audit committee of the Company (the “Audit Committee”), which comprises one non-executive director and four independent non-executive directors, has reviewed the interim results for six months ended 30 June 2021. The Audit Committee considered that the unaudited condensed consolidated interim financial information 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.

## **EVENTS AFTER THE REPORTING PERIOD**

The followings are the material subsequent events after the Reporting Period ended 30 June 2021.

- (i) On 24 December 2021, the Company announced Mr. Zhang Min (“Mr. Zhang”) has been appointed as a non-executive director of the Company.
- (ii) On 25 April 2022, an ordinary resolution proposed at the Annual General Meeting in relation to the approval of the appointment of Baker Tilly Hong Kong Limited as the auditors of the Company following the retirement of Crowe (HK) CPA Limited with effect from the conclusion of the Annual General Meeting and until the conclusion of the next annual general meeting of the Company.

- (iii) On 17 October 2022, Mr. Zhang has been re-designed from a non-executive director to an executive director of the Company and Mr. Fang Feiyue resigned as a non-executive director of the Company to focus on his personal business commitment.
- (iv) On 22 November 2022, the board of directors of the Company announced that Mr. Zhang who is an executive director of the Company has been appointed as the CEO of the Company with effect from 22 November 2022. The Company has established a Business Risks Committee (the “Committee”) with Mr. Zhang as the chairman of the Committee and all independent non-executive directors as members. The main responsibility of the Committee is to approve any loan, investment or guarantee transaction exceeding the sum of RMB30,000,000, other than notifiable transactions and connected transactions as defined by the Listing Rules which are approved by the Board.
- (v) On 16 December 2022, the board of directors of the Company announced that Dr. Cheung Chai Hong has tendered his resignation as an executive director of the Company with effect from 17 December 2022. Mr. Chan Yuk Ming has tendered his resignation as a non-executive director of the Company and chairman of the Board with effect from 17 December 2022.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT**

The results announcement is published on the websites of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company at [www.cfsh.com.hk](http://www.cfsh.com.hk).

The 2021 Interim Report will be despatched to shareholders and published on both websites in due course.

On behalf of the Board

**Zhang Min**

*Executive Director & Chief Executive Officer*

Hong Kong, 6 January 2023

As at the date of this announcement, the directors of the Company are:

*Executive Director:*

Mr. Zhang Min (*Chief Executive Officer*)

*Non-executive Directors:*

Mr. Wu Xinjiang

Mr. Tao Chun

*Independent Non-executive Directors:*

Mr. Chan Chun Keung

Mr. Lee Ka Wai

Dr. Zhang Xiao Jun

Madam Zhan Lili